Insights from the Kansas City Fed Energy Survey

9th Annual DUG Midcontinent Speech
March 3, 2022

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*The views expressed herein are those of the presenter only and do not necessarily reflect the views of the Federal Reserve Bank of Kansas City or the Federal Reserve System.*
The “Fed” consists of three main entities:

- Board of Governors: 7 members appointed by U.S. President
- Federal Reserve Banks: 12 total; semi-independent by design
- Federal Open Market Committee: 19 members; 12 voting

Primary responsibility areas:

- Monetary policy
- Bank regulation
- Financial services
Kansas City Fed Energy Survey Details

- Began in Q1 2014 to more closely track booming oil and gas sector
- Was first Federal Reserve energy survey, now Dallas also has one
- Survey of mostly E&Ps and oilfield services, plus some midstream
- Survey receives between 30 and 40 responses per quarter
- Conducted quarterly in the last 2 weeks of each quarter
- Released within first 2 weeks of following quarter
  - Most recent release, January 7, 2022
  - Next release, April 8, 2022
2021 Kansas City Fed Energy Survey Respondents

**Geography**

- OK: 18
- KS: 15
- CO: 10
- WY: 5
- NM*: 4

**Firm Size (employees)**

- <25: 10
- 25-100: 15
- 100-500: 15
- >500: 5

*The Tenth Fed District includes just the northern half of New Mexico.

Source: FRBKC Energy Survey
Oil and natural gas prices have risen considerably, and remain highly profitable for most regional firms.

**Energy Prices**

- WTI Crude Oil Price, left
- Oil: Avg. Profitable Price, left
- Oil: Avg. Substantial Increase Price, left
- Henry Hub Natural Gas Price, right
- Natural Gas: Avg. Profitable Price, right
- Natural Gas: Avg. Substantial Increase Price, right

Sources: EIA/Haver Analytics, FRBKC Energy Survey
Regional energy activity continued to increase through Q4 2021, with a solid outlook for future growth.
Supply constraints and access to credit were largely unchanged at year-end 2021, but pay was up strongly.
In Q4 2021, nearly 70% of firms had higher capex plans for 2022, with many also planning emissions reductions.

“What are your expectations for your firm’s capital spending plans in 2022 vs. 2021?

% of firms

Increase significantly
Increase slightly
Remain close to 2021 levels
Decrease slightly
Decrease significantly

“Which of the following plans does your firm have? (check all that apply)”

% of firms

Plan to reduce CO2 emissions
Plan to reduce methane emissions
Plan to reduce flaring
Plan to recycle/reuse water
None of the above

Source: FRBKC Energy Survey
Selected Q4 2021 Comments:

- “There is not enough investment for replacement barrels [of oil]. Supply may shrink and demand will stay similar or even grow.”

- “Not enough new reserves are being drilled to replace existing production.”

- “If demand picks up from drop in COVID cases, I think oil prices [will increase] within a few months. Then demand destruction kicks in and more EVs are sold and by mid to end of decade we see gasoline demand actually start to plateau and even drop.”

- “Plenty of gas in the USA; European and Asian demand will fall off significantly.”

- “Inability to permit enough LNG to balance the market in the US. Persistent disparity between US and global spot prices.”

- “Inflation is hitting the equipment purchases for new wells.”

- “Pressure to moderate spending from investors.”
To learn more or participate in our surveys, visit our website: [www.kansascityfed.org/surveys/energy-survey/](http://www.kansascityfed.org/surveys/energy-survey/)