U.S. Shale in Global Energy Transition

Energy and the Economy: The New Energy Landscape
Dallas & Kansas City Federal Reserve Banks

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Who We Are

161
BILLION DOLLAR MARKET CAPITALIZATION¹

1,692
THOUSAND BARRELS OF OIL EQUIVALENT PER DAY Q2 2022

>20
BILLION BARRELS OF OIL EQUIV. LOW COST OF SUPPLY RESOURCE²

9,400
EMPLOYEES WORKING ACROSS 13 COUNTRIES³

PARIS ALIGNED
FIRST US E&P TO ANNOUNCE NET ZERO OPERATIONAL EMISSIONS AMBITION BY 2050⁴

¹Based on October 26, 2022 closing price.
²As of Dec. 31, 2021, cost of supply is West Texas Intermediate equivalent oil price that generates a 10% after-tax return on point-forward and fully burdened basis.
³As of June 30, 2022.
⁴Scope 1 and 2 emissions on a net equity and gross operated basis.
Major Global Upheavals in Just Three Years

- COVID-19 Pandemic
- Russia Invades Ukraine
- Geopolitical Tensions

**World Real GDP Growth (Annualized %)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>5%</td>
<td>15%</td>
<td>25%</td>
<td>35%</td>
<td>25%</td>
<td>15%</td>
</tr>
</tbody>
</table>

**WTI Price ($/BBL)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>0</td>
<td>20</td>
<td>40</td>
<td>60</td>
<td>80</td>
<td>100</td>
</tr>
</tbody>
</table>

**Europe – U.S. Natural Gas Price Spread* ($/MMBTU)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spread</td>
<td>0</td>
<td>20</td>
<td>40</td>
<td>60</td>
<td>80</td>
<td>100</td>
</tr>
</tbody>
</table>

* Dutch Title Transfer Facility (TTF) for Europe, Henry Hub for U.S.
World Energy Needs are Growing

- Fossil Fuels deliver 80% of global energy needs
- Legacy fuels do not disappear when new ones emerge
- Oil and gas are crucial in meeting world energy needs

GLOBAL PRIMARY ENERGY CONSUMPTION
1800-2019

Rapid Decarbonization Will Take Trillions

Full-cost estimates to meet Net Zero by 2050: $4-10 Trillion \textit{annually}

Upstream Oil & Gas investment still required to maintain existing fields and develop new resources

\begin{itemize}
\item \textbf{FUEL} \\
\textbf{ELECTRICITY} \\
\textbf{INFRASTRUCTURE} \\
\textbf{END USE}
\end{itemize}

CUMULATIVE COSTS BASED ON IEA NET ZERO CASE

\begin{itemize}
\item \textbf{FUEL} \\
\textbf{ELECTRICITY} \\
\textbf{INFRASTRUCTURE} \\
\textbf{END USE}
\end{itemize}

\begin{itemize}
\item \textbf{FUEL} \hspace{1cm} 14 \hspace{1cm} TRILLION REAL $ \\
\item \textbf{ELECTRICITY} \hspace{1cm} 34 \hspace{1cm} TRILLION REAL $ \\
\item \textbf{INFRASTRUCTURE} \hspace{1cm} 27 \hspace{1cm} TRILLION REAL $ \\
\item \textbf{END USE} \hspace{1cm} 50 \hspace{1cm} TRILLION REAL $ \\
\item \textbf{TOTAL} \hspace{1cm} 125 \hspace{1cm} TRILLION REAL $
\end{itemize}

\footnotesize{\textsuperscript{1}Total investment estimated from the average annual investment presented in the IEA 2021 Net Zero by 2050 Report}
Oil & Natural Gas Needed Even in 1.5 Degree Energy Scenarios

GLOBAL OIL DEMAND
(MMBD)

GLOBAL NATURAL GAS DEMAND
(BCFD)

Source: Government agencies, Industry Consultants, Publicly available Corporate Scenarios
Global Supplies: U.S. Production is Vital

GLOBAL LIQUIDS SUPPLY (% SHARE)

- U.S.: 20%
- ROW
- OPEC
- Russia

GLOBAL NATURAL GAS SUPPLY (% SHARE)

- U.S.: 25%
- ROW
- Russia
- Europe
- Australia
- Qatar

Sources: IEA (oil), IHSM (gas). Year 2022 estimates shown.
U.S. Oil Production: Growth from Tight Oil

**U.S. Tight Oil**
(YEARLY GROWTH, MMBD)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2017</th>
<th>2019</th>
<th>2021</th>
<th>2023</th>
<th>2025</th>
</tr>
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<tbody>
<tr>
<td>Value</td>
<td>0.5</td>
<td>2.0</td>
<td>1.0</td>
<td>0.5</td>
<td>1.0</td>
<td>0.5</td>
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**U.S. Oil* Production**
(MMBD)

*Crude and Condensate

Source: IHS Markit, now a part of S&P Global Commodity Insights, ©2022 by S&P Global Inc. [All rights reserved.]
U.S. Natural Gas Production: Low-Cost Unconventionals

U.S. NATURAL GAS
(YEARLY GROWTH, BCFD)

Source: IHS Markit, now a part of S&P Global Commodity Insights, ©2022 by S&P Global Inc. [All rights reserved.]
U.S. E&P Activity

LOWER 48 HORIZONTAL RIGS AND FRAC CREWS
(COUNT)

LOWER 48 UPSTREAM CAPEX
(US$ BILLION)

Source: Rystad Energy, UCUBE and ShaleWellCube, October 2022
Headwinds to U.S. Oil and Gas Production Growth

- Supply Chain Constraints
- Capital Discipline
- Government Policy Uncertainty
Concluding Remarks

• U.S. oil and natural gas output poised for growth

• Oil and Natural Gas are critical to world energy needs and enabling a lower carbon future

• Durable government policies needed