



2020 oil and gas industry outlook

Executive summary

How can oil and gas companies keep on top of an ever-evolving industry? We are past the bullish years of \$100 per barrel oil, but the lows of the price crash and extended oil downturn seem just as remote as well. As always, there are headwinds and tailwinds, risks and opportunities, but along with the uncertainties there are a number of foreseeable trends that companies should expect.

Executives in the oil and gas industry will need to stay on top of wider macroeconomic and business environmental risks, many of which seem to be gaining strength. The weakening economic growth in both the United States and abroad, intensifying trade tensions, and proliferating geopolitical risks are becoming increasingly front of mind as companies tackle the challenges of running a business in a volatile commodity price environment.

What to expect in 2020:



Market fundamentals remain mixed

Trade disputes and a slowdown in economic growth could weigh on 2020 oil and gas market fundamentals.



Global oil supply seems secure

Despite geopolitical upheaval across the Middle East and in Venezuela, oil supply remains secure thanks to growing US production and healthy stocks.



Liquid natural gas (LNG) keeps growing

LNG markets continue to grow thanks in no small part to the United States where export capacity could hit 10 bcfd by 2021.



Financial performance needs to improve

The industry struggles to appeal to investors as weak cash flows and high levels of debt offset robust dividends and strong production growth.



The energy transition is gaining momentum

Fossil fuel consumption is expected to continue to grow through the middle of the century, but peak demand forecasts vary.

How to prepare for 2020:

Executives will need to remain vigilant in 2020 while standing ready to embrace new opportunities for profitable growth in an evolving market landscape. Thanks to the lessons learned from the most recent boom and bust cycle, the industry is better equipped to face the future than it has been at any other point in the past decade. Still, there are fundamental, long-term challenges that they will have to face. Companies should build capabilities for the coming energy future while improving their operations and balance sheets today. Renewed emphasis on financial discipline and prudent investment strategies should help, but there will always be more to do. 2020 will offer a lot of opportunities for well-positioned companies.

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