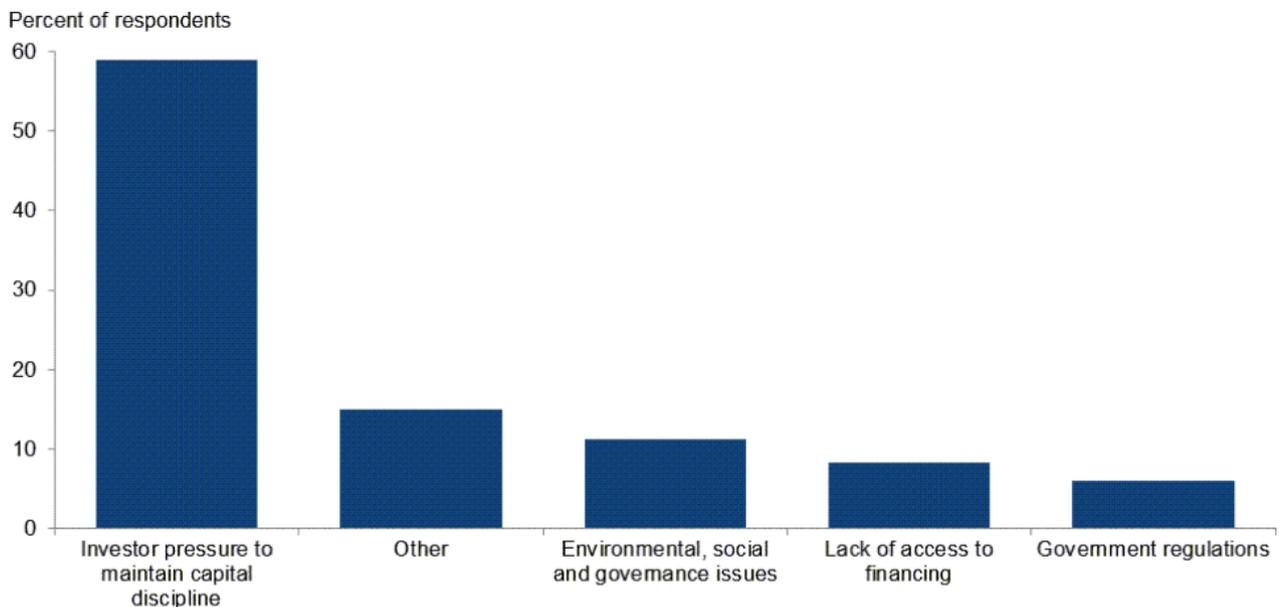


Oil CEO Survey for halting production

Which of the following is the primary reason that publicly traded oil producers are restraining growth despite high oil prices?

Slightly over half—59 percent—of executives believe investor pressure to maintain capital discipline is the primary reason that publicly traded oil producers are restraining growth despite high oil prices. Fifteen percent of executives said “other,” and 11 percent note environmental, social and governance issues. For respondents who said “other,” the primary reasons were personnel shortages, limited availability of equipment and supply-chain issues. An additional reason cited was uncertainty regarding future oil prices and whether they would stay high. Some felt that a combination of reasons is equally responsible for driving restraint.



NOTE: Executives from 132 oil and gas firms answered this question during the survey collection period, March 9–17, 2022.
SOURCE: Federal Reserve Bank of Dallas.

[Downloadable chart](#) | [Chart data](#)

Special Questions Comments

Exploration and Production (E&P) Firms

- The industry is facing serious supply issues for the materials needed to grow production. The supply-chain issues and shortage of materials are unprecedented. We are also facing serious workforce issues because a meaningful portion of the labor force left the industry during the downturn and due to the vilification of the oil and gas industry. The message from the White House, Capitol Hill and Wall Street has been that oil and gas is a dying industry and one that needs to be abandoned. Even if funding were available and supply-chain issues were resolved, it is unlikely that the labor shortage will be resolved any time soon and simply by paying higher wages.
- Traditional lending and capital markets access for exploration and production companies are down across the board over the last several years and historically low compared to the commodity environment we are in today. Private-equity capital for oil and gas is down 70 to 80 percent over the last several years. Is this a response to low-carbon and/or ESG-related interest by banks and investors, or is it in part to the market adjusting to an administration that made it clear from day one they do not support new oil and gas development and have put appointments in key agencies in place that support this view? It is probably both, but that still tells smaller public and private independents that they cannot rely on external capital, and that they should restrain their budgets accordingly, at a time when supply growth would certainly help. Exploration and production companies need to keep engaging on why responsible oil and gas development and growth in energy-transition technology is the right combination to give consumers the best outcome, so there is more bipartisan support for sound energy policy.
- The U.S. needs to increase production by about two million barrels per day to balance global supply and demand in 2023. It is looking unlikely that this will happen, which will result in sustained higher energy prices until the American consumer is pushed into a recession. The industry leadership continues to be lackluster, swinging from demands for proration in 2020 to demands for the administration to call them to increase production in 2022. The compelling future of the upstream business needs to be to grow production to meet worldwide demand during the energy transition while maintaining returns on capital employed and the world's highest environmental, social and governance (ESG) standards. Unfortunately, no leaders have this thesis.
- My business has changed drastically due to the hostile political situation in Colorado toward the oil and gas industry. In the first quarter of 2021, I divested all properties in the state of Colorado due to the unbelievably hostile and increasingly aggressive regulatory environment driven by anti-fossil-fuel ideology. This has created an unstable and unpredictable place to do business in Colorado. The administrative state, driven and encouraged by the governor and legislature, has been given carte blanche to become judge, jury and executioner of the oil and gas industry.
- The U.S. needs to fast track infrastructure, such as the Keystone pipeline, Mountain Valley pipeline, Constitution pipeline and liquefied natural gas export facilities and eliminate the Jones Act. Regulation is significantly hurting and hampering U.S. energy production. Safety and environmental standards in the U.S. are better than in major exploration and production areas internationally. The U.S. needs to prioritize U.S. energy and the U.S. supply chain.
- Investors dumped huge funds into shale drilling only to discover that when oil prices dropped, very little value existed at the end of the day. Investors have demanded restraint and capital discipline of their client companies. Government posturing and increased regulations are severely hampering the entire industry. Permitting roadblocks and politically emplaced barriers should be removed as this is dampening the willingness of anyone trying to bring new investments to the industry, regardless of that investment being for a private or public entity.
- Publicly traded companies need to see the West Texas Intermediate crude oil strip-price backwardation muted before they will consider growing again.
- The probability distribution of prices is now more weighted toward lower prices for several reasons. First, at some point, the Russia–Ukraine war may cause demand destruction. Second, renewed city shutdowns in China indicate that COVID-19 could cause another recession in conjunction with the impacts of the Russia–Ukraine war. Third, a return to “normalcy” without precautionary buying due to the Russia–Ukraine war will remove some of the added demand that has fueled higher oil prices over the past several months.
- U.S. government actions and intentions are not helping U.S. producers to increase domestic oil and gas supplies appreciably.
- Increasingly onerous government regulations and/or policies regarding upstream, midstream and downstream (refining) operations have made it difficult for companies in these sectors to make money. Geopolitical risk and concern about higher taxation have also impeded activity.
- Supply and demand are now subjected to significant domestic and international political and market conflicts and disruptions, resulting in a significant challenge to develop credible strategic assessments and planning. This has resulted in a preference for risk avoidance with respect to strategic capital commitments.

<https://www.dallasfed.org/research/surveys/des/2022/2201#tab-questions>

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