

HAYS OIL & GAS GLOBAL QUARTERLY REPORT

July 2012

Despite the turmoil of world markets in reaction to the ongoing debt crisis in Europe, the oil and gas recruitment markets have, for the most part, remained positive. The most significant change in response to the global economic environment has been the length of the recruitment process, which has stretched out as employers take their time to ensure that the right candidate fits the job and that the business imperative to hire is satisfied beyond question.

Whilst the feeling of unease has undoubtedly eroded confidence in hiring, there is a general perception that, specifically where the oil and gas industry is concerned, the key drivers remain in place - most notably increasing world demand for energy - and that any downturn may be brief. The fact the oil price has come off its highs but maintained a level above the \$80 bbl (for now) has not caused too much panic and this reflects the underlying confidence in the long-term well being of the industry.

Reinforcing this view is the continuing strong demand for exploration staff, specifically for geologists and petro-physicists in the major oil centres around the world. This activity has in turn led to strong demand for reservoir engineering and drilling staff.

On the projects side project engineering and management continue to drive demand, as does the need for good project controls staff.

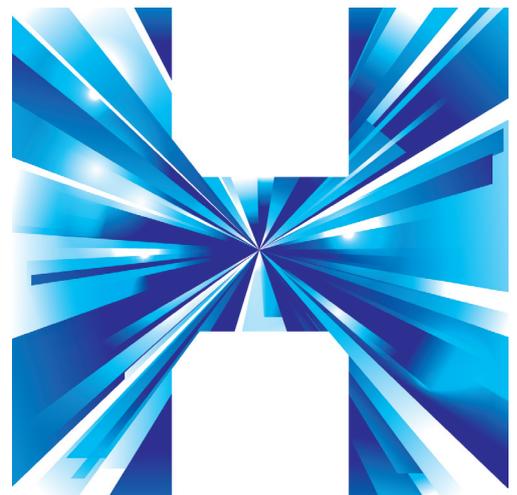
In terms of geographic strength Asia led the way with many of the planned projects coming to fruition and ramping up demand. However as we move through this latest cycle we have seen the movement of people between countries become much more prevalent. The world is becoming a much smaller place. The two big importers of skills in the quarter were the Asian markets and South America.

Skill shortages have started to bite in a number of areas and this has seen a general increase in poaching by companies and competitors from one another, eager to employ locally based staff. Where this is occurring between clients and suppliers it is causing some ill feeling, however there appears to be very little done to actively counter this and there is a certain resignation that this trend is to be expected.

One way in which companies are seeking to protect their human capital is in a general shift away from contractors towards permanent staff. This is often done with a view to gaining some buy-in from the workforce and trying to reduce the attrition rate, as well as the wage bill. Clearly this is only done where there is some confidence that the buoyant market will continue, so it is another vote of confidence that we will not see any fall off in activity just yet.

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AUSTRALIA

The market is still very buoyant, with Queensland and Western Australia powering Australia's oil & gas industry.

Gladstone in Queensland is a hive of activity with the construction phases of new facilities getting into full swing, including gas trains, processing facilities and port facilities. It is anticipated that between 2012 and 2015 over 5,000 blue collar and white collar employees will be needed for these projects.

In Queensland all three major projects (GLLNG, APLNG and QGCLNG) are ramping up their recruitment activity. The Arrow and Shell JV are increasing their recruitment drive too. As mentioned, the key activity driving recruitment at the moment is the construction work being carried out at Gladstone, which has required a large number of Civil Supervisors, H&S Advisors and Environmental Consultants. Some of the major EPCM's are undertaking similar recruitment drives around the globe to pull in talent from other regions to meet their staffing requirements and combat skill shortages.

But despite the pent up demand there is still reluctance on behalf of employers to sponsor candidates.

Due to the continued demand of mega-projects in Western Australia, such as Gorgon, Wheatstone and Ichthys, as well as the increasing needs for staff on the East Coast, we have seen a rise in the number of requests on the West Coast for Environmental Specialists & Advisors and Discipline Engineers. Integrity Engineers and senior level Managers have also been sought, as more operations & maintenance companies enter the West Australian marketplace seeking new lucrative contracts.

In the West there appears to be more appetite for overseas hires particularly from the UK and Canada. Some companies are also choosing to offer more apprenticeships and graduate recruitment so they have more control over their own long-term pipeline of human capital.

SINGAPORE, MALAYSIA & INDONESIA

Asia Pacific continues to be the region targeted by global MNC's to achieve growth. Although global economic conditions have an impact on overall activity, Asia Pacific is insulated to some degree from the vagaries of the Eurozone crisis and fall out from Arab Spring with the caveat that the price of oil remains over \$70.

Singapore is currently driven by a strong market in construction of FPSO and topside structures. Malaysia and Indonesia are looking at exploration of deepwater fields. In addition, major ONG and LNG Refinery projects in Malaysia and Indonesia are currently in FEED stage and look set to deliver strong demand over the next three years.

Exploration and production of Asia Pacific's natural gas and oil fields is driving requirements for Geophysicist, Geoscientists and Reservoir Engineers to work for a wide range of independent operators and majors. In addition, Senior Drilling Engineers are needed, especially Malaysian and Indonesian nationals to maintain local content requirements for both countries.

There is still a strong drive to recruit returning Asia Pacific nationals ahead of expatriates. When experienced foreign talent is hired, they are offered local packages, or a package offering an inflated basic salary but the candidate is then required to pay for their own accommodation, tax and flights.

Ensuring they maintain salary levels they can achieve in other Regions before will consider returning home + keen to make sure roles can offer them same career path.

CHINA

The upstream market in China remains very buoyant. Further afield and given rising energy demand locally, NOCs such as PetroChina, Sinopec and CNOOC are taking a more aggressive strategy to enter overseas E&P markets by acquiring assets and co-investing with IOCs worldwide. This is putting further strain on the domestic talent pool as the operators seek to take experienced talent with them to other regions.

In domestic markets, the state oil companies are opening up their assets to JV's with foreign oil majors where they can bring their specialist expertise to bear. This is particularly evident on non-conventional gas projects in Western China. In addition, foreign oil majors are still involved in the co-development of deepwater projects near the South China Sea.

Within the downstream industry, NOC's are focusing on investments to meet domestic consumption needs and they are partnering with foreign Oil Majors such as Shell, Qatar Petroleum, PDVSA, and BP.

Several ongoing projects are in their initial stages, which is driving recruitment activity in China. This includes Fushun-Yongchuan blocks in the Sichuan Basin, China (Shell/CNPC), Jinqiu blocks of central Sichuan Province (Shell/CNPC); Chevron CDB (II phase); South China Sea for the deepwater Block 30/27(ENI/CNOOC); as well as some downstream projects the 400,000 barrels-per-day (bpd) Jieyang plant (CNPC/ PDVSA).

E&P Geologists, Petro-physicists, Reservoir Engineers, Drilling Engineers and Geo Modelers are in constant demand in the Chinese market. In addition, EPCM companies such as Fluor are setting up in Beijing and this will create demand for engineering, project management, HSEQ, contract and procurement skills as the year progresses.

A growing trend for both private Chinese companies and MNCs is to recruit overseas based Chinese nationals willing to return to the domestic market. Just how many of these individuals remain overseas, and more importantly are willing to consider (more often than not) a drop in salary to return, remains to be seen.

INDIA

While India's domestic upstream oil prospects appear to be limited, the discovery and ongoing development of significant gas resources has changed the import picture for the better. However this has thrown the gas sector into turmoil as the industry struggles to assess its future LNG needs. Demand trends however remain healthy and there is a requirement for continued investment in refining capacity to keep pace with the continuing reliance on foreign crude.

Gas demand is rising fast across the industrial, residential and power sectors. Average annual demand growth of at least six per cent is forecast over the next several years, accelerating as domestic field development and LNG import deals make more gas available.

Growth in near-term oil production is expected from the Rajasthan block, while we see gas production in the KG Basin recovering following BP's farm-in with Reliance. Greater development of offshore and unconventional gas resources should result in a rise in gas production, although this rise will not be enough to reduce liquefied natural gas (LNG) imports, which will also rise in line with demand.

India's refining segment will enjoy rapid expansion over the coming decade, with new projects adding to the country's

already-large refining capacity. India is set to overtake Singapore as Asia's top exporter of refined fuels over 2011-21.

India's business environment remains challenging, with little improvement noted last year. The slow progress of the 2010-11 Cairn Energy-Vedanta Resources deal highlighted the highly bureaucratic nature of policy making, while the Indian government continues to set prices for natural gas and refined fuels such as diesel, LPG and kerosene.

This said the energy demands of the country are such that there continues to be recruitment demand within both E&P and the refining sector, with companies ensuring that required investment is made. As a result, MNC's like Cairn India and Shell have started attracting candidates not only from the domestic market, but also other regions of the world.

In most demand at present are E&P candidates such as Geologists, Petro-physicists, Reservoir Engineers, Drilling Engineers and Geo Modellers.

Employers have started attracting candidates from technical institutes as graduates, then providing them with the training required to prepare them for the future.

UNITED ARAB EMIRATES

The Middle East's market has become quite turbulent due to the fall in the price of oil, which has dropped by almost 25 per cent over the last quarter. This has forced companies to rethink their current strategies.

This said in general visa restrictions have relaxed and companies are beginning to look at candidates in Canada, Central and Southern America to meet their staffing needs. However the importation of skills from new regions is somewhat untested and can be a lengthy exercise. As a result, we advise strong partnerships with those with the previous experience in international campaigns.

Most recruitment activity is created by the need to replace departing staff, with approximately one quarter of roles being newly created.

There is a strong demand for maintenance personnel across mechanical, electrical and instrumentation disciplines. Companies are interested in candidates who are able to coach, mentor and train others in their teams, particularly country nationals who lack this level of expertise.

Proactive companies are exploring suggestions to enable a faster selection and on-boarding process.

Candidates within the region are also becoming much more selective in the jobs they will consider, with most seeking a salary increase of 15 to 25 per cent to move.

The attraction of candidates from external regions is also proving difficult as all GCC OPCO's are under pressure to nationalise as many positions as possible. As a result, it is taking longer to obtain hire approval for expatriates and successful hires are facing longer processing times. Yet candidates are increasingly being tempted by offers from outside of GCC, which are usually processed much faster, ultimately at the expense of a successful hire in the Middle East.

RUSSIA

There are no signs of abating activity in the Russian oil and gas sector despite falling oil prices and the financial instability across various regions. Yamal Gas and Yamal Oil projects are driving demand for operations professionals. There are also a growing

number of roles in the upstream sector.

Candidates with drilling, cementing, well completions and field construction experience are currently in high demand.

Companies are dedicating a lot more resources to the development of current employees' rotation and succession planning. They are also now driven to retain talent, which is reflected in the rising number of counter-offers.

THE UNITED KINGDOM

Back in May of this year the 27th North Sea licensing round for oil and gas drilling broke all previous records for the number of applications received by the Government. Over 220 applications were submitted covering 418 blocks of the UK Continental Shelf. It is the largest number since offshore licensing began in 1964.

Against this backdrop the UK employment market has continued to strengthen. Add to this the support that UK based skills lend to global projects, and it is no surprise that demand for experienced staff continues to grow.

The usual demographic issues remain prevalent with many employers looking to surrounding industries for support. Those with business critical projects underway have taken action by starting to reward employees more generously than the competition. This has the obvious knock on effect of increased salaries and a lack of parity in remuneration between similar organisations.

Employees continue to vote with their feet and are targeting companies with the most attractive projects, rates and career paths. The role of digital media and PR in this trend is not to be underestimated.

Two key themes have emerged over the last two quarters. The first is the heavy reliance on contractors for the bulk of the workforce. The second is diversity and inclusion. It is likely that they will remain strong themes throughout the remainder of 2012 and into 2013. Hays Oil & Gas is actively supporting a select number of companies in how they tackle these issues.

In April this year, there were significant changes made to the Visa system for skilled workers. The market is now starting to see the impact of this change, which has prompted substantial changes in how recruitment teams operate. This is most notable when recruiting highly specialist candidates where the skills pool is truly global. Companies unable to sponsor will find themselves in an even more competitive market.

The UK continues to see strong demand across the majority of disciplines. Geosciences and subsurface disciplines remain in particularly high demand as do specialist design skills utilised throughout the FEED stage. Three specific skills are most sought after: exploration Geophysicists, Subsea Installation Engineers and Offshore Structural Engineers with Jackets experience.

The opinion of candidates is starting to change, especially those interested in staff roles. They are becoming increasingly sceptical of how their personal details are being used. As the recruitment services market becomes more crowded the more generalist approach of mass CV sending is becoming more commonplace. As such candidates are being more cautious with whom they interact and who they trust to help them identify the right opportunity.

SURF projects in particular are driving recruitment activity in the North Sea. Due to an increasing number of subsea tie-backs to retain wells, there is an increasing need for subsea construction and installation. This includes design, transportation, manufacture, fabrication, installation and repair.

BRAZIL

Much of Brazil's media coverage has focused on the huge E&P projects being invested in by Petrobras, the country's burgeoning NOC. However there is also the very real issue of refining capability that the country is facing as a consequence of this upstream investment. With the last refinery constructed in the country 30 years ago, the infrastructure is ill equipped to deal with such a large increase in demand.

To combat this shortfall Petrobras is investing in the refurbishment of existing out of date assets, along with building new installations. From 2012 to 2015 the country will develop four new assets.

Due to this investment in the Brazilian 'Refinery Park', EPC companies are negotiating huge and complex contracts with Petrobras and recruitment activity is increasing in order to attend all the projects. This includes an increasing number of design roles in structures, process, automation and electrical engineering at all levels, from intermediate to job leaders.

Due to the high demand for these professionals and the current skills shortage, salaries are increasing in the design disciplines. In order to be more competitive and attract candidates, some companies are contracting candidates as consultants instead of permanent employees.

As projects are very similar, candidates are seeking new opportunities with higher salaries. They are less worried about job security and more about higher compensation packages.