

An aerial view of an offshore oil rig in the middle of the ocean. The sun is low on the horizon, creating a golden glow over the water and the rig. The sky is filled with dark, heavy clouds, and the water has a textured, rippled surface. The rig is a complex of metal structures, including a tall derrick and various platforms.

## Transforming the Oil and Gas Industry (ESG: One of Many Inter-related Transitions)

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*1<sup>st</sup> June, 2021*

UK / Norway Focus

- 1** Low Carbon Transition
- 2** Ownership Transition
- 3** Oil to Gas Transition
- 4** Capital Transition
- 5** Digital Transition
- 6** Regulatory Transition

- ▶ **1985:** Industrial Holding drilling technology, IPO then sale to Varco National Oilwell
- ▶ **2002 - 2021:** Private Equity Funds \$6.7 billion
- ▶ **Investments:** All parts of energy value chain fossil and non fossil
- ▶ **Three Oil and Gas Production companies:** Var / Sval / Neo
- ▶ **Last 3 years:** 22 deals / \$18 billion value / \$10 billion of debt
- ▶ **North Sea Opportunity Fund:** March 2020 \$660 million
- ▶ **Neo Energy:** Bought from Total / Exxon Central & Northern North Sea / Zennor
- ▶ **Neo Energy:** \$ 2.5 billion of capital in UK oil and gas
- ▶ **New Energy Fund:** Non fossil focus.

# NEO Energy's growth has been fuelled by a series of acquisitions


# HITECVISION

2022 estimated total revenue of USD 1.4 billion

**April '19**  
NEO created as platform for growth in the UK North Sea



**Oct '19**  
Merger between of Verus Petroleum and NEO E&P, creating NEO Energy



**VERUS PETROLEUM**

 <b>MAERSK OIL</b> 9.8% Boa	 <b>INOX</b>	 <b>equinor</b> 17% in Alba
 <b>Premier Oil</b> 47% Babbage Operated	 <b>OYSTER PETROLEUM</b>	 <b>bridge energy</b>


Gross value of Acquisitions: USD 677 million

**May '20**  
Transition of Babbage operatorship from Spirit to NEO. First operated Asset in NEO portfolio




USD 7m

**July '20**  
Acquisition of Total assets Affleck, Flyndre, GP3 Cluster, Golden Eagle, Scott and Telford




USD 530m

**Feb '21**  
Signed agreement to acquire a major portfolio of non-operated oil and gas assets in the Central and Northern North Sea from ExxonMobil



USD 1,375m

**Mar '21**  
Signed agreement to acquire Zennor Petroleum, including a portfolio of assets located in the Central and Northern North Sea and an experienced team



USD 625m



### Fossil:

- ▶ HitecVision operations carbon neutral 2020
- ▶ Investment analysis: \$75 / tonne CO2 Eq.
- ▶ Policy: Low Carbon Transition Plan
- ▶ 50% intensity reduction by 2030
- ▶ Net Zero by 2050
- ▶ Neo Sustainability Plan

### Non Fossil:

- ▶ Lundin onshore wind JV
- ▶ ENI: VarGrønn, offshore wind
- ▶ Electrification: Norway with Equinor / ENI & UK CNS - Shell's largest partner
- ▶ Different capital pools for non fossil investments related to oil and gas.

### More than just “stay or exit “ for the Majors and Utilities - 4 modalities not 1:

- 1 Exit for cash:** Chev / Conoco / Exxon UK
- 2 Exit for cash but remain exposed to marketing and debt:**  
Exxon Norway / Total Neo deal 2019/20 - “ Cap & Carb Lite “
- 3 Change from asset ownership to JV shares:** AkerBP / ENI - Hitec Var Energi
- 4 Merge and IPO:** Harbour / Premier - more to follow.



- ▶ **“Oil and Gas“ are NOT the same thing, nor are “all fossil fuels“**
- ▶ **There are many different aspects to “exploration“ ..is a lot more than just volume**
- ▶ **Gas has driven UK carbon emission reduction as much as renewables**
- ▶ **Gas is a key driver for low carbon transition**
- ▶ **Many companies changing their oil / gas mix**
- ▶ **Gas import security and climate best served by domestic gas exploration and production continuing and excluding LNG imports**
- ▶ **Exploration for gas: improves climate emissions footprint**
- ▶ **Regulation and Politics need to recognize this more: ban “oil and gas“ exploration will create unintended results!**

## Structure

- ▶ **Public equity difficult / private equity thriving**  
...in European investment but often US money, 2/3rds our investors are North American
  
- ▶ **Reserve based loans “RBL’s” remain key but now players:**
  - **Majors:** Sub debt and working capital / deferred payment credits
  
  - **Traders:** Mercuria / Tailwind
  
  - **Hedge Funds:** Noreco
  
- ▶ **Move to bonds ...high yield for smaller companies / investment grade and RCFs for larger diverse players**



### Availability

#### ▶ 4 tier / class system:

- **Bonds / RCFs:** Majors
- **RBL:** Mid caps (e.g. Harbour / NEO / Vår)
- **High Yield bonds:** Small and focused assets
- **Mid caps** converting to bonds RCFs (e.g. AkerBP)
- **Traders debt:** Only if marketing rights attached

#### ▶ And ...ESG threshold acceptance levels

### Digital:

- ▶ **Non fossil fuels do not magically offer risk free systems: storage / rare materials but...**
- ▶ **Security of supply / especially cyber needs**

### Regulatory:

- ▶ **Political leaders must understand the extreme complexity of all the transitions not just low carbon**
- ▶ **Regulatory authorities need to change guidelines and approval processes to assist the capital transitions**
- ▶ **For the UK Norway is a better example than Denmark**
- ▶ **We need more discussion of the nuances embedded in this complexity e.g. banning all oil and gas exploration worsens not improves UK and global emissions as well as energy security for the UK**