Oil and gas: the future of it: an oil and gas perspective

Economics

A debatable topic runs in our mind whether a $50/bbl deal is possible, onthe other hand the investors contemplate whether the deal can make any strategicsense. This all leads to the questions about Mergers and Acquisition in Oil and Gas Industry. M&A activities in oil and gas sector has been like wildfire in 2017 due to which energy sector dominated last year. Investors had been uplifted bythe recuperating commodity prices driven by OPEC's agreement to curtailproduction. Over the last few years, the oil and gas industry has experienced hugechange and change has been our continual companion. To meet future demandsand add new reserves industry has no alternative but to apply the leadingtechnology, to invest heavily in oil and gas sector. In conventional ways, theseefforts require high oil prices than now exist. The challenge is how to do all thesewhile coping with current flat oil prices. The impact of oil prices which are exposed to companies can bedifferentiated in three parts. Mainly Producers, Service Operators, Consumers. The first two sectors are majorly affected due to volatile oil prices debt is themajor cause that leads to high M&A worldwide. In U. S, the market scenario from 1984-2015 has been a recommendable roller coaster ride.

On an average 17. 8 deals where made sample per month. After 2006, the deal wave exponentially maintained its graph at a high level. Whetherwe like it or not, depressed oil prices may continue or may not, the industry hasrealized that the lower and increased price volatility are the new norms. For oiland gas companies worldwide, 2015 was an extremely challenging year. Overall M&A deal value held steady from 2014, but the number of deals dropped markedly. In fact, the first quarter of 2015 was one of the lowest on record in terms of M&A deal volume, with only 40 deals worldwide valued atmore than $100 million across the entire oil and gas sector. Activity picked up in April when prices stabilized in the $55 to $65 per barrel range. The Shell-BGGroup merger was announced on April 8, and Energy Transfer Equity acquired Williams Companies in June. In Q1-2016, more than 100 private equity firms have managed to crackat least one investment in Oil and Gas Sector. The percentage of deals done invarious sectors include America, 26% in Europe, 12% in Asia PacificRegion, 5% Latin America and 5% in Middle East and Africa. In last quarter of 2017, 68 deals where announced to be valued at $48. 31 billion. This gives an 11 GROUP 02 % of increase compared to last quarter of 2016 but leads to decrease in deal value. All the deals where having major in non-conventional sources.

Gulf of Mexico had no such commendable deals in previous 2016 cycle, though came back with a bang of total $1. 07 billion in fourth quarter of 2017. The industry has learned many lessons during the past decade. In theoil business, operators, host countries, and partners have stream lined their businesses and used the creativity of people to stay competitive. The future of theoil industry under uncertain product price, however, still depends on how theindustry will manage the challenge, cooperate, use technology, and on how todesign the right management structure to implement the required changes andinnovations to turn this situation to our advantage. while there is not a shew stoneto know outcome of oil and gas deals, keeping a note on industry M&A isinfluential analysing the sector with the volatility of oil and gas price, the timingcould be fair for the activities in 2018.