

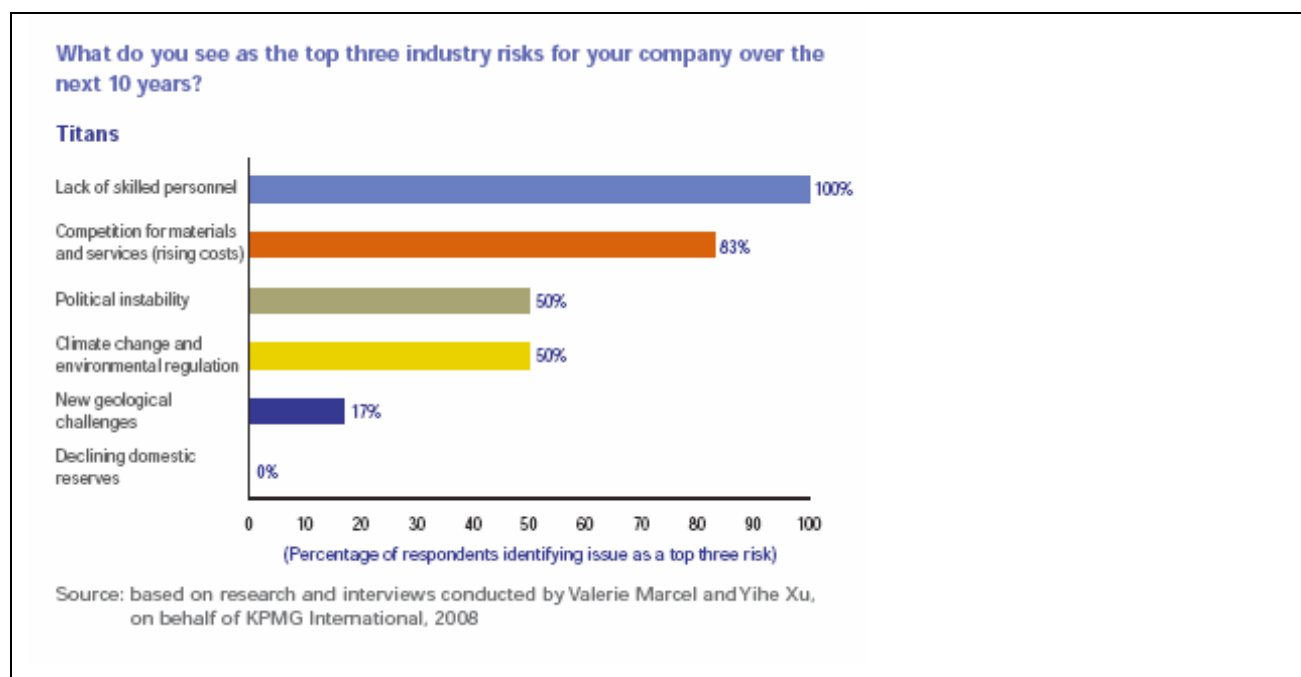
**Further information:**

Simon Katalin  
 Tel.: 887-6676  
 Fax: 887-7201  
 e-mail: katalin.simon@kpmg.hu

Budapest, 1 July 2008

## KPMG: Global skills shortage the single biggest threat to Oil

Some of the world's 'Titans' (the largest National Oil Companies or 'NOCs'), face a major skills shortage over the next decade as they struggle to replace their aging workforce, according to a survey released today by KPMG International. In *'Key Issues for Rising National Oil Companies'*, a poll of Director-level executives across some of the world's 'leading' national oil producers who control 72 per cent of the world's oil reserves, 100 per cent of those surveyed indicated that a lack of skilled personnel was the biggest threat to their businesses going forward.



The result of the research comes as no surprise to Péter Kiss, head of Energy and Utilities Advisory Services at KPMG in Central and Eastern Europe, since parallel to the decline in energy-intensive industries (e.g. heavy industry) and the ground gained by the globalised market economy, the structure of educational training has shifted considerably towards more classical disciplines, such as economics, law, finance, IT and mathematics, supporting the 1990s wave of info-communication.

“Since the energy sector has been characterised in recent decades by a lack of investment and development worldwide, opting for a career as an engineer was not exactly an attractive move for young people either,” said Kiss.

“If we take an example fairly close to home, KPMG's Energy Advisory group employs many staff with engineering qualifications who, in view of the restructuring of the economy that followed the political transition, decided that they would change tack and focus on business advisory, auditing or finance,” he

explained. “This proved to be a wise decision in many respects, since they could use their professional aptitude and their excellent analytical expertise to adapt easily to tasks in the fields of business and finance, while it enabled them to gain a broad overview and understanding of the technical and technological developments underlying economic processes.”

Today, this is one of the greatest advantages that KPMG's energy sector advisory group has over its competitors, added Kiss.

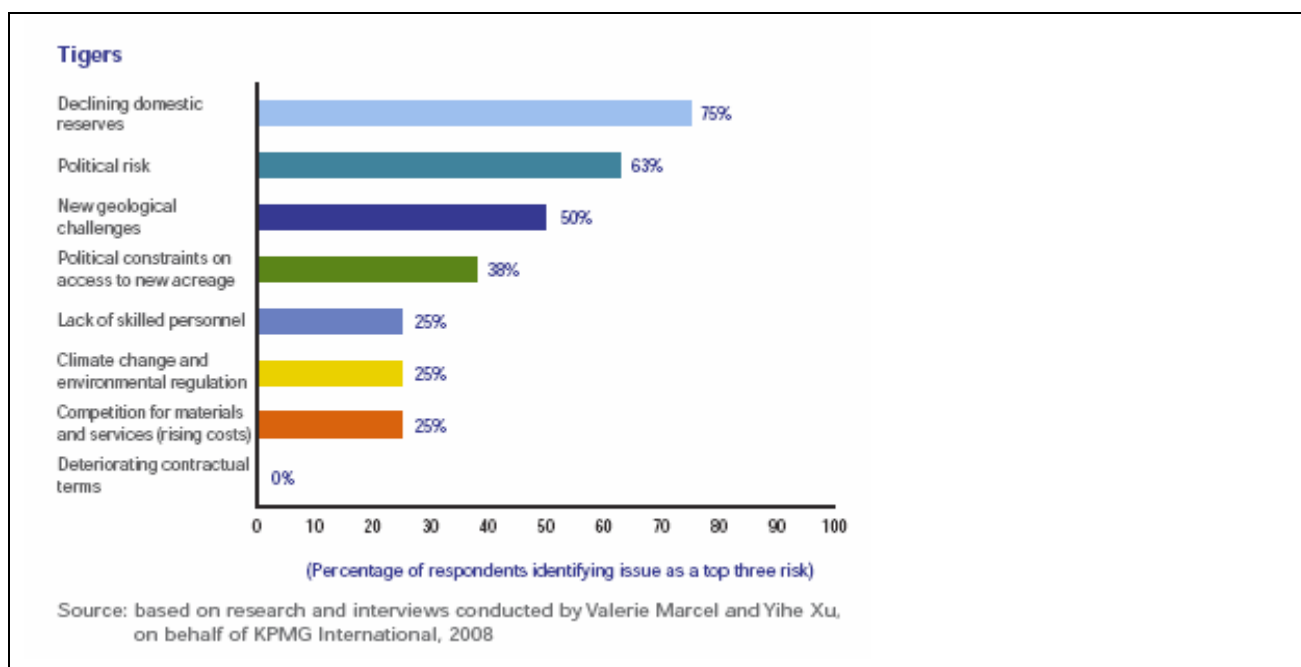
The energy sector (exploration, production, supply) is now a global industry of strategic importance thanks to the steadily rising energy requirements of the BRIC countries (Brazil, Russia, India, China). Reducing this thirst for energy requires substantial infrastructure investments – such as oil wells, deep-sea boring towers, refineries, power plants, gas containers and pipelines, etc. – which in turn require vast capacities, knowledge and numbers of engineers, technicians and skilled workers. Consequently, growth in the energy sector will enhance the appeal of training for technical specialists.

Anthony Lobo, Partner, KPMG in the UK, and Head of the UK's Oil and Gas practice, said: “The rapid growth of the National Oil Company sector has outstripped the availability of employees in many parts of the world, and it is now a real risk to the future of some of these companies as they and their contractors struggle to meet demand and deal with the issues created by a workforce approaching retirement age.”

The survey comes on the back of a growing confidence among NOCs to produce their own oil with less reliance on outside support. Some of the world's biggest exporters of oil and gas are now state-owned, including Saudi Aramco, Gazprom and the National Iranian Oil Company.

Yet at the same time, the report concludes, previous industry layoffs and recruitment freezes at times of low oil prices made the sector unattractive to graduates and in some areas, the petroleum industry is now seen as an industry of the past.

However, the ‘Tigers’ (smaller NOCs) are more concerned with declining domestic reserves (75 per cent) and political risk (63 per cent) as the biggest risk factors threatening their own companies.



Anthony Lobo added: “This report finds an interesting dichotomy between the largest and smaller national oil companies and their concerns. It is interesting to note their mutual concern regarding political instability and the risks associated with it, a factor that could affect all companies, large or small. The lack of skilled personnel is the chief concern of larger national oil companies, far greater than their smaller counterparts, who are principally concerned with the more immediate issue of declining domestic reserves. A further

important finding of the report should be noted and that is the increasingly important role that service companies are playing through the key projects they have undertaken with NOCs. I predict that the growing power of service companies will play a significant role in the future of the industry.”

**Key findings:**

- *KPMG launches National Oil Companies Survey (NOCS)*
- *World’s largest National Oil Companies surveyed believe lack of skilled personnel the number one risk to their businesses*
- *Investment in training one of the keys (RC) to future growth*
- *Smaller National Oil Companies more concerned with declining domestic reserves*

**For further information please contact:**

Pintér Judit  
Business Development Coordinator  
Energy & Utilities Advisory Services  
KPMG Tanácsadó Kft.  
Tel.: +36 1 887 7118  
Mobile.: +36 70 370 1841

**Notes to editors:**

About the research:

This report was written by Dr Valerie Marcel, Associate Fellow at Chatham House. Valerie is a well-known oil and gas academic who specialises in oil markets, the role of National Oil Companies and political stability in Middle Eastern producing states. Her previous publications include *Oil Titans; National Oil Companies in the Middle East*, published by Brookings Institution & Chatham House (2006). Chatham House has been the home of the Royal Institute of International Affairs for over eight decades. Its mission is to be a world-leading source of independent analysis, informed debate and influential ideas on how to build a prosperous and secure world for all.

Qualitative interviews were also conducted with the following senior executives:

- Saudi Aramco – Khalid A. Al-Falih, Executive Vice President for Operations
- Thamir Ghadhban, Chairman of Advisory Commission, Prime Minister’s Office, Government of Iraq
- Kuwait Petroleum Corporation – Jamal A. Alnouri, Managing Director of Planning
- Petrobras – Milton Costa Filho, Managing Director of Petroleo Brasileiro Mexico

*KPMG is a global network of professional firms providing Audit, Tax and Advisory services. We operate in 145 countries and have 123,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International, a Swiss cooperative. Each KPMG firm is a legally distinct and separate entity and describes itself as such.*

*KPMG in Hungary employs 530 people - KPMG Hungary Ltd. offers audit services, while KPMG Advisory Ltd. offers comprehensive advisory services to Hungarian and multinational companies, government bodies and foreign investors.*

© 2008 KPMG Advisory Ltd., a Hungarian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. All rights reserved.