

HAYS OIL & GAS GLOBAL QUARTERLY REPORT

April 2012

The quarter from January to March saw a strong rebound in activity following a somewhat subdued Christmas holiday period.

In November of 2011 concern grew surrounding the European debt crisis and this caused the oil and gas recruitment market to take stock of the situation before allowing hiring to continue. It was only once the New Year had passed did we see employers come back to the market and re-engage with the talent pool. Since that time recruitment activity has continued to grow, and in many cases we are again having to extend our searches, both geographically overseas and within adjacent industries domestically, to successfully find the talent that employers are seeking.

We have seen significant demand continue in Australia, Brazil and parts of East Asia. North America is hotting up and represents the fastest growing recruitment market globally at present. The North Sea is buoyant and West Africa, Kazakhstan and the Middle East continue to hire expat talent in volume.

Clearly every market has its own particular footprint and this creates a unique set of recruitment needs. This said we have seen a steady rise in roles with onshore gas field development experience, including project, process and discipline engineers. Demand for drilling and well delivery skills continue to rise as do commissioning and engineers with FPSO experience.

In general we saw two trends develop within employer's recruitment activities. Firstly they are moving away from a finite selection of 'panel recruitment providers', preferring to keep relationships flexible. This move is partly cyclical and partly in response to the acute shortages that exist within specific markets. 'Finite' lists often restrict companies in their need to resource niche requirements and the need to go 'off panel' is rising. Employers want recruitment partners that can deliver and often when they themselves cannot. For this reason external partners today have to be extremely responsive and be able to articulate their specific areas of expertise across a wide selection of clients. With such a shortage of talent the recruitment company's expertise in getting access to a small number of industry experts in these fields is critical.

Conversely we are seeing much more willingness by employers to 'outsource' large volumes of work to providers such as ourselves. This ensures delivery against tight deadlines that they themselves are often unable to meet with limited internal resources. These large portions of work usually follow specific discipline lines or geographic boundaries reflecting the strengths of the external recruiter in markets where they can recruit large volumes in short time frames. This requires an honest and open partnership between client and supplier to make sure both parties are leveraging their strengths and not trying to combat weaknesses, once the project starts.

In a number of campaigns we ourselves have combined these projects with recruitment drives overseas where we can leverage off our GlobalLink teams. These teams are staffed by individuals around the world and facilitate international recruitment drives co-ordinating the many logistical requirements of such events. To date we are having good success from campaigns out of the UK, Canada and Singapore.

This quarter we are pleased to include reports from Colombia and Canada reflecting our increasing footprint. Both markets are busy and we are looking forward to building our unique offering for local clients and those entering these markets.

Matt Underhill
Global Managing Director of Hays Oil & Gas
E: matt.underhill@hays.com.au
T: +61 2 8062 6106.



AUSTRALIA

The huge capital investment in the country's LNG infrastructure continues to drive recruitment and salaries up ever further. Immigration of skills, whilst increasing is not being given free rein and this is one contributing factor restricting supply. Numerous roles are being left unfilled for extended periods and the merry-go-round of the finite talent pool continues.

This quarter was marked by a significant increase in demand from Queensland as construction activity kicked in on a number of multi-billion dollar coal seam gas projects. This saw salaries spike in Brisbane in response and the differential between east and west reduced to a 'level playing field'. (Those involved on LNG projects in Perth have been living with sky high salaries for some time, but the rise in Brisbane caught many by surprise.)

In the west projects moved into detailed design and those with mechanical, electrical, pipeline and E&I experience were in demand. Individuals with FPSO experience were particularly sought after. The one area of the market we found subdued was process engineering coming off of their recent highs before Christmas. We do not believe this lull will last too long.

On the east coast those with gas development experience were keenly sought after, although this talent pool is very shallow and employers are already searching overseas markets. We noted a particular demand for an RPEQ to be able to sign off work, and a range of drilling professionals, geoscientists and process engineers.

The use of temporary contractors as opposed to permanent staff hiring was on the increase, particularly in the west where projects were more advanced.

In Victoria we saw business as normal although New South Wales was suffering something of a brain drain with environmental concerns putting a hold on coal seam gas projects in the State and talent moving north to pick up better salaries and roles in Queensland. This migrating interstate professional remains of particular interest to employers in Western Australia, requiring only minimal relocation costs and time and little assimilation into the local work force.

Candidates are more often than not abreast of the salaries on offer and will not be shy in requesting what they know they can get. In Western Australia and Queensland senior engineers with ten years experience are expecting packages approaching \$AU200,000. In New South Wales and Victoria there is a 15 to 20 per cent discount from this.

SINGAPORE

Exploration of oil and gas in the APAC region is likely to increase, with a particular interest in accessing shale gas and shale oil deposits particularly in China. These resources are predicted to be one of the most important growth areas in the regional oil and gas industry.

Within the conventional offshore sector active drilling campaigns expected to take place in the South China Sea, Indonesia, Thailand and Vietnam are fuelling recruitment of drilling and well delivery staff, subsea and SURF engineers. These workers are needed to continue to support the construction/conversion of FPSOs and offshore drilling rig infrastructure.

Demand for liquefied natural gas (LNG) is forecasted to grow strongly due to urbanisation, industrialisation and energy substitution in Asia. Adding to this demand last year was Japan's yearly LNG imports soaring by 13 per cent following the nuclear disaster at Fukushima. In response there are various large sized LNG projects currently under construction seeking to meet this demand, although many will not be operational before 2014. This is driving demand for candidates with suitable project experience in this sector.

Once again there has been a move away from offering expat packages in favour of the recruitment of local staff. This is evident across the Asia Pacific region and can sometimes be at odds with the lack of local skills needed to fill highly technical niche roles. Where this shortfall in talent is most acute and employers are forced to consider overseas talent they have been reluctant to offer the traditional benefits such as school fees, accommodation and flights associated with expat packages. There is however a willingness to pay uplifted basic salaries and let overseas candidates cover their own costs.

As we move further up the corporate ladder then there is more flexibility and companies remain pragmatic as to what they are required to pay to secure the very best talent from the global talent pool.

Overseas candidates are viewing Asia Pacific as a favourable destination to further their careers and most are happy to consider postings in the region. Additionally, we have seen an increasing number of APAC nationals returning to the region as salaries are much more comparable to those of the Middle East and Europe. Over the last year we have built a strong talent pool of expat East Asians seeking to return, and we would be delighted to hear from any clients with interests in these individuals.

CHINA

There are a great number of projects under construction and due to come on line over the next few years. As a consequence there is currently high demand for commissioning, discipline engineers, logistics, and procurement staff. We envisage that this demand will shift in time to production management personnel, along with many of the corporate functions needed to support such infrastructure.

Within the upstream sector demand continues to outstrip supply in the areas of drilling, completions and geo-sciences.

The petrochemical space continues to be busy with plenty of M&A activity, and this is driving the need for analysts and sales skills.

Foreign oil companies and petrochemical companies continue to prioritise the transfer of overseas talent to meet local skills demand; although as China's skill base grows some of these roles are receiving competition in the form of good local applications.

INDIA

The Indian oil and gas industry remains at the forefront of India's burgeoning economy. India has been growing at eight to nine per cent annually, and without doubt India's energy needs will continue to multiply many times over in the years to come. Consequently there is a drive to increase and widen exploration for new fields within the country, and improve more effective recovery in existing reservoirs. Fluctuating oil prices have also caused some concern and many would like to see a more rational and optimally balanced global pricing regime.

This growing demand for crude oil, gas and the policy initiatives of the government towards increased E&P activity have all driven demand for E&P skills upwards to levels unseen.

This is creating needs for professionals in geosciences, drilling and work over roles, along with design engineers, including mechanical, electrical, and structural. Recently, some of the major employers have been seeking fresh graduates from the institutes in order to add more engineers to the market overall, rather than moving the existing talent around between employers.

Recruitment is fierce with many individuals seeking to move more often in the hope of taking advantage of rapidly increasing salaries. Many candidates are asking employers to take care of their taxes and are not willing to look at lump-sum salaries at this time.

UNITED ARAB EMIRATES

With the oil price riding high at \$US100 bbl plus, the Middle Eastern market is in good shape. Most new projects have been financed with the expectation of oil prices being lower and this will ultimately result in surplus budgets for many of the company and country stake holders. In turn this should deliver further planned investment in the year ahead.

The region is also seeing resurgence in EOR (Enhanced Oil Recovery) with many old fields (10-15 years) being looked at again by those now armed with newly developed technology. This is driving new roles in development including geology, reservoir engineering and petro-physics.

Employers are now showing stronger interest for candidates from the 'west', in particular from South America. They are targeting candidates from this region as they believe Middle Eastern salary and benefits packages are much more attractive than their local offerings.

In the oilfield equipments and services field, there is rising demand for sales and business development managers as well as applications engineers. New companies are setting up base in the region and existing companies are looking to ramp up their front-line to take advantage of higher production levels.

There also seems a growing demand for project sales managers. This is a skill set that combines technical hands-on knowledge with business development capabilities, a skill set that many companies struggle to find.

We have started to see some employers willing to employ people on fixed term contracts on a lump sum basis, and some flexibility in terms of their salary grading structure. Another welcome move sees employers judging individuals more on merit and experience rather than their official grade. They are also utilising a critical skills allowance, providing individuals higher rates of pay based on the niche skills the individual holds that match their critical requirements. Ultimately we see this as a welcome addition to the market as it provides very short term feedback to the talent pool in terms of what is required by employers. As always money talks!

RUSSIA

The Sakhalin project development and Shtokman Development AG's works in the Arctic have increased demand for professionals within project engineering, construction, and those with offshore exploitation backgrounds. The demand for professionals in service engineering and sales also remains high. Businesses are still struggling to recruit professionals with a complete combination of all required skills; however some are now looking to attract overseas talent with offshore experience to boost this talent pool.

The upcoming presidential elections in March 2012 have triggered the desire for stability among Russian job seekers. They are increasingly willing to stay put rather than take a risk with a new job. Some employers are also expressing a certain level of cautiousness; often going for internal restructures rather than external recruitment.

This said the coming year in Russia remains quite optimistic with anticipated growth in recruitment due to the number of large scale projects being developed.

The beginning of the year will be significantly affected by companies paying bonuses to the employees during the two months, February and March. Those motivated to change jobs, may attempt to delay their decisions until after this period.

Salaries in Russia remain stagnant across the sector. Despite the high level of demand, there has been a certain delay in decision-making processes for both job seekers and employers.

THE UNITED KINGDOM

The industry in the UK has continued to move along at an incredible pace over the last three months. Demand is still very strong, with record budgets set aside for new projects and a market that is going from strength to strength.

The oil price and technological advancements have of course driven this appetite for investing in new projects, with many seeing attractive margins as a trigger to invest with confidence.

As most projects are at development stages, we are seeing demand move away from operations based roles and into those at the front end of the life cycle. These include geosciences and subsurface disciplines within exploration and asset development, and subsequent discipline and project engineering (offshore structural, naval architects, and process) to see projects through to development.

In terms of trends in recruitment we have seen a cyclical shift away from existing PSL's as companies seek to find specialist skills in short supply. We ourselves have also been busy delivering on a number of high volume campaigns for clients outsourcing over 50 vacancies at a time. This allows both parties (recruiter and client) to commit to the task at hand and ensure successful delivery of skills to the business stakeholders.

From the candidate's perspective the key drivers are those seeking career progression and also a move to be exposed to more interesting technical work. The contractor market is also still booming for those wishing to earn salaries in a more tax efficient manner, an obvious need for many within the current tax regime.

BRAZIL

Brazil has a booming economy with excellent investments in the oil and gas sector. This investment is starting to flow through to operational assets which are starting to drive recruitment.

Petrobras have recently completed negotiations on the rental of 28 offshore rigs. This is matched by capital expenditure in associated pipelines/flowlines, subsea infrastructure and other assets required to develop the pre-salt fields 300km off Brazil's east coast. Combine this with rigid local content rules and the war for talent is heating up to levels previously unseen.

There are a variety of hot spots in terms of the needs of companies in this market; drilling contractors are looking for base managers to manage their offshore assets and liaise with clients; seismic companies are hiring geophysicists and seismic engineers and operators are more focused on company men to manage the rig performance.

Although it is still smaller than the activity offshore, we are also starting to see growth of onshore developments with new companies and investment coming onboard. Currently there are 76 companies working in the E&P area focused on onshore blocks, 36 of which are overseas based firms. Previously the market was a monopoly for Petrobras, however with so many new companies now in the market we are seeing multiple vacancies for candidates with these skills.

Candidates are well aware of the boom in the market and also of the skills shortages that this is creating. Consequently their expectations are increasing in line with the investment going into the market.

CANADA

The oil and gas industry in Canada is in good condition. There is currently around \$110 billion worth of capital investment going on in both brown and green field development. The oil sector is currently stronger than gas, mainly due to a relatively mild winter in North America that has heavily reduced demand on a domestic level.

There are a wide variety of projects underway that are driving demand across all areas of the sector. The rising oil price over the last 18 months has made this possible. Canada is starting to look at more and more ways to get their oil and gas to markets with proposed pipeline projects through the US and to Canada's west coast.

There is huge demand for all disciplines within project controls; specifically project controls managers and senior planning engineers being in highest demand. Highly experienced project and construction managers are also highly sought, particularly those that have been involved in getting a project through the entire process from inception to production. Oil and gas producers are finding it hardest to source mid to senior level petroleum engineers, reservoir engineers, geologists, geophysicists and hydro-geologists, although there is not such acute demand at the very junior and very senior management levels. A few companies are starting to consider looking offshore for high value candidates. This is tempered by the fact that current immigration policies make it relatively onerous to import talent.

On the whole, candidates are aware that they are in high demand and as such are negotiating hard to make sure that they get the best possible deal they can when taking a new job. That said it is very clear that a job is not only about money to candidates in Canada, and having a clear career path, structured training and good work/life balance is important.

COLOMBIA

Colombia continues to grow economically, not only due to the rise in the mining and oil industries, but also by the continuous and steady growth repeatedly reported in the services, financial, telecoms and construction and property sectors.

Oil production is rising and should pass 1 million barrels a day towards the end of 2012 representing annual growth once again above 16 per cent in comparison to the previous year. Interestingly, the government only expected to reach those figures in 2014, but faster infrastructure development and increased production has seen the target achieved well ahead of time.

According to the latest government figures, mining and the oil industries account for approximately 51 per cent of the country's net exports and foreign investment flow, and this shows no signs of slowing down.

The major concerns are with the safety of infrastructure, namely pipelines. The local Marxist guerrillas, although impoverished, continue to be active in some inner parts of the country, and have been sabotaging some pipelines and trucks. Oil Operators are raising concerns with the central administration and lobbying for the government to adapt a clear strategy in relation to this issue.

In future we see the key skill shortages as those with offshore experience. To date the country's oil and gas industry has been exclusively within onshore developments for heavy crude. However with authorities driving development offshore in the Pacific we are expecting a short fall in country's existing skill base required to deliver this.