

A large, light gray wireframe globe is positioned on the left side of the slide, extending from the top to the bottom. It is partially cut off by the left edge of the frame.

2010 CB&I Survey – Trends in the E&C Industry



- **Questions designed to capture owners' opinions on key issues in the E&C industry:**
 - Overall capital expenditure budget trends
 - Spending expectations by geographic region
 - Capital project execution challenges
 - Impact of environmental regulations
 - Importance of HSE
 - Trends in contracting methodologies
- **Participants**
 - Executive-level and managerial positions selected from major oil & gas producers, primarily in the downstream sector
 - Approximately 425 respondents from around the world



Looking at the next 12 months, how would you characterize your company's overall capital expenditure budget?		Response Percent	Response Total
Lower		17%	72
About the same as the preceding 12-month period		36.1%	153
Higher		39.6%	168
Unsure		7.3%	31
Total # of respondents 584. Statistics based on 424 respondents; 0 filtered; 160 skipped.			

What geographic regions do you believe will have the most new capital project activity during the next 12 months?		Response Percent	Response Total
Africa		14.2%	60
Asia		64.7%	273
Australia / South Pacific		13.3%	56
Central and South America		13.3%	56
Europe		4.5%	19
Middle East		42.2%	178
North America		14.5%	61
Total # of respondents 584. Statistics based on 422 respondents; 0 filtered; 162 skipped.			

76% of respondents said capex budgets will be the same or higher over the next 12 months. Asia and the Middle East will see the most new projects.



In your opinion, which of the following factors represent the most serious challenges to the successful execution of capital projects during the next year?		Response Percent	Response Total
Adequate internal resources		34.1%	144
Adequate engineering resources		37.2%	157
Adequate skilled trade resources		27.3%	115
Changing environmental regulations		29.9%	126
Economic conditions in our end markets		51.9%	219
Project financing (capital availability)		40.5%	171
Uncertain commodity pricing		21.1%	89
Equipment deliveries		20.6%	87
Other		1.4%	6

Total # of respondents 584. Statistics based on 422 respondents; 0 filtered; 162 skipped.

Respondents viewed economic conditions in their end markets and access to project financing as the most challenging factors during the next year.



What impact do you believe environmental regulations will have on your business during the next year?		Response Percent	Response Total
No impact		0.9%	4
Relatively little impact		13%	55
Some impact		43.9%	186
High impact		41.3%	175
Not applicable (NA)		0.9%	4

Total # of respondents 584. Statistics based on 424 respondents; 0 filtered; 160 skipped.

How important is a firm's environmental protection performance when you are evaluating an engineering and construction contractor?		Response Percent	Response Total
Not very important		1.9%	8
Somewhat important		10.4%	44
Important		40.4%	171
Very important		38.1%	161
Absolutely critical		9.2%	39

Total # of respondents 584. Statistics based on 423 respondents; 0 filtered; 161 skipped.

85% of respondents said environmental regulations will have an impact on their business, and nearly 80% said a firm's environmental performance is important.



What is your company's preferred contracting methodology for capital projects?		Response Percent	Response Total
Fixed-price (or lump sum) contracts		21.2%	90
Cost reimbursable contracts		4%	17
Hybrid approach involving both fixed-price and cost reimbursable components		16.7%	71
Varies; depending on the type of project		47.9%	203
Unsure		10.1%	43
Other		0%	0

Total # of respondents 584. Statistics based on 424 respondents; 0 filtered; 160 skipped.

Only 4% of respondents said cost reimbursable contracts were their preferred contracting methodology; nearly half said the type of contract depends on the type of project.



- **Forecast for capital projects**
 - More than 75% of respondents believe their firm's capital expenditure budget will stay the same or increase over the next 12 months
 - Asia and the Middle East are the regions with the highest expected capital spending, while Europe is projected to have the lowest level
 - Overall economic conditions and access to financing were seen as the most serious challenges to project execution
- **Environmental and safety considerations**
 - While environmental performance was seen as an important factor when selecting a contractor, a firm's safety performance was considered absolutely critical by nearly 50% of respondents
- **Contracting methodology**
 - 21% of respondents said their company prefers fixed-price contracts for capital projects; nearly 50% said the contract varies based on the type of project