In late February 2015, EY conducted a survey of leaders across the Canadian energy industry — including service companies — to understand how organizations are responding to the current economic environment.

**Cost management**

**The energy sector in 2015**

After more than three years of US$100 per barrel, oil prices collapsed by nearly 50% in late 2014. The oil and gas sector has experienced periods of uncertainty before, but this time is different. The industry is undergoing a structural shift, from an era when businesses were built around a “resource scarcity” model to a new era where businesses will have to thrive in the face of “resource abundance.”

95% of respondents viewed the decline in oil prices as having a medium or high impact on the current economic environment.

Conventional oil and gas projects as well as oil sands projects will take the largest hit in the coming months. Midstream and pipeline projects will feel some impact, though far less than their upstream business partners.

80% viewed the impact of the drop in oil price to their organization as being of medium or greater.

Of respondents reported having either minimal or no long-term strategic cost management strategies in place in response to the economic conditions.

92% of respondents reported having either minimal or no long-term strategic cost management strategies in place in response to the economic conditions.

Business impacts and challenges

Most organizations have implemented tactical and short-term measures. In the face of what may be a longer-term drop in prices, organizations must implement a topdown, more strategic, methodical approach to cost management.

**Primary challenges with cost management**

1. Capacity to run the business while reducing cost
2. Prioritizing opportunities
3. Implementing and executing opportunities

**Business specific responses**

The primary levers companies are pulling in response to the current economic challenges align directly to the challenges organizations identified in their cost management agenda.

Capital and major projects and operations are experiencing the greatest impact.

No respondents indicated impacts to the health, safety and environment of their organization, reinforcing the importance of safety in operations as a core priority.

What leaders say about managing employee morale:

- Frequent communication
- Focus on market opportunities
- Employee retention
- Focus on transparency in communications
- Focus on top performers

**Acquisitions, workforce strategies, and global solutions considerations:**

32% Considering, or actively pursuing, acquisitions

58% Planning, or actively pursuing, changes to workforce strategies

62% Indicated global solutions were either not important, or minimally important

56% Indicated their organizations have implemented a central team to drive their cost management agenda