New challenges. New directions.
Financial accounting advisory services for the oil and gas sector
The oil and gas sector is going through a period of fundamental change. Global demand for energy is growing as production and reserves from existing fields are declining. Trillions of dollars will be spent in the next two decades to develop unconventional resources in cost-effective ways in ultra-deep water, the Arctic, oil sands and other frontier sites. At the same time, energy companies face ongoing environmental concerns, as well as an expanded regulatory focus on safety, risk preparedness and mitigation. Tough decisions, involving huge long-term strategic bets, will have to be made.

As the leader of your company’s finance function, you’re expected to play a big part in those decisions. You are a key strategic advisor to the business, helping to position your company in new directions.

We understand the challenges you are facing — in regulatory compliance, counterparty risk, capital projects and portfolio management, among others. We have experience in all of those areas — and can provide both high-level strategic insights and boots-on-the-ground practical guidance. Our goal is to help you to succeed and build a better working world by confronting today’s challenges — and tomorrow’s — with confidence.

As you review your options and weigh your decisions, we can help.
Working together

The strategic challenges facing the oil and gas sector impact the finance function and financial reporting. Our Financial Accounting Advisory Services (FAAS) practice helps finance leaders have greater confidence as they respond to these challenges.

No one knows your business better than you – how it works, how it is changing, how you need to respond to that change and, ultimately, how you must anticipate change. On a global basis, we enable you to make better decisions by combining your organizational knowledge with the thorough analysis of our accounting, reporting and regulatory professionals.

Our rapid alignment to your culture and style of working allows us to meet your deadlines. In an environment where your resources are stretched, we can free up your internal team to focus on the areas where you can add value to your business.

We provide you with the tools to navigate through periods of uncertainty and to avoid potential surprises. Access to the right information and networks empowers your decisions, adding to the rigor of conclusions to be presented to internal and external stakeholders.

We offer up-to-date insight into regulatory developments as they affect oil and gas companies, along with deep experience in the energy sector as a whole – including subject-matter resources in treasury accounting, hedging, accounting for commodity trading and derivatives and other key areas. To assist you in receiving the market, technical and regulatory insights you need, we coordinate teams from across the globe in assurance, tax, transactions and advisory services.

It’s our way of helping to build a better working world.
Focus on what matters

We understand the specific challenges you face and have the relevant experience to assist.

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**Counterparty risk**

Historically, oil and gas companies have entered into joint ventures on large projects to share capital, technology, knowledge and risk. Recent events have drawn new attention to joint ventures and contracting parties, potentially exposing companies to considerable financial and reputational risk. Contracts in this area should have absolute clarity regarding responsibilities, decision-making and possible legal liabilities. An increased emphasis should also be placed on the financial strength of venture partners and contractors and their ability to withstand the pressures that could result from a major incident.

• Navigating the accounting rules with respect to joint venture formation
• Completing joint venture assessments
• Evaluating your approach to managing commodity markets risk
• Reviewing and improving enterprise-wide governance, risk and compliance with advice and resources
• Supporting internal audit functions with experience and resources in key areas and geographies
### Sector issues

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<th>Managing capital projects</th>
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| With the oil and gas sector experiencing a period of major capital investment, the number of megaprojects with multibillion-dollar budgets has increased dramatically in recent years. The budgets have become so large and the technical, construction business and procurement processes so complex that the difference between average project management and leading project management processes can often amount to billions of dollars. | • Reviewing and challenging business case assumptions and approaches  
• Developing and standardizing capital project management processes  
• Providing delivery reviews during critical phases of the project to give management an independent view of cost/time performance  
• Evaluating accounting options with business partners |

### Portfolio management

Many factors are combining to produce high transaction levels across the industry, thereby driving portfolio rationalization. There are significant opportunities in Organisation for Economic Co-operation and Development (OECD) countries to acquire downstream assets, given the migration of capital from the downstream to the upstream in those markets. The large number of megaprojects in the upstream also has created a record number of major new joint ventures. In addition, the shale gas boom in the US has created opportunities that have attracted the attention of the majors and driven consolidation. Finally, exits of large investments by private equity funds will likely drive capital markets activity. Combining these issues with a fast-changing regulatory, tax and economic environment means that developing and implementing strategic investment and divestment plans has never been more complex.  

• Advising on accounting and reporting for capital transactions and post-deal financial processes  
• Providing support for the complex accounting issues that can arise in mergers and acquisitions, including US GAAP and IFRS  
• Providing readiness assessments of initial public offerings (IPOs) and supporting management’s entry into the capital markets by assisting in the registration statement process |
By assisting with technical accounting challenges, we allow management to focus on its strategic agenda. We also offer insights into leading practices and ideas for process and policy improvements.

**Accounting, reporting and governance**

**Accounting guidance.** The FASB and the IASB are converging standards in critical areas. Their efforts to resolve differences between highly specific US GAAP rules and the much broader IFRS will affect the accounting decisions of all oil and gas companies with multiple operating subsidiaries or divisions in different jurisdictions. This sea change will alter financial statement reporting, as well as force the transformation of internal systems, processes and controls. It will deeply affect revenue recognition, leasing, financial instruments and other important areas of your business. Companies need to understand the potential impacts now to plan resources effectively.

**Operationalizing statutory reporting.** To provide a transparent view of all relevant local practices, we conduct an assessment of your global reporting environment and your record-to-report process. We use the results of that assessment to produce a customized global statutory reporting database. We then turn that database into content-rich dashboards that reveal the status of all required filings. In driving global consistency, we help you to create savings.

**Governance.** Our professionals have extensive experience working with oil and gas companies to help them manage their accounting, finance and treasury policies. We provide a full range of GAAP and IFRS accounting policy services. We also offer a focused rapid assessment review of your existing policies and procedures.

**Transaction accounting**

When a major deal is unfolding, you want the security of knowing your accounting and finance team is on top of things. Preparation of pro forma financial statements and regulatory reporting requirements needs to be done at “deal speed.” We help you take care of the financial reporting and compliance issues. But we also make sure that your team is looking at the big picture, understanding the implications of the transaction and giving timely advice to the entire organization.

**Global treasury**

We offer a full range of treasury and risk management services that can be implemented by oil and gas companies on a global basis. The goal is to cut costs, reduce risk and spur growth by bringing consistency and efficiency to treasury departments. Our comprehensive treasury assessment includes a high-level review of all functions. Other ways we can help include financial risk management assessment, technology analysis and financial governance and control evaluation.

**Commodities markets**

We provide comprehensive assistance with energy marketing, trading and risk management operations. We can advise on strategy support, business and organizational transformation, technology enablement, and governance and compliance. We can help you navigate the complexities of hedge accounting and assist in identifying embedded derivatives.
A dedication to oil and gas

EY’s Global Oil & Gas Center supports a global network of more than 9,600 oil and gas professionals, including 1,200 from the FAAS team, who have extensive experience working in the sector. Our professionals serve a wide range of companies – independent exploration and production companies, oil field services companies, independent refiners, major integrated corporations and national oil companies.

Our Global Oil & Gas Sector Centers, like the professionals in our practices, are strategically located in areas that allow us to best serve your needs. In addition to our Houston, London, Moscow and Bahrain Centers, we have Satellite Centers in Aberdeen, Beijing, Brisbane, Calgary, Cape Town, Johannesburg, Lagos, Perth, Rio de Janeiro, Singapore and Stavanger.

Our experienced and dedicated resources:

• Anticipate market trends and identify the services that companies need
• Deploy our global resources so that the right people are in the right places at the right time to serve our clients
• Develop and deliver sector-specific training to our professionals to provide the knowledge necessary to offer high-quality services
• Develop points of view on relevant issues to keep our clients informed about key changes and trends

We make a difference by helping companies in the oil and gas business meet their goals and compete more effectively.
About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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