

How can oil and gas fuel tomorrow as well as today?

An EY poll of US consumers and energy industry executives illuminates the need to change public perception to secure the future of the industry

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The better the question. The better the answer.
The better the world works.

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow diagonal bar is positioned above the 'Y', extending from the top right towards the center.

Building a better
working world

For decades, US oil and gas executives have lamented the industry's public perception and the lingering lack of trust between consumers and energy companies.

Despite periodic calls for more industry openness – as well as a number of high-profile campaigns to inform the public – many oil and gas executives believe Americans have never been less mindful of the importance of energy in their day-to-day lives, nor more skeptical toward the companies that find, produce and deliver the oil and gas that make modern living possible.

But is that really the case? Is there a chasm that can't be mended between the public and the industry? Or is there common ground oil and gas companies could build upon to increase consumer acceptance and appreciation for the value they provide?

These are important questions because, in this era of technological disruption, when many industries are fighting to stay relevant, oil and gas may be facing its “last cycle” – a time when energy abundance, driven by technology, creates a permanent oversupply that not only keeps prices low but also allows consumers to make new choices about their energy usage. In this environment, public perception of the industry will become ever more critical. And as younger consumers grow in both number and political influence, their viewpoints will become especially vital to the continued relevance of the industry.

To help oil and gas companies better prepare for this last cycle challenge, EY began a comprehensive effort in early 2017 to gain an in-depth understanding of how the US public views the energy industry. EY polled consumers of all ages, as well as oil and gas executives, to gauge how each group thinks about a number of key issues and identify where the industry must work to improve its reputation.

The complete findings will be released over a matter of months in 2017; this first report summarizes the overall perceptions by both audiences.

Key findings

Consumers

Have an overall positive view of the energy industry, but rate other industries higher



Of respondents, 41% hold positive perceptions of the energy industry while 20% hold negative perceptions – resulting in a solid +21% net positivity rating.

Think of oil first, but have a far more positive view of natural gas



Natural gas has a far greater net-positive rating (+49%) than oil (+5%), but it ranks far below oil in share of mind. That's a real disadvantage for oil and gas companies, because it weighs down the way consumers think of the industry overall.

Agree on the industry's value to the economy and a modern lifestyle, but distrust it to protect the environment or consumer pocketbooks



While 80% of adults and 75% of teens say the industry is important to the national economy, few want oil and gas companies active in their community. And just 37% of adults and 33% of teens trust the industry to do the right thing.

Have less respect for the industry's contribution to society the younger they are



Overall, consumers believe the industry is good for society, though they still see it as a problem causer, not a problem solver. But support falls with each generation included in the survey; teens are more likely to believe the industry is bad for society and is a problem causer.

Oil and gas executives

Underestimate the level of trust the public has in the industry



Respondents were split across the generations regarding trusting the industry, with about half of those surveyed saying they trust oil and gas companies. But 76% of industry executives expect the public to not trust the industry.

Believe the industry does a good job of protecting the environment, innovating and providing profits to investors



Executives give themselves lower marks when it comes to communicating with the public, especially around the impact of regulations.

An area of common ground

Both consumers and executives agree oil and gas should be the primary sources of US energy – until cleaner energy sources can replace them.



Executives overwhelmingly agreed with this statement (78%), but 58% of adults and 56% of teens agreed as well.

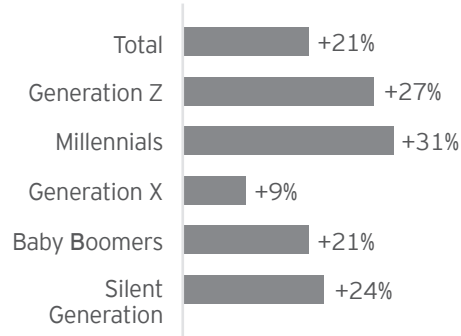
Perception is reality

The energy industry maintains a +21% net-positive perception among consumers, with no marked differences between adults and teens.

Perceptions of energy industry

Q For each of the industries listed, please indicate whether you have a positive or negative perception of the industry.

Energy industry net-positivity



Age is not a good predictor of feelings about the energy industry.

Energy's perception rating is respectable but precarious. Its value to consumers is based largely on necessity, a weak attribute for long-term appreciation and support.

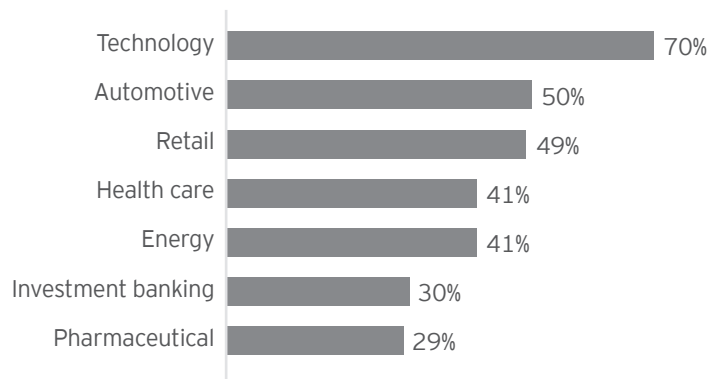
By contrast, the 19% of respondents with negative views of the energy industry had very specific reasons for their feelings, primarily related to the environment, cost and sustainability. These were somewhat based on age. For example, 48% of teens cited environmental concerns when justifying their negative perception of the industry, and 29% of adults cited energy costs.

Meanwhile, the energy industry rates well below the positive perceptions of the technology, automotive and retail industries, but ahead of the investment banking and pharmaceutical industries.

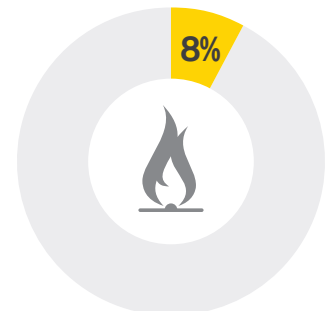
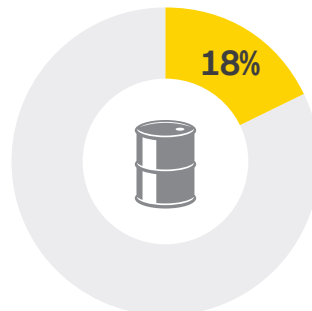
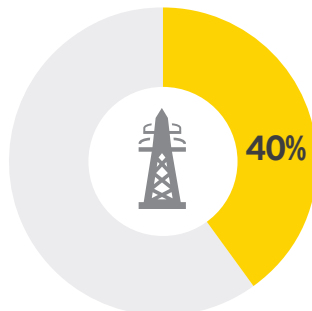
Energy perceptions compared with other industries

Q For each of the industries listed, please indicate whether you have a positive or negative perception of the industry.

Percentage responding "positive"



When asked about the energy industry, 40% think of power plants or local utilities first, 18% think of oil and 8% think of natural gas.



Feelings on fuels vary widely

Lots of love for natural gas, not so much for oil.

59%

of total respondents have a positive perception of **natural gas.**



35%

of total respondents have a positive perception of **oil.**



There is a clear hierarchy among energy source preferences. Oil – the fuel most closely associated with the energy industry, according to respondents – falls well below renewables and natural gas.

As with the industry overall, those who are positive toward oil tend to credit their feelings to its necessity, rather than any specific positive attributes. Those who are negative offer specific critiques, primarily around oil’s environmental impact.

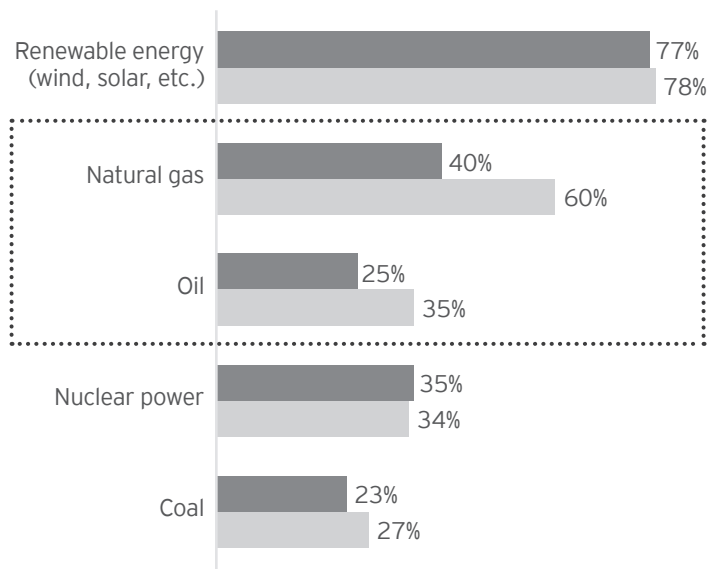
The survey showed there is a good deal of positive momentum surrounding natural gas. It has a +49% net positive score, and respondents with positive perceptions offer specific praise, such as “clean burning” or “affordable.” Unfortunately, only 8% of respondents think of natural gas first when they think of the energy industry.

The industry has had some success leaning heavily on technology to reframe perception, especially with the advent of the North American shale revolution. The public largely agrees the industry is innovative, and 56% agree the industry is a leader in technology. However, the positive momentum around technology is tied to how the industry finds new ways to extract a natural resource many consumers seem to want to stop using.

Oil and gas compared with other sectors

Q Thinking more broadly about the energy industry, do you have a positive or negative perception of the following?

Percentage responding “positive” ■ Teens 16-18 ■ Adults 19+

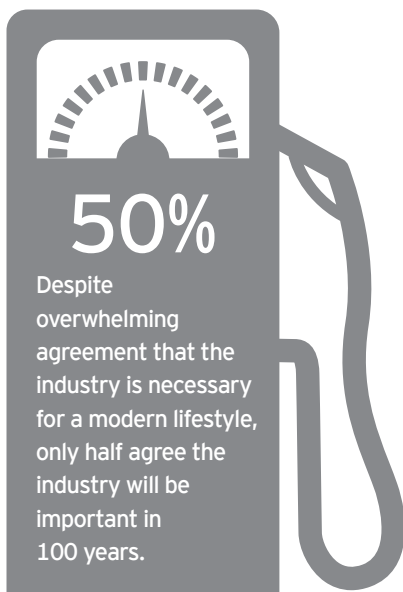


Divided definition

As a nation, the US agrees on some attributes of the oil and gas industry but is divided on others.

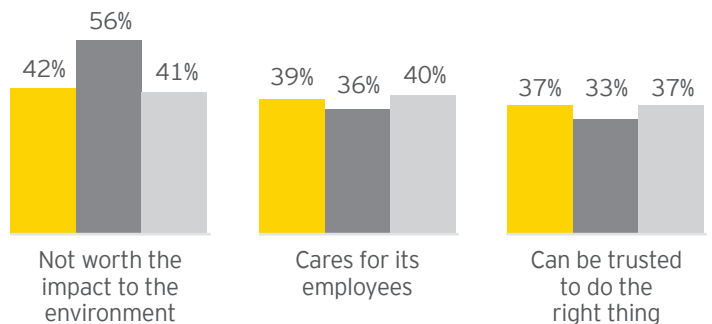
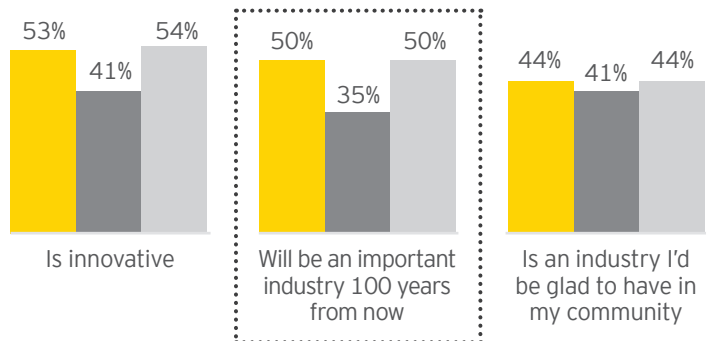
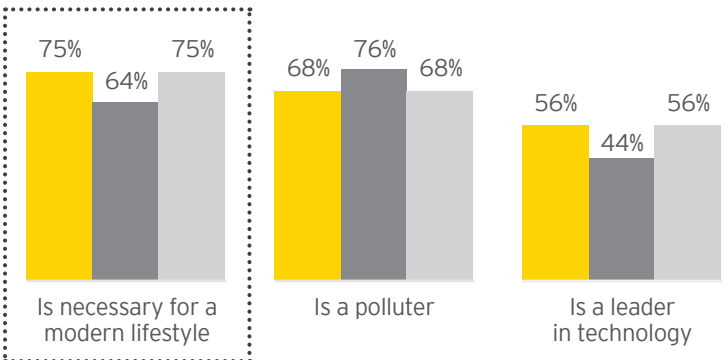
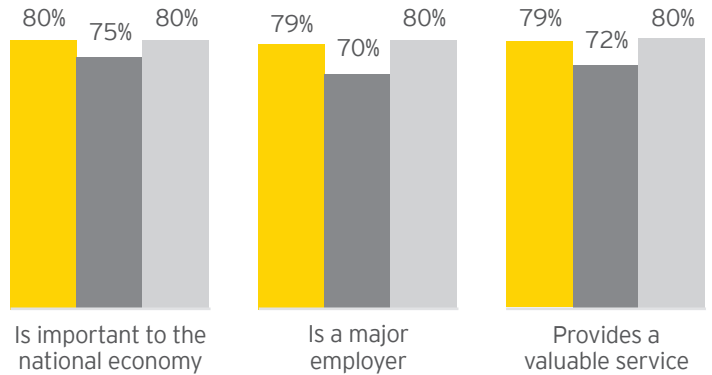
Consumers agree oil and gas are necessary and valuable to a modern lifestyle. Few respondents doubt the industry's importance to the economy, and they appreciate its role as an employer. However, consumers also overwhelmingly agree the industry is a polluter.

Meanwhile, Americans are divided on which traits define the energy industry. About half of the survey respondents recognized the energy industry for its technological leadership and innovation. But fewer than half would welcome the industry in their community.



Oil and gas industry attributes

Q For each statement, please indicate whether you agree or disagree with the statement with regard to the oil and gas industry.



■ Total ■ Teens 16-18 ■ Adults 19+

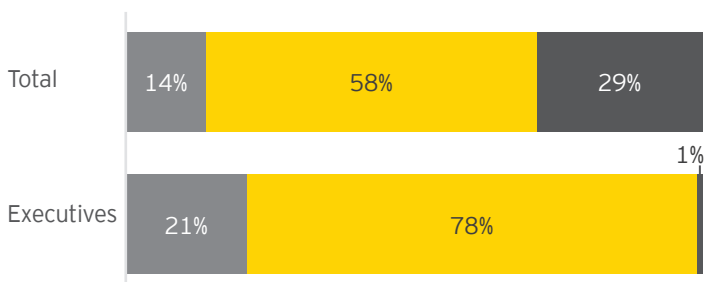
The future of oil and gas

Consumers are waiting for the next best thing when it comes to their energy. In the meantime, they'll accept oil and gas.

Consumers anticipate using fossil fuels only until the next best alternative is available. But there is a definite lack of consensus around when fossil fuels' expiration date will be: 50% of adults believe oil and gas will still be important 100 years from now, compared with 35% of teens.

Oil and gas as the primary source of energy in our lives

Q When you think of the oil and gas industry, which of the following is closer to your view?



Oil and gas should be the primary sources of energy in our lives.

Oil and gas should be the primary sources of energy in our lives until cleaner energy can replace them.

Oil and gas should not be the primary sources of energy in our lives.

Prophets of their own demise, or just realistic?

It's not surprising that adults and teens believe that oil and gas should be our primary fuels until they can be replaced with cleaner energy. But why do 78% of industry executives agree?

The answer is likely twofold.

First, industry insiders have a deeper understanding of the time frames involved in the complex shift from one major fuel source to another. In a society that is quite literally built around oil and gas, a comprehensive adoption of other fuel sources will likely take decades. In addition, some desired forms of clean energy, such as battery-powered vehicles, still face significant technology hurdles before they can become inexpensive and widespread.

Second, energy executives have a different perspective on what the word "replace" means. The public isn't likely to be thinking in terms of issues such as pricing, efficiency, degree of access, and all the other factors involved in ensuring that people and businesses have the fuel they need. But, to an energy executive, oil and gas can't be fully replaced until there is something just as cheap, just as reliable and just as readily available. That fact raises the "replacement bar" considerably and extends the lifetime of traditional hydrocarbons.

At the same time, most energy insiders recognize that oil and gas are environmentally undesirable to the public, and likely not inexhaustible. Replacing them with cleaner, more efficient fuels is part of the natural progression of modern society.

Perceptions across the generations

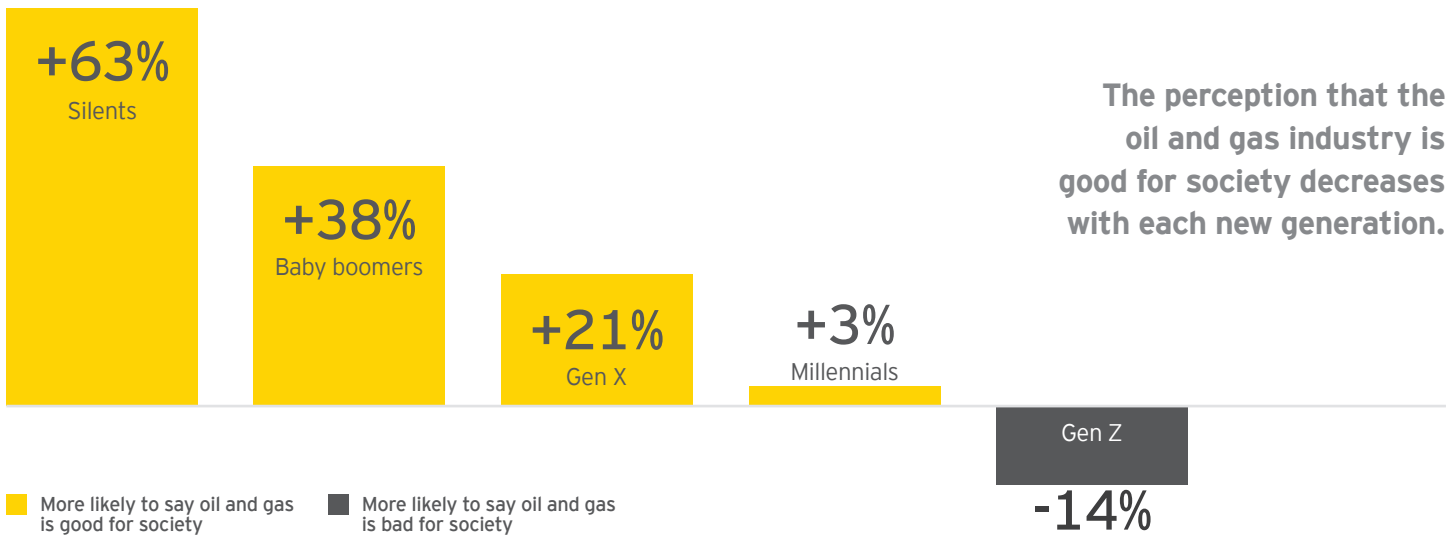
Positive sentiment is shrinking from generation to generation as risks outweigh benefits in the minds of younger generations.

Even though, across generations, there is a net positive perception of energy, the perception that the oil and gas industry is good for society decreases with each new generation. Overall, consumers believe the industry is good for society though they see it as a problem causer.

Teens, by contrast, believe it is bad for society (57% compared with 37% of adults) and are much more likely to view it as a problem causer. And they were far more likely to agree with negative

Oil and gas industry attributes

Q When you think of the oil and gas industry, which of the following is closer to your view?

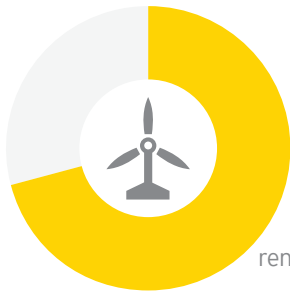


statements such as, “the industry is not worth the impact to the environment” and less likely to agree with positive attributes. In fact, teens view oil and gas as fuels of the past. In their opinion, their generation will be powered by renewables.

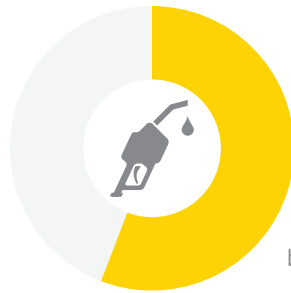
Overall, the survey showed young people increasingly feel shunted by the industry and their environmental values, especially, are not matched by oil and gas companies. Half (52%) of teen respondents said oil and gas decision-makers are mostly interested in what’s best for people their age, 43% believe the industry overlooks them, and 49% believe the industry isn’t interested in what is best for their generation. Furthermore, 71% of teen respondents believe renewable fuels such as solar and wind are the fuels of their generation, while 56% say oil and gas are the fuels of their parents’ generation.

The perception that the oil and gas industry is good for society decreases with each new generation.

Fuels of a generation



71%
of teens believe renewable fuels such as solar and wind are the fuels of **their generation.**



56%
of teens believe oil and gas are the fuels of **their parents' generation.**



59%
of teens believe coal is the fuel of **their grandparents' generation.**

Generation Z and the oil and gas industry

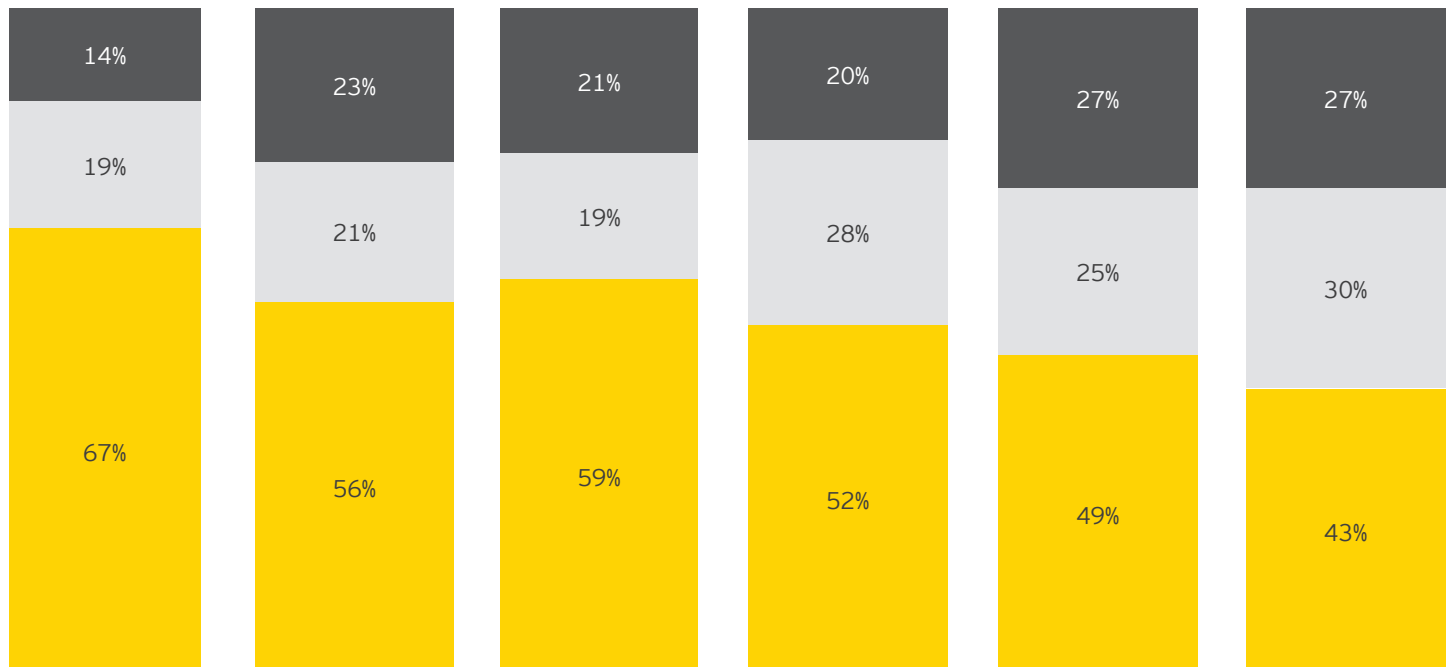
Q Do you agree or disagree with each of the following statements?

Asked teens aged 16-18

■ Agree

■ Not sure

■ Disagree



Because my generation will be around longer, we have a greater stake in what the oil and gas industry does.

I don't expect oil and gas to be important resources when I'm my grandparents' age.

If I thought the oil and gas industry would listen to me, I'd be more likely to engage with it.

Decision-makers in the oil and gas industry are mostly interested in what's best for people their age.

The oil and gas industry isn't interested in what's best for my generation.

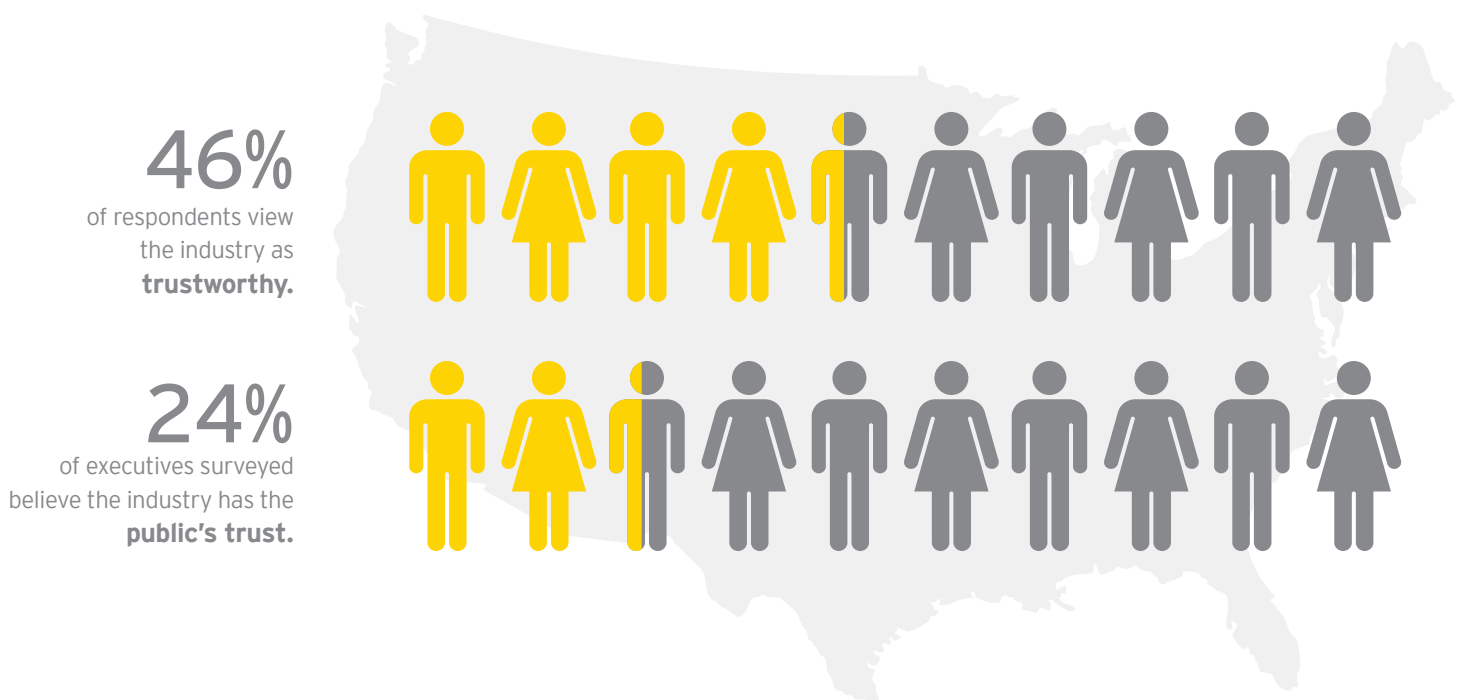
My generation's energy needs get overlooked by the oil and gas industry.

A matter of trust

Americans do not trust the oil and gas industry – but the level of trust is higher than industry executives believe.

Only 46% of respondents trust the industry. The Silent Generation (51%) and Millennials (49%) trust the industry the most, while Generation Z (45%), Generation X (45%) and Baby Boomers (44%) trust the industry the least.

Interestingly, this finding actually exceeded the expectations of industry executives. Overwhelmingly, oil and gas executives underestimate the level of trust the public places in them – 76% said they think the public does not trust the industry.



Owning the issue

The industry is aware it needs to improve its communication with the public and improve awareness of its efforts to protect the environment while meeting demands – current and future – for energy.

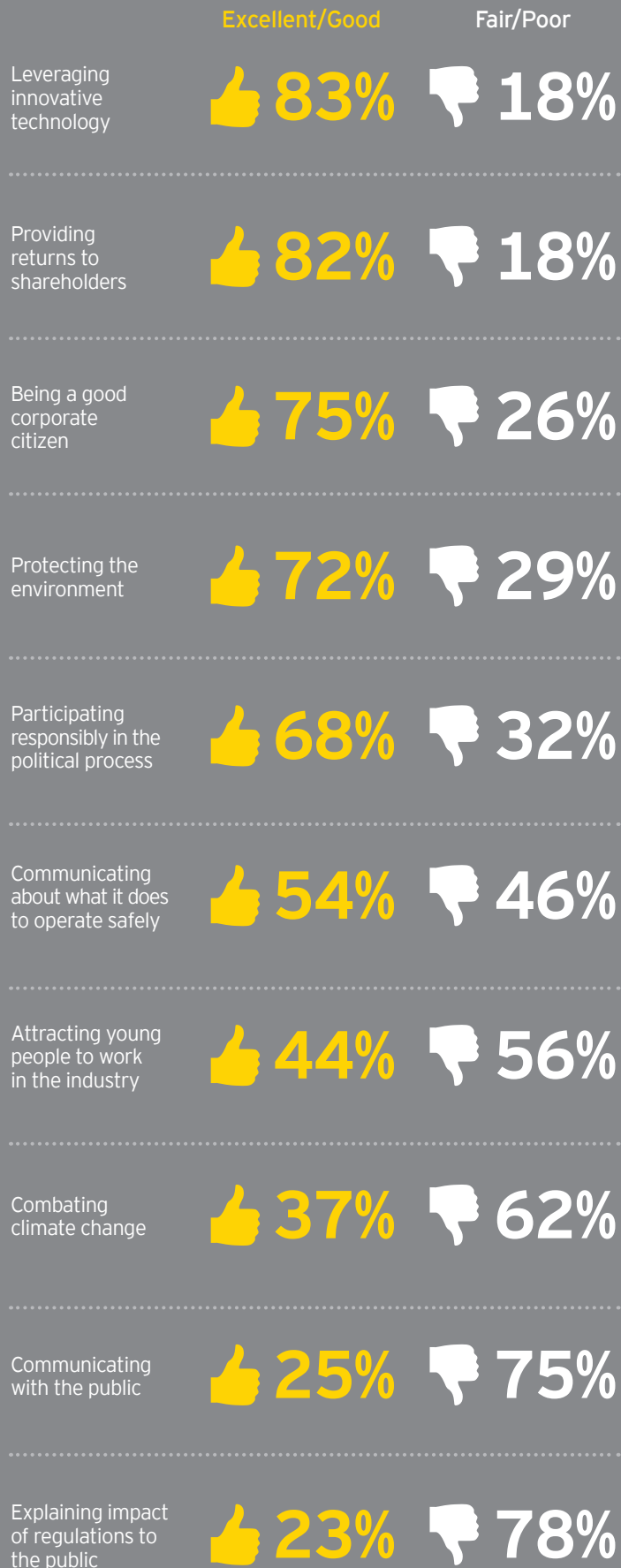
The industry gave itself high marks for a lot of important things – innovating and protecting the environment chief among them. Executives believe the industry is a good corporate citizen, provides returns to shareholders and excels at leveraging innovative technology (despite the public’s split opinion on the industry’s place as a leader in technology or innovation).

However, executives are more critical of the industry’s success in communicating with the public, attracting young people to the industry and combating climate change. More than 30% of those surveyed said the industry did a poor job of communicating overall, and 39% said the industry did a poor job of explaining the impact of existing and proposed regulations.

Perhaps as proof that communication could be improved, slightly fewer than half (46%) of adults know recoverable oil and gas resources have increased in the US in recent years. Notably, Generation Z and millennial respondents were least likely to know recoverable oil and gas resources had increased, while baby boomers and those from the Silent Generation were most likely to recognize the rise in resources.

Executive perceptions of industry attributes

Q Does the oil and gas industry do an excellent job, a good job, a fair job or a poor job on each of the following?



If this reputation is the present, what is the future?



The survey shows Americans value the industry for its expertise and its technological prowess, but they remain unconvinced that oil and gas companies are trustworthy on important issues such as protecting the environment.

Most importantly, they recognize that the energy industry efficiently delivers products they need, but increasingly don't want (or at least would prefer other sources).

Those perceptions color every opinion consumers have of oil and gas companies – from their reputation as corporate citizens to their attractiveness as places to work.

This report provides just a small glimpse into the insights uncovered through EY's large-scale consumer survey, and EY will offer more detailed analyses – and recommendations – in future reports that will dive into the perceptions on innovation, career opportunities and regulatory-related policies in relation to overall regulations, climate change and tax reform. But, in general, there is a very real opportunity to create a stronger, more effective connection with consumers that recognizes their values and concerns and allows them to understand better the critical role that oil and gas play in Americans' everyday lives.

In fact, this type of connection is more than an opportunity. As the industry approaches its last cycle, earning the trust of consumers will become an absolute necessity to protect and enhance the many key elements of business success – from recruiting and retention of talent to access to capital, stock valuation, regulatory stability, tax fairness and much more.

And while improved communication is certainly one element of a stronger relationship with consumers, it is by no means the only change oil and gas companies will need to make to improve their reputations and build a higher level of trust. In other words, the next, and quite possibly last, cycle will require a dramatic transition in more than just business strategy. It will force energy companies to develop new corporate cultures, customer-facing philosophies and everyday business practices that are aligned with the public's desire for a more environmentally conscious, more consumer-oriented industry. That is a tremendous undertaking that will impact every function within the typical oil and gas organization.

Surviving for another 100 years will require new skills and strengths, and an outward focus that recognizes the industry's limitations and strives to meet consumer needs. The winners will be those companies that can grasp the monumental changes under way today and reinvent themselves for the last cycle.

How EY can help

As the oil and gas industry faces constant and unprecedented change, EY helps clients solve complex issues and capitalize on opportunities to grow, optimize and protect their businesses now and in the future. Our team combines a unique set of skills, insight and experience to deliver strategic advice and long-lasting results. We assist businesses in taking concrete actions to identify competitive advantages, increase operational efficiency and mitigate risk. With a global mindset and collaborative culture, our team asks better questions and works with clients, as well as an ecosystem of internal and external experts, to create innovative answers. Together, EY helps oil and gas businesses work better.

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About the survey

The *EY Oil and Gas US Perceptions Study* was developed by subject matter resources within EY's US Oil & Gas practice. In developing the survey, EY sought to unearth new and valuable insights not available through any other existing research.

The *EY Oil and Gas US Perceptions Study* involved two surveys:

Consumer survey

This survey was conducted online, by FleishmanHillard on behalf of EY, between 25 January and 3 February 2017. A total of 1,204 American consumers aged 16 and older were interviewed nationwide, including 1,004 Americans aged 19 and older and 200 Americans aged 16 to 18.

The data have been weighted to reflect the composition of this population according to figures obtained from the United States Census Bureau in terms of gender, age, region, ethnicity and race. Because the sample is based on those who initially self-selected for participation, no estimates of sampling error can be calculated. Answers may not sum to 100% due to rounding.

Oil and Gas executive survey

EY also conducted a second survey of 109 oil and gas executives based in North America. This survey was conducted online, by FleishmanHillard on behalf of EY, between 28 February and 5 March 2017. Of the respondents surveyed, 98% currently work in the oil and gas industry while 2% worked in the industry within the past two years. More than half (55%) of respondents are C-suite members, chairmans, owners or partners in their companies; 19% are presidents or directors; and 26% are vice presidents, deputy directors, general managers or department heads. Of the respondents, 19% have more than 40 years of oil and gas experience, 36% have 30 to 39 years, 19% have 20 to 29 years, 17% have 11 to 19 years and 9% have 10 years or less.

Because the sample is based on those who initially self-selected for participation, no estimates of sampling error can be calculated. Answers may not sum to 100% due to rounding.

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How EY's Global Oil & Gas Sector can help your business

The oil and gas sector is constantly changing. Increasingly uncertain energy policies, geopolitical complexities, cost management and climate change all present significant challenges. EY's Global Oil & Gas Sector supports a global network of more than 10,000 oil and gas professionals with extensive experience in providing assurance, tax, transaction and advisory services across the upstream, midstream, downstream and oil field subsectors. The Sector team works to anticipate market trends, execute the mobility of our global resources and articulate points of view on relevant sector issues. With our deep sector focus, we can help your organization drive down costs and compete more effectively.

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