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DNV survey highlights uncertain energy backdrop

More than half of the nearly 450 senior oil and gas professionals who took part in a recent DNV survey on the global energy business believe that global investment in new oil and gas capacity is currently running below requirements.

Paul Bartlett | Jun 27, 2024

The findings of the survey are important for many, not least the growing number of tanker owners who have rediscovered their cheque books and signed up for new crude oil tankers since the start of the year. The pace of new contracts has confounded many observers, particularly since the latest generation of tankers is costing at least 40-50% more than the beginning of the decade. But these bold owners are clearly confident that there will still be plenty of work for their new boats during the next two decades and beyond.

The DNV survey, entitled “The Paradox of Petroleum – how the oil and gas sector is transforming through uncertainty”, reveals a sharp difference between respondents in Europe and the US. No less than 70% of North American executives said that insufficient resources were being directed into new capacity compared with 40% in Europe.

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The survey revealed that close to two-thirds of participating energy sector leaders say that the pace of the energy transition is accelerating. Despite the challenges relating to supply chain disruption and higher interest rates, major energy companies are investing heavily in alternative energy sources including wind, solar, hydrogen, carbon capture, utilisation and storage, and biofuels.

But there are many commercial constraints, with almost half of respondents highlighting the low financial returns and limited profitability associated with new energy sources. This is clearly evident in the US offshore wind sector where the measly risk-reward ratio has caused a number of developers to hold back or pull out.

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However, DNV found that those engaged in the oil and gas sector are deeply committed to environmental impact reduction, with more than 60% of executives planning to increase investment in decarbonisation. Balancing these efforts with ongoing oil and gas needs is crucial to support the energy transition effectively, the classification society noted.

The paradox of change and continuity defines the current energy landscape – the strong push towards low-carbon energy is doing little to dent the world’s consumption of petroleum products. Indeed, the highly respected International Energy Agency has said that oil used in transport could start to decline from 2026, but oil’s key role as an ingredient in plastics and other chemicals will continue to drive consumption. Peak demand could be “in sight after 2028”, the Agency has said.

DNV’s CEO of Energy Systems, Ditlev Engel, commented on the survey’s findings. “The oil and gas sector is at a critical juncture. Their dual task to invest in low carbon and renewable energy sources to meet climate targets while meeting global demand and maintaining operational efficiency and profitability is not an easy fix.

“Our survey demonstrates that industry leaders in the sector are confident about the role in the energy transition and are actively seeking solutions to navigate this transformation. More profitable business models and clear policies are needed to accelerate this change in the sector. As DNV we will continue to support the oil and gas sector to decarbonise and keep their current operations safe, sustainable, and as efficient as possible.”
