



# 2016 Energy, Resources and Marine Forecast

September 2015



SHINE WITH CWT ENERGY, RESOURCES & MARINE

**CWT**  
Energy, Resources  
& Marine

## WELCOME



I'm pleased to present to you the 2016 Energy, Resources and Marine Forecast, which we produce to help our clients plan for the year ahead. In the pages that follow, we focus on the economic outlook for energy, resources and marine clients, including projected airfares and hotel prices for 30 of the biggest industry markets. We also provide targeted recommendations and context on industry insights to ensure your program continues to thrive in 2016.

So, what can you expect next year? Well, the economy continues to grow, albeit slowly. There are varying views on oil price recovery, and a number of geopolitical and industry issues make it challenging to predict exactly what 2016 will bring. We do know for certain that energy, resources and marine companies will continue to look for new ways to improve their programs and realize savings without sacrificing service or security. The good news is that clients can achieve this by considering further consolidation, ongoing program and policy assessment, continual benchmarking, mobile booking, on-the-go access for travelers and bolstered negotiation assistance.

Further, many of our clients are asking us for insight into the issues the energy, resources and marine industries face today. These include cross-border ticketing, combined logistics and business travel management, better use of marine and offshore fares and the use of virtual payment options. In this publication, we clarify our position on these issues and offer advice on how best to realize any related benefits.

On behalf of the entire team, I want to thank you for the continued trust you place in *CWT Energy, Resources & Marine*. Please know that we will keep working every day to earn your confidence.

Monisa Cline  
Senior Vice President  
*CWT Energy, Resources & Marine*



The 2016 Energy, Resources and Marine Forecast is a supplement to the 2016 Global Travel Price Outlook, which was produced jointly by Carlson Wagonlit Travel in partnership with the GBTA Foundation.

## Industry spotlight from our sponsor



Delta and our joint venture partners Air France, KLM and Alitalia, as well as Virgin Atlantic, recognize that 2015 has been a challenging year in the energy sector. Through our close work with *CWT Energy, Resources & Marine*, we understand that what truly matters to our valued energy customers is having a travel partner that stands behind its pledge of productivity and cost savings by delivering operational excellence.

At Delta, we are committed to providing industry-leading operational performance and on-board services as we continue to invest in our people, processes and product. On the operational side, as of the end of August, Delta had more than 80 days with 0 cancellations in 2015. On the product side, Delta continues to reinvest to deliver a best-in-class traveler experience.

With an expansive schedule offering, a strong and healthy infrastructure of resources and committed airline partners, you can rely on Delta to mitigate travel risks while making your travelers' experience enjoyable—in 2016 and beyond. Aside from delivering exceptional service and scope, it is important for Delta to be able to reach all corners of the world. Thanks to our growing partnerships, we have developed a global footprint that takes our energy travelers wherever they need to be, quickly and comfortably.

Let me be the first to welcome you aboard Delta and our partner airlines.

Bob Somers  
Vice President, Global Sales  
Delta Air Lines



# GLOBAL MACROECONOMIC OVERVIEW

## Stronger U.S., recovering Europe & improved outlook for developing economies

In 2015, improved economic performance in the U.S. has been counteracted by economic weakness in Europe and Japan, a slow-down in China's growth rate and recession in some emerging economies (eg. Russia, Argentina and Brazil). The resulting divergence in performance, inflation rates and monetary policy has caused global trade to slow and the U.S. dollar (US\$) to appreciate considerably.

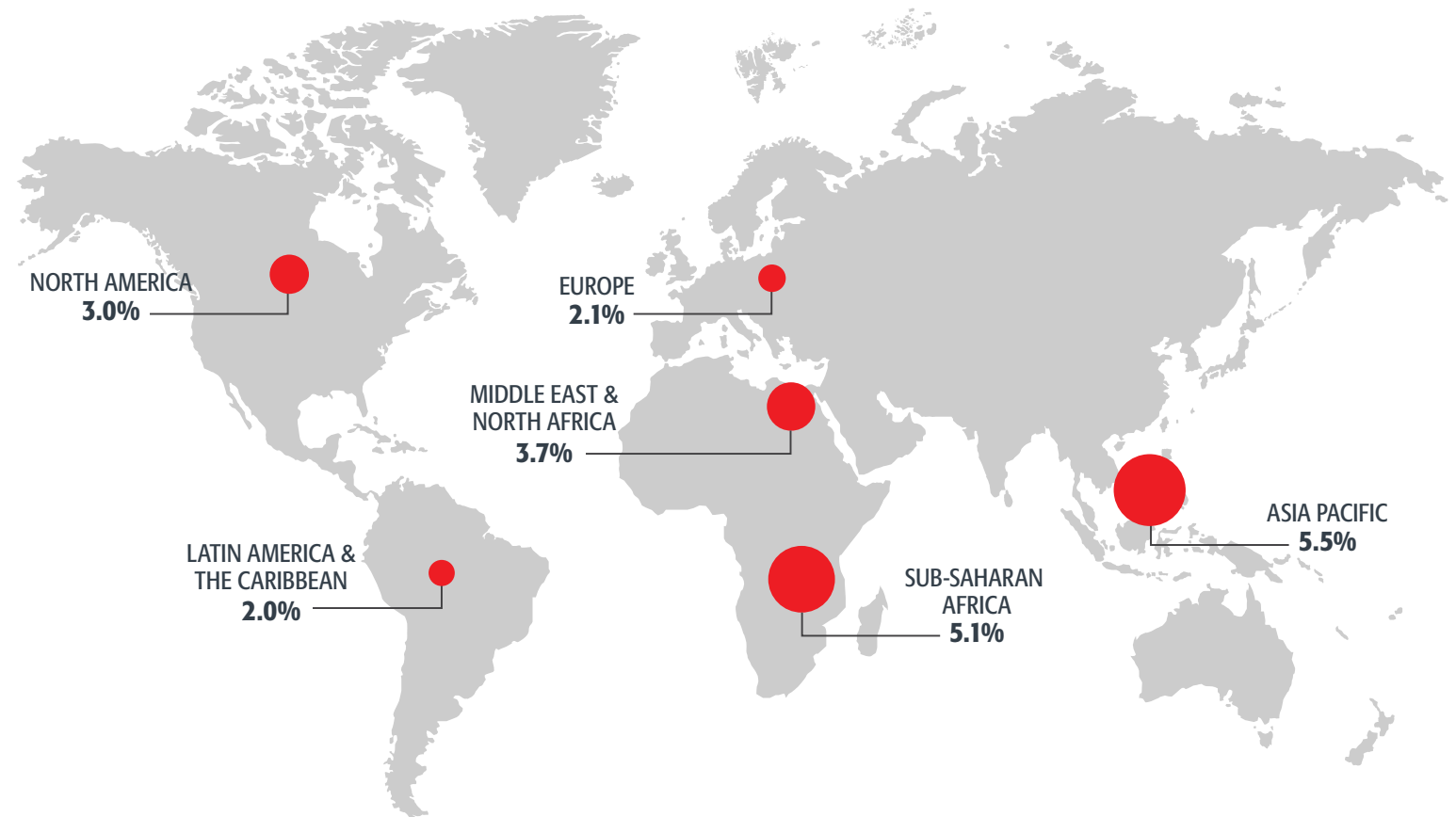
One of the biggest factors shaping the global economy is the lower cost of oil. Prices were down 60% year over year as of August 2015 when West Texas Intermediate crude prices fell below US\$ 38 a barrel, representing a new post-financial-crisis low. Overall, global crude supply should remain relatively abundant into 2016, with demand rising at a much slower pace.

Due to significant market volatility, a number of factors (eg. the evolving situation in Greece, diminishing oil demand in China and the end of sanctions in Iran) may affect the prices projected in this forecast. Additionally, conflicts in the Middle East and Africa could quickly erupt, causing spikes in oil prices, financial market turmoil and additional trade restrictions.

SOURCE: IHS Global Insight, International Monetary Fund, Wells Fargo Securities, Business Insider and Rockport Analytics

### 2016 GDP PROJECTIONS

Globally, we'll see GDP rise to **3.8%** by the end of 2016. The map below depicts regional GDP projections.



SOURCE: International Monetary Fund, *World Economic Outlook Update*, April 2015

# ENERGY, RESOURCES & MARINE SECTOR OUTLOOK

## Oil & gas

All signs point to OPEC maintaining current production levels, which should continue to place downward pressure on oil pricing.<sup>1</sup>

The announced merger between Royal Dutch Shell and BG Group in April caused an uptick in the value of mergers and acquisitions (M&A) in Q2 of 2015. However, without that large merger (valued at US\$ 84 billion), the value of deals for Q2 would have been only US\$ 18 billion higher than observed in Q1, which was the lowest since at least 2008. And the 137 deals announced in Q2 amounted to the smallest number of deals since Q4 of 2008.<sup>2</sup> Companies are working to manage their capital investments and drive down the cost of operational expenditures. And some drilling companies are taking this opportunity to improve their operations by updating or revamping their equipment.

## Fracking

As technology makes hydraulic fracturing (fracking) better and more efficient, and as more small drilling operators buy in, the cost should begin to come down. However, with

the tenuous state of the industry and high costs, fracking activities will likely be focused on sites with proven reserves through 2016.<sup>3</sup>

## Mining

We saw iron ore prices drop sharply a year before oil, and commodity prices have remained low. This has led to a lack of capital investment on long-term projects. While production levels remain high, this will be dependent on demand from emerging markets.<sup>4</sup>

## Shipping

The shipping industry continues to recover from a 5-year downturn, which had been driven by overcapacity and caused freight rates to drop. Dry ships are projected to have the strongest levels of recovery due to supply increases in commodities such as iron ore and coal. Tanker rates will be up as fleet growth slows.<sup>5</sup>



<sup>1</sup> "Opec agrees to keep oil output high in battle for market," Financial Times, June 2015

<sup>2</sup> "Beyond Shell-BG, oil company merger activity is down," U.S. Energy Information Administration, June 2015

<sup>3</sup> "Fracking Firms Get Tested by Oil's Price Drop," Wall Street Journal, October 2014

<sup>4</sup> "Three Years Ago This Coal Mine Was Worth \$624 Million. Now It Sold for \$1," Bloomberg, July 2015

<sup>5</sup> "Shipping industry sees an end to five-year downturn," Reuters, February 2014

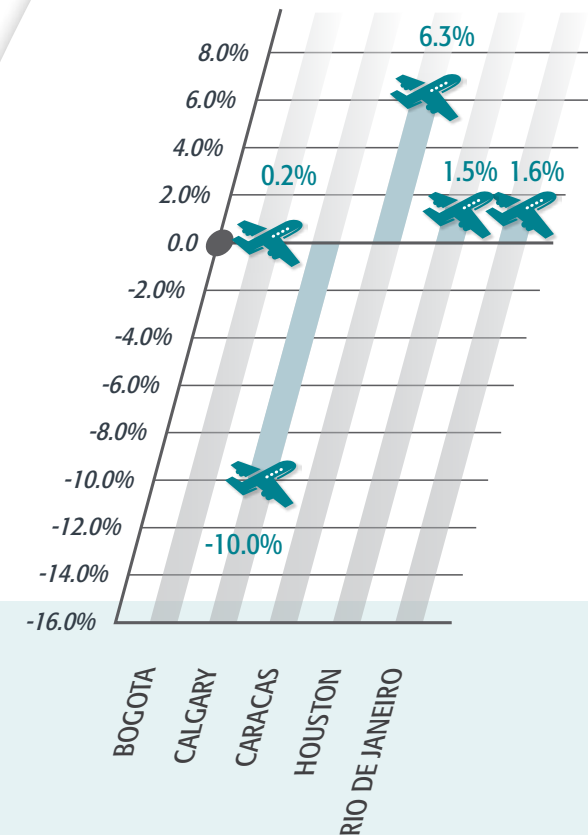
## AMERICAS

### Oil prices hit hard in multiple markets

Houston has experienced a drop in travel demand, but it remains an important city for the oil and gas industry. Thus, carriers continue to enter the market, and pricing could become more aggressive to capitalize on the remaining travelers. The recession in Brazil is driving down travel demand, leading to fierce airline competition and only moderate price increases in Rio de Janeiro. The Petrobras scandal remains a risk for the future of the economy and consumer confidence, although we are beginning to see Petrobras and the government correct internal issues. In Calgary, the significant drop in air prices is caused in part by the Canadian economy's dependence on oil and fears about a pending recession. In Caracas, prices are projected to increase, driven by the economic recession in Venezuela and aggravated by low oil and commodity pricing as well as high inflation.

Load factors in Canada have dropped, in line with reduced travel overall.

### 2016 AIR PROJECTIONS: AMERICAS



## ASIA PACIFIC

### Energy resources markets drive up airfares

In Manila, we anticipate airfare increases driven by the continued importance of this low-cost market for our energy, resources and marine clients. We've also observed a reduction in long-haul travel in Asia Pacific. Customers are beginning to benefit from improved supplier discounts, and oil and gas companies are driving an increase in domestic travel, particularly in India and China. In India, the improving economic outlook and positive impact from the recent change in government contribute to higher air prices for Mumbai. There is also a great deal of industry activity in the city, which offers a lower-cost market with significant energy resources, making it attractive to companies looking to cut costs. In Shanghai, we project a slight rise in airfares driven in part by more domestic travel. Singapore, a major market for oil and gas—and other diversified industries—will see prices rise in line with high demand. In Perth, we project increases in airfares in US\$ due to poor local currency exchange rates, the end of the mining boom and dropping commodity prices.

Oil and gas companies in Asia Pacific will drive more domestic travel.

### 2016 AIR PROJECTIONS: ASIA PACIFIC



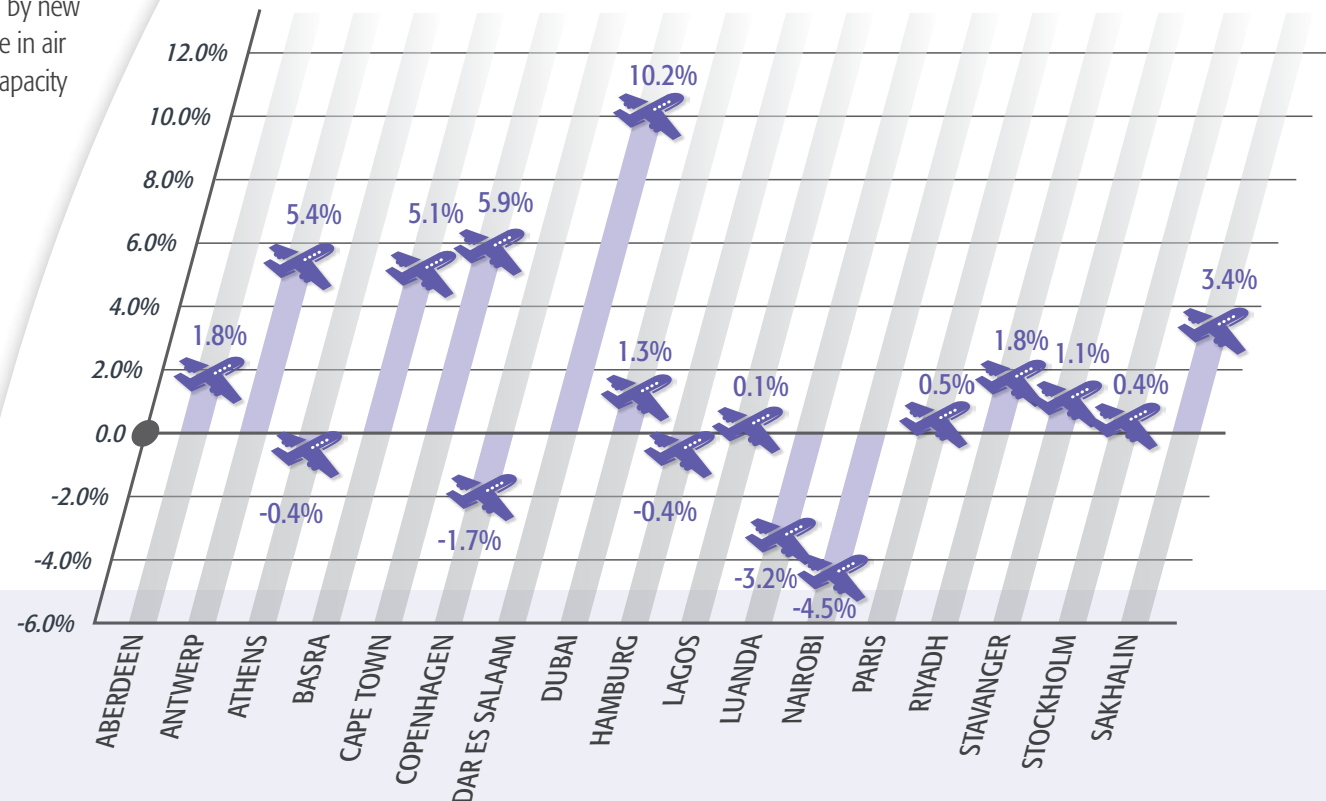
## EUROPE, MIDDLE EAST & AFRICA

### Economic uncertainty persists during fragile recovery

Aberdeen and Stavanger will see airfares increase, as these markets remain incredibly important to the energy industry despite a decrease in travel demand. In Hamburg, we project a slight drop in airfares due to increased competition driven by new low-cost flight options like Germanwings. We anticipate a small increase in air pricing for Dubai, but this will be down from last year's projections as capacity isn't increasing as quickly. Indian and Chinese companies are investing heavily in Basra's civil infrastructure, and load factors remain high for this safer destination far from the political strife in other areas of Iraq. Considerable growth in the energy resources market in Tanzania will help drive significant price increases for Dar Es Salaam. The Kenya shilling (KES) has depreciated against US\$, resulting in high inflation rates and consumer prices in KES as Kenya is a net importer of goods and services. This, combined with increased airline competition, will lead to reduced airfares in US\$ for Nairobi. A massive depreciation in the South African Rand should contribute to higher airfares for Cape Town.

LCCs continue to challenge legacy carriers for air traffic in the region.

### 2016 AIR PROJECTIONS: EUROPE, MIDDLE EAST & AFRICA



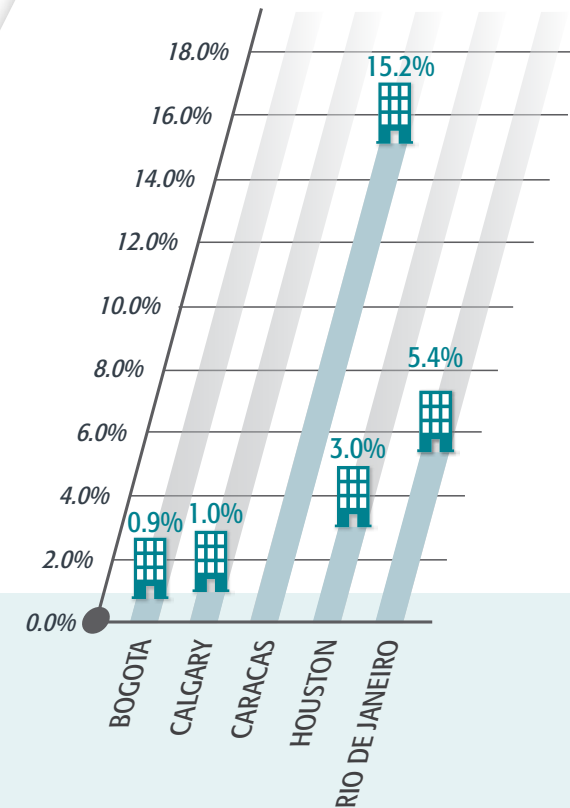
## AMERICAS

### Region feels the impact of oil & commodity pricing, inflation

While we project price increases for Houston, demand is down from its previous highs due to the city's deep connection to the energy industry. In Rio de Janeiro and Caracas, low commodity prices and considerable inflation contribute to the highest projected hotel price increases in the region. We expect that the 2016 Olympic Games in Rio de Janeiro will create some pressure on hotel demand, although the infrastructure built for the 2015 World Cup should balance this out. Oil and gas companies have greatly reduced their number of hotel nights in Calgary. Thus, we expect prices will increase, although not as much as previous years, when lack of capacity was an issue.

High inflation will contribute to higher hotel prices in Latin America.

### 2016 HOTEL PROJECTIONS: AMERICAS



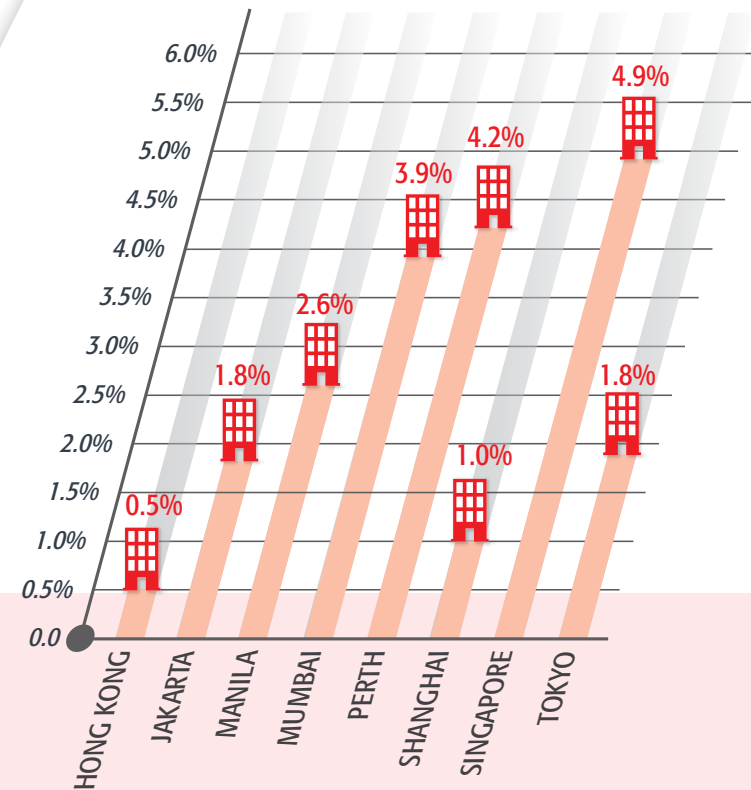
## ASIA PACIFIC

### Prices up overall due to the impact of the energy sector

Manila, a strong low-cost business market, should experience continued growth for clients in the energy and shipping industries, driving related hotel rate increases. In India, prices have been suppressed due to previous overcapacity; however, we are already noticing a shift in supply and demand in Mumbai, leading to higher projected prices. Shanghai will see an uptick in hotel rates, with more significant increases for midscale hotels than upscale properties. While we have seen a drop in occupancy in Singapore in 2015, we project more stable pricing and recovery in 2016, driving price increases. In Perth, the decrease in mining and construction activity will result in reduced demand, but local currency issues will lead to higher hotel prices in US\$.

Energy companies in the region increase travel to low-cost markets, driving up hotel prices in these locations.

### 2016 HOTEL PROJECTIONS: ASIA PACIFIC

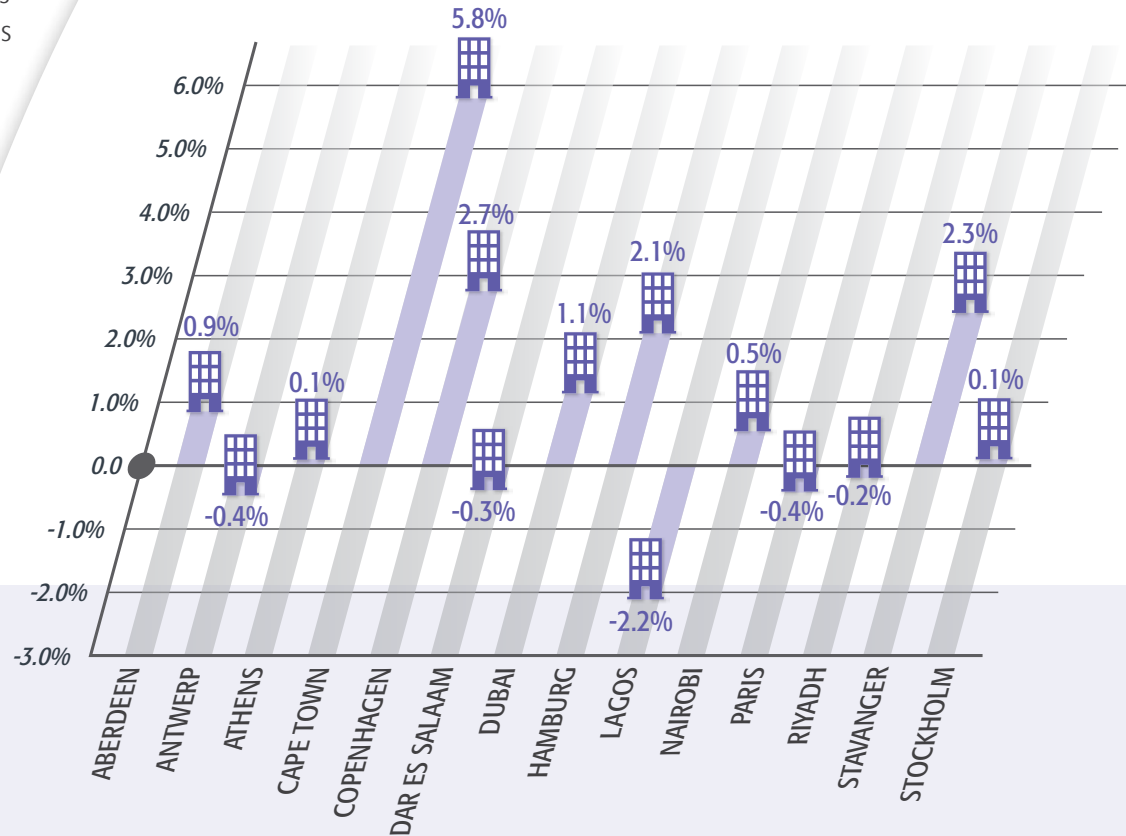


## EUROPE, MIDDLE EAST & AFRICA

### Added supply & slowing demand softens hotel prices

A significant drop in hotel traffic for Aberdeen will cause only small price increases, although 2015 projections were higher. This is driven by the city's hotel capacity, which has grown considerably in 2015. In Stavanger, hundreds of new rooms are under construction, an investment made when the economic outlook was better. Traditionally, Stavanger rates have been the highest in Norway due to the market's importance to the oil industry. However, increased capacity and decreased demand could cause a downward trend. Dubai is seeing steady demand, prompting price increases; this could be mitigated by a growing supply pipeline driven in part by Expo 2020. Hamburg hotel prices will be up, particularly for upscale properties, due to continued increased occupancy levels and room rates, but this will not be as drastic as in previous years due to increased supply coming online in 2015. Staff reductions are likely to cause rates to decrease in Lagos. Cape Town will see higher prices, caused in part by the currency issues mentioned earlier.

2016 HOTEL PROJECTIONS: EUROPE, MIDDLE EAST & AFRICA



Hotel supply is increasing in many top energy markets.

# TRAVEL PROGRAM RECOMMENDATIONS

2016 will bring further challenges to the energy and resources industries, given the volatility and uncertainty of oil prices. However, having a strongly managed and high-performing travel program helps your bottom line and keeps your travelers secure. Consider the following suggestions to make sure you're getting the most out of your travel program as the industry and your company's needs shift.

## Consolidate your program



If you're currently using multiple travel management companies in different markets, consider consolidation, which can help you achieve increased savings by leveraging your combined total travel volume. Working with a single travel provider globally promotes consistent service and enhanced safety and security for your travelers in every market, as you'll have a single source for support.

## Measure your program's maturity and success



Review your program's performance by completing an annual diagnostic assessment. Assess your program across key areas and benchmark against peer travel programs. In this way, you can easily determine where your program excels, where it may lag and what you need to do to achieve your changing travel objectives and organizational goals.

## Assess your travel policy to find savings opportunities

### Promote advance purchase



How many days do your travelers have to book in advance? If you haven't implemented an advance purchase policy yet, doing so could drive significant savings. And if you have, extending it beyond the standard 14 days out could help you find additional savings.

### Look at class of travel



What are your current thresholds for business class travel? Many companies set this number at 4-6 hours, but increasing this window by a few hours can help you uncover additional savings. Similarly, consider whether reputable, safe midscale hotel properties could replace upscale options.

### Consider online booking



Online booking tools (OBTs) are not the right fit for every energy organization, but they have become more popular in recent years. Consider whether it's time to reassess OBT options. By implementing an OBT and building parameters for online booking into your policy, you can help travelers make the right decisions and save money.

## Introduce innovative technology

### Implement a single mobile travel app



Mobile isn't a trend that can be ignored. As the face of your workforce changes, more employees will rely on their smartphones to update profiles, check their itineraries and even book their travel—and they'll want all of this from a single mobile travel app. Bringing your travel program and processes directly to your travelers allows you to capture more bookings and prevent program leakage while increasing traveler satisfaction.

### Dig deeper into your data



You're looking for more insights from your program data, moving beyond the numbers to see an integrated story and related opportunities. You want real-time global data, instant benchmarking and quantifiable recommendations based on your specific data. We will deliver this and more through our upcoming release of *CWT AnalytIQs*, our new reporting tool.

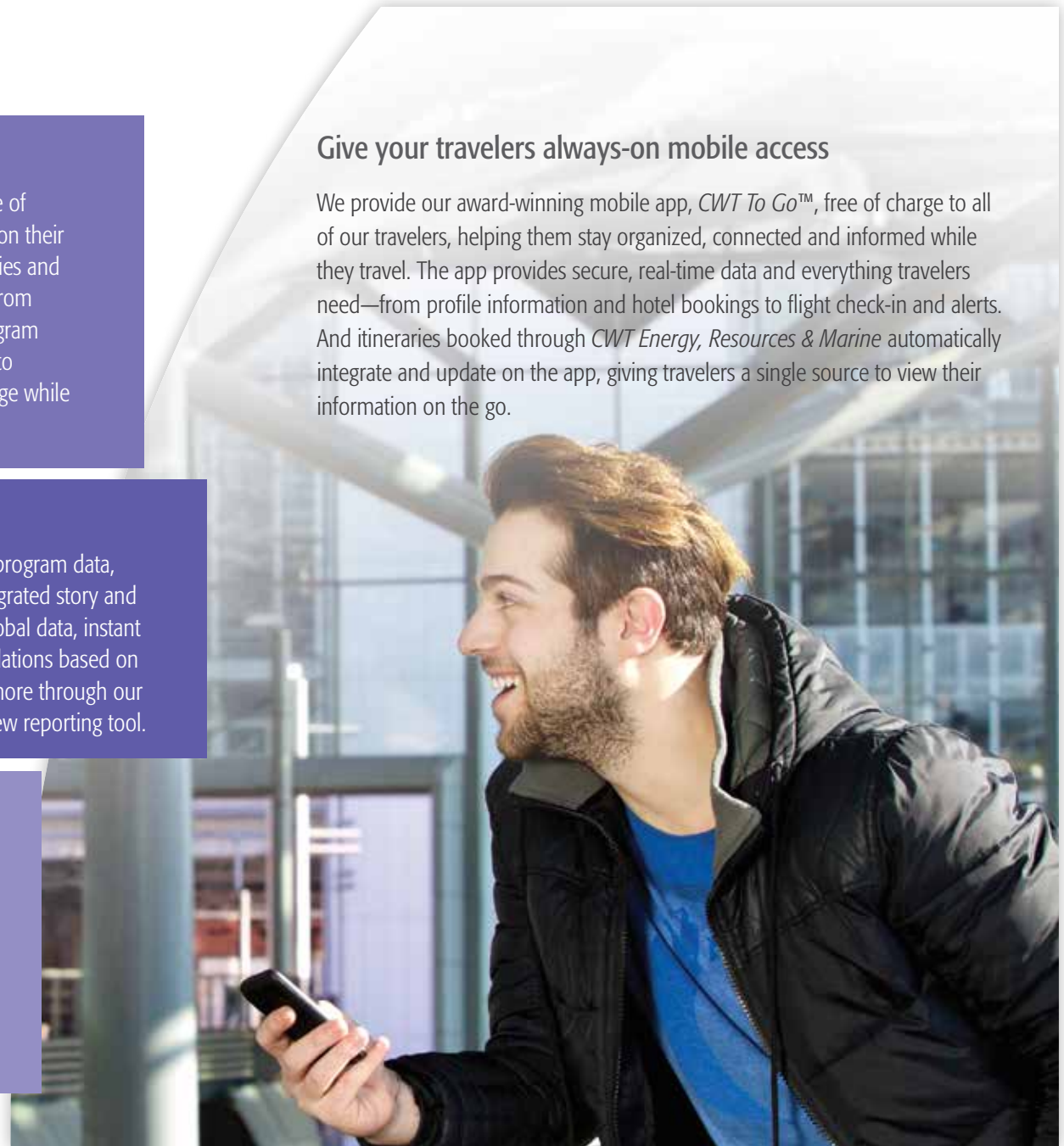
### Promote compliance



Automated messaging can increase awareness of and compliance with your policy throughout the entire trip—helping travelers make the right decisions for your program and driving savings. *CWT Program Messenger* is a great fit for the energy sector, as messaging can be delivered via SMS instead of email. This means no Internet access is needed for your travelers to stay connected.

### Give your travelers always-on mobile access

We provide our award-winning mobile app, *CWT To Go™*, free of charge to all of our travelers, helping them stay organized, connected and informed while they travel. The app provides secure, real-time data and everything travelers need—from profile information and hotel bookings to flight check-in and alerts. And itineraries booked through *CWT Energy, Resources & Marine* automatically integrate and update on the app, giving travelers a single source to view their information on the go.



## Continually assess your safety & security program



Just because your safety and security program met your needs yesterday doesn't mean it meets them today. We're observing that more energy, resources and marine clients are taking an increasingly proactive approach. This enables better collaboration and contact between their travel managers, safety and security provider and travel management company. Additionally, innovative technology solutions make it easier for you to track and connect with your travelers on the go, helping them stay out of harm's way.

## Turn to the experts for negotiations



As you enter contract negotiations, experts from *CWT Solutions Group* can help you get the most from your suppliers. Many of these consultants offer considerable energy industry expertise and are already helping many clients with creative new strategies to derive the greatest savings—and benefits—from their programs.

## FOCUSED ON THE CUSTOMER

### Delta provides a robust global footprint & operational excellence

The energy, resources and marine industries are important to us, and we have dedicated teams at Delta and at our joint venture partners focused on inspecting the energy marketplace to ensure our global footprint is consistent with energy travelers' needs. In coordination with our joint venture partners, Delta continues to focus on our footprint into the Middle East and Africa, grow our relationship with GOL in Brazil and evolve our partnership with AeroMéxico by offering deeper access to Mexico and beyond.

Delta has also expanded service in North Dakota and Alaska and will soon be launching a new service from Houston (IAH) to Calgary (YYC) in coordination with WestJet. *CWT Energy, Resources & Marine* and Delta, along with our joint venture partners, have created unique pricing programs for the energy business. For more information about Delta and our energy offerings, please contact CWT.

We are also focused on delivering reliable operations and on-time performance that allows our customers to keep their own business commitments. Delta is #1 for on-time arrivals, the fewest cancellations, the fewest customer complaints and the lowest number of mishandled baggage among U.S.-based global airlines.\* And, to demonstrate our promise of operational excellence, Delta now offers Operational Performance Commitment (OPC) to our contracted corporate customers. This industry-leading benefit compensates a company if Delta's operational performance falls below our primary U.S. competitors in controllable delays and completion factor for a full calendar year. Compensation is based on the number of controllable delays and cancellations your eligible travelers experience during the calendar year, and the final compensation amount is based on Corporate Sales Agreement (CSA) fulfillment rates.



\*Based on January to April 2015 statistics for on-time arrival, complaint rates per 100,000 enplanements, and completion rate as provided in the June 2015 DOT Air Travel Consumer report for domestic flights scheduled and compared to other US global carriers flying transoceanic routes: United Airlines and American Airlines.

## INDUSTRY INSIGHTS

Giving you context on the biggest issues facing the energy, resources & marine sector



### Cross-border ticketing

More clients are asking us about cross-border (or point-of-origin or “creative”) ticketing. These terms cover a range of practices generally aimed at circumventing airlines’ pricing strategies, by capitalizing on pricing inconsistencies at different points of sale, either within the same country or in another country. Some of these practices have been forbidden by the airlines directly or by IATA. Similar practices such as international fare searches (searching across several countries for the cheapest fare, with the ticket being issued locally in the country where the fare is available) can be intriguing for clients. However, the drawbacks are considerable, which is why we don’t support cross-border ticketing or similar tactics. Our global and multinational service centers serve clients across many countries from centralized locations, and these reservations are typically still ticketed in each traveler’s country of origin. We also offer a tool called *CWT Portrait Abroad* for travelers who have a legitimate need to book a local fare outside their home country, such as when on a long-term assignment. In these cases, the point of sale will always match the point of departure.



### Managing logistics & business travel as one

As volatile oil prices prompt the search for additional savings, more companies are looking to manage their logistics and business travel as a single process through a single provider. A streamlined process allows for easier reporting, both for internal tracking purposes and for reporting activity based on local regulations, a tricky task when managing crew rotations in manual spreadsheets. And, by centralizing and managing the process from end to end, companies have more control of each of their travelers’ trips. This includes better visibility and control of worker certifications, end-to-end itinerary management (eg, bus, charter and camp) and more. We fully support clients who combine their logistics and business travel operations, recognizing this opportunity to introduce enhanced efficiencies, safety and savings of 10-15%. As your travel management partner, we can work with you to recommend a best-in-market logistics software solution that can help you manage all of your logistics trips in one place.

## INDUSTRY INSIGHTS

Giving you context on the biggest issues facing the energy, resources & marine sector



### Capitalizing on marine & offshore fares

Uncovering savings opportunities for airfares is becoming more essential in today's economic climate. That's why many of our clients are embracing our globally available *CWT Energy, Resources & Marine Fares* in markets where they do not have the volume to negotiate contracts or as a supplement to their own negotiated agreements. These fares are available to travelers who work in onshore and offshore exploration and drilling, oilfield and subsea services, mining operations, marine business and alternative energy industries. In addition to savings of up to 30%, these fares offer true flexibility: they are fully refundable and changeable without penalty and have no pre-purchase or point-of-origin requirements.



### Deploying a virtual payment option

Many companies in the industry have begun to implement innovative virtual payment processes to mitigate fraud and centralize payment control. Our virtual solution, powered by Conferma, offers improved security for payment processing, increased traveler compliance, a streamlined process and richer data—making it ideal for companies looking into this flexible, secure solution. This solution provides a PCI-compliant alternative to other payment options such as issuing corporate credit cards, having a lodge card or using ghost cards. With virtual payment, each booking element is reconciled to the unique virtual card number, which enables 100% transaction matching, with pre-defined spending criteria to mitigate incorrect billing issues. And each virtual “card” has a fixed validity period, with a pre-defined credit limit, which can be set for additional expense items such as breakfast, Wi-Fi or dinner.

## Methodology

The projections in the 2016 Energy, Resources and Marine Forecast are based on:

- A statistical model, developed by market and economic research firm, Rockport Analytics, that evaluates historical price behavior and forecasts future price references
- The market-specific expertise and travel industry knowledge of *CWT Energy, Resources & Marine* and *CWT Solutions Group* personnel worldwide
- Macroeconomic information sourced from Moody's Analytics, the International Monetary Fund Research Department, the United Nations and others

Projections were derived based on transaction data from the global client portfolio of Carlson Wagonlit Travel (CWT), including clients' travel footprints and patterns, over the past six years. Key macroeconomic and per-country indicators, such as current and expected GDP growth, the consumer price index, unemployment rates and crude oil prices, were used in the statistical model, as well as key supply-side drivers sourced from OAG and STR Global. All air statistics represent point of origin and include all trip types (long and short haul/domestic, continental and intercontinental).

## ***CWT Energy, Resources & Marine***

*CWT Energy, Resources & Marine* provides specialized travel management solutions for organizations operating in oil and gas, diversified resources and mining, offshore, marine services and alternative energies. Building on more than 30 years of experience, we work closely with clients worldwide to find the right solutions for their complex travel needs, providing first-class service and leading-edge technology and products.

**For more information, contact [CWTERM@carlsonwagonlit.com](mailto:CWTERM@carlsonwagonlit.com),  
or visit [www.cwt-energy-resources-marine.com](http://www.cwt-energy-resources-marine.com).**

