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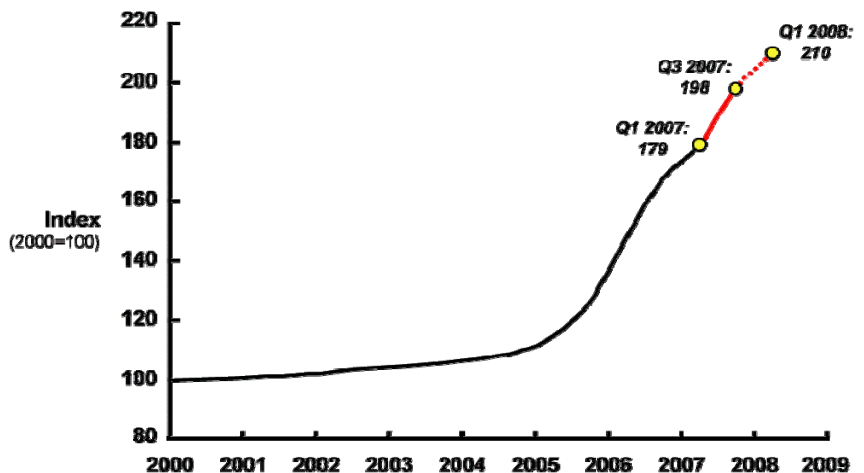
IHS/CERA Upstream Capital Costs Index: Cost of Constructing New Oil and Gas Facilities Reaches New High *Upward trend continues as cost index rises 6% in the past six months*

CAMBRIDGE, MA (May 14, 2008) -- The costs associated with constructing new oil and gas upstream facilities have reached a new record high, according to the most recent IHS/Cambridge Energy Research Associates (CERA) Upstream Capital Costs Index. Costs increased an additional six percent in the past six months and have doubled since 2005.

The latest increase raised the index to 210 points from its previous high of 198. The values for the UCCI are indexed to the year 2000, meaning that a piece of equipment that cost \$100 in 2000 would cost \$210 today.

“Rising costs have become one of the ‘new fundamentals’ driving the price of oil,” said Daniel Yergin, chairman of CERA and executive vice president of IHS. “The UCCI, like its downstream counterpart,

IHS/CERA Upstream Capital Costs Index



Source: Cambridge Energy Research Associates.
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the Downstream Capital Costs Index, provides a framework and tool for understanding these cost challenges.”

“These costs are a serious concern and a major challenge for oil and gas companies and are contributing to the delays and postponements of many projects,” added Pritesh Patel, director for the Capital Costs Analysis Forum for Upstream, a CERA Industry Forum. “Exchange rate fluctuations and the weakening U.S. dollar also contribute. With the dollar the reporting currency of choice, this has a dramatic effect on final construction costs for projects in some regions such as Europe and West Africa.”

The UCCL is a proprietary measure of project cost inflation similar in concept to the Consumer Price Index (CPI). It provides a benchmark for comparing costs around the world and draws upon proprietary IHS and CERA data bases and analytical tools.

The new increases are driven by the rising costs for raw materials and transportation. Raw materials, such as iron ore, that are needed to produce steel have increased considerably, as much as 60%, in 2008 as ore contracts have been renegotiated. Rising fuel prices continue to drive the shipping costs upward. The effects of this will be seen in the finished steel and will have consequences for equipment prices.

Specialized deepwater equipment that is required for the sub-sea, particularly umbilicals and control systems, showed the largest increase of any area on the index. Continued manufacturing constraints coupled with higher materials and labor costs led to increases of 12 percent in the past six months.

The costs of installation vessels—the ships used to install platforms, lay pipe and support offshore development—are also on the rise after briefly leveling off in 2007. Their rates have increased 2 percent in the past six months.

“Oil Industry construction activity remains high in an already tight market for equipment and personnel. Steel costs continue to increase across all industries. Fuel costs for transportation are rising. The near-term outlook shows no reprieve in increasing construction costs,” he said.

Patel noted that cost escalation does vary on a regional basis. Areas of high activity such as the Middle East, West Africa, South America and Australia continue to see higher than average cost increases, compared to areas of moderate escalation in North America and Europe.

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About the IHS/CERA Upstream Capital Costs Index (UCCI)

The IHS/CERA UCCI tracks the costs of equipment, facilities, materials, and personnel (both skilled and unskilled) used in the construction of a geographically diversified portfolio of twenty eight onshore, offshore, pipeline and LNG projects. It is similar to the consumer price index (CPI) in that it provides a clear, transparent benchmark tool for tracking and forecasting a complex and dynamic environment. The UCCI is a work product of CERA's Capital Costs Analysis Forum for Upstream (CCAF-U). The UCCI can be tracked on the IHS Index Web Site: www.ihsindexes.com. For information on the Capital Costs Analysis Forum for Upstream, contact Pritesh Patel at ppatel@cera.com

About CERA(www.cera.com)

Cambridge Energy Research Associates (CERA), an IHS company, is a leading advisor to energy companies, consumers, financial institutions, technology providers and governments. CERA (www.cera.com) delivers strategic knowledge and independent analysis on energy markets, geopolitics, industry trends, and strategy. CERA is based in Cambridge, MA, and has offices in Bangkok, Beijing, Calgary, Dubai, Johannesburg, Mexico City, Moscow, Mumbai, Oslo, Paris, Rio de Janeiro, San Francisco, Tokyo and Washington, DC.

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