

ECRI Sponsors Meeting

London, England
Thursday 11th. June 2009



WELCOME

Agenda Item 7

Survey of Risks and Challenges Facing the E&C Industry – Feedback

Rod Kyle, ECRI

ALL

Agenda Item 7 - Survey of Challenges and Risks Facing the E&C Industry

- **Mexican Flu / Pandemics / Piracy / Terrorism / Country Risk**
- **Tight Border Controls – Assignment of M.E. / Africa Clients’ Personnel and their Families**
- **Availability / High Cost of Financing and suitable Guarantees and Bonding / Increasing Complexity**
- **Postponement / Cancellation / Suspension / Re-Phasing of Work – Adequacy of Contract Provisions**
- **“Renegotiation” of agreed Contract T&C’s**
- **Concerns about Financial Stability / Defaults by Clients, Banks, Insurers, Vendors, Suppliers, J/V Partners and S/C’s / Low Stock Price**

Agenda Item 7 – Survey of Challenges and Risks Facing the E&C Industry

- **Trend back to LSTK and non-negotiable T&C's away from more "enlightened" routes**
- **Increasing instances of unenforceability of Risk Allocations in Contracts / Larger burden on Contr.**
- **Continued Emergence of China / As a Client !!!**
- **Increasing Environmental / Social Requirements / Compliance / Carbon Trading**
- **Continued Difficulties finding Qualified Resources**
- **Credit Crunch impacting PPP**
- **Increased Requirement for Local Supplies to boost Economies**

Agenda Item 7 – Survey of Challenges and Risks Facing the E&C Industry

- **Supply Chain Failures**
- **Exposure to One Large Client or Country**
- **Volatility in Currency Exchange Rates**
- **Maintaining Talent in a Downturn Market**
- **Conversely, possible Lay-Off / Redundancy Issues**
- **Increasing Design and Build in US**
- **Running after Highly Risky Jobs in Bad Economic Times**
- **Major cutbacks in some Client Spending and Sectors e.g. Saudi Aramco, Dubai, O&G**

Agenda Item 7 – Survey of Challenges and Risks Facing the E&C Industry

- **Increasing Level of Client Interference with some Adverse “Creative Ideas” being tabled**
- **General Concerns about Workload from 2010 onwards**

Agenda Item 7 – Survey of Challenges and Risks Facing the E&C Industry

- **There are clearly some opportunities :**
 - **Commodity / Equipment Pricing, but Volatility**
 - **Lower Project TIC / More Attractive Ventures**
 - **Stimulus Packages providing Infrastructure, Power, Government, Social opportunities**
 - **US Energy Independence**
 - **Strong Balance Shts / Acquisition / Hiring / Project Development**
 - **Environmental Friendly / Clean-Up Work**
 - **US Utilities willingness to contract with J/V's**

The logo is contained within a light blue square with a subtle grid pattern. The word "ECRI" is written in a large, bold, blue, sans-serif font. Below it, the words "ENGINEERING & CONSTRUCTION RISK INSTITUTE" are written in a smaller, bold, black, sans-serif font, stacked in three lines.

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