

# **PIRA – Forecast Methodology and Assessment of Future Oil Price Trends**

## **I. INTRODUCTION**

In response to the scope of work request sent by Government of Newfoundland & Labrador, Department of Natural Resources (to be referred to herein as “Department of Natural Resources” or “Client”), PIRA Energy Group (“PIRA”) proposes to prepare a four- to five-page written report on its forecast methodology for crude oil price scenarios and provide commentary on its assessment of future oil price trends relative to its fourth quarter 2009 Reference Case forecast in the 4Q 2009 *Scenario Planning Quarterly Update* (the “Study”).

## **II. STUDY DELIVERABLES AND TIMING**

### **1. Deliverables**

- The Study deliverables are:
  - Overview of PIRA as an organization, including the approximate number and types of clients.
  - Overview of PIRA’s forecasting process (depth and breadth summary).
  - Definition of the Reference, Low and High cases for crude oil prices.
  - Explanation of why Reference Case is a reasonable benchmark for decision-making.
  - High level indication of long-term trends for crude oil prices and key factors.
  - Commentary on PIRA’s assessment of future West Texas Intermediate (WTI) crude oil price trends and, specifically, the likelihood of prices declining 44% below the Reference Price forecast in PIRA’s fourth-quarter 2009 *Scenario Planning Quarterly Update*, essentially a WTI oil price less than US\$40 per barrel. This commentary includes a discussion of the types of actions / global behavior that would be required to see prices fall to the Low Case and PIRA’s view on the likelihood of those events occurring.

# **PIRA – Updated Forecast Methodology and Assessment of Future Oil Price Trends**

## **I. INTRODUCTION**

In response to the scope of work request sent by Government of Newfoundland & Labrador, Department of Natural Resources (to be referred to herein as “Department of Natural Resources” or “Client”), PIRA Energy Group (“PIRA”) proposes to prepare an updated written report (the “Updated Study”) on its forecast methodology for crude oil price scenarios and provide commentary on its assessment of future oil price trends relative to its fourth quarter 2009 Reference Case forecast in the 4Q 2009 *Scenario Planning Quarterly Update* (the “Original Study”) February 27, 2012. The Updated Study will include a new section covering the factors that reduce the probability of the “low price scenario”.

## **II. UPDATED STUDY DELIVERABLES AND TIMING**

### **2. Deliverables**

The Updated Study deliverables are:

Update of the Original Study, which shall and include a new section covering the factors that reduce the probability of the “low price scenario”.