



# United Energy Group

By – Sherzod and Nicolas

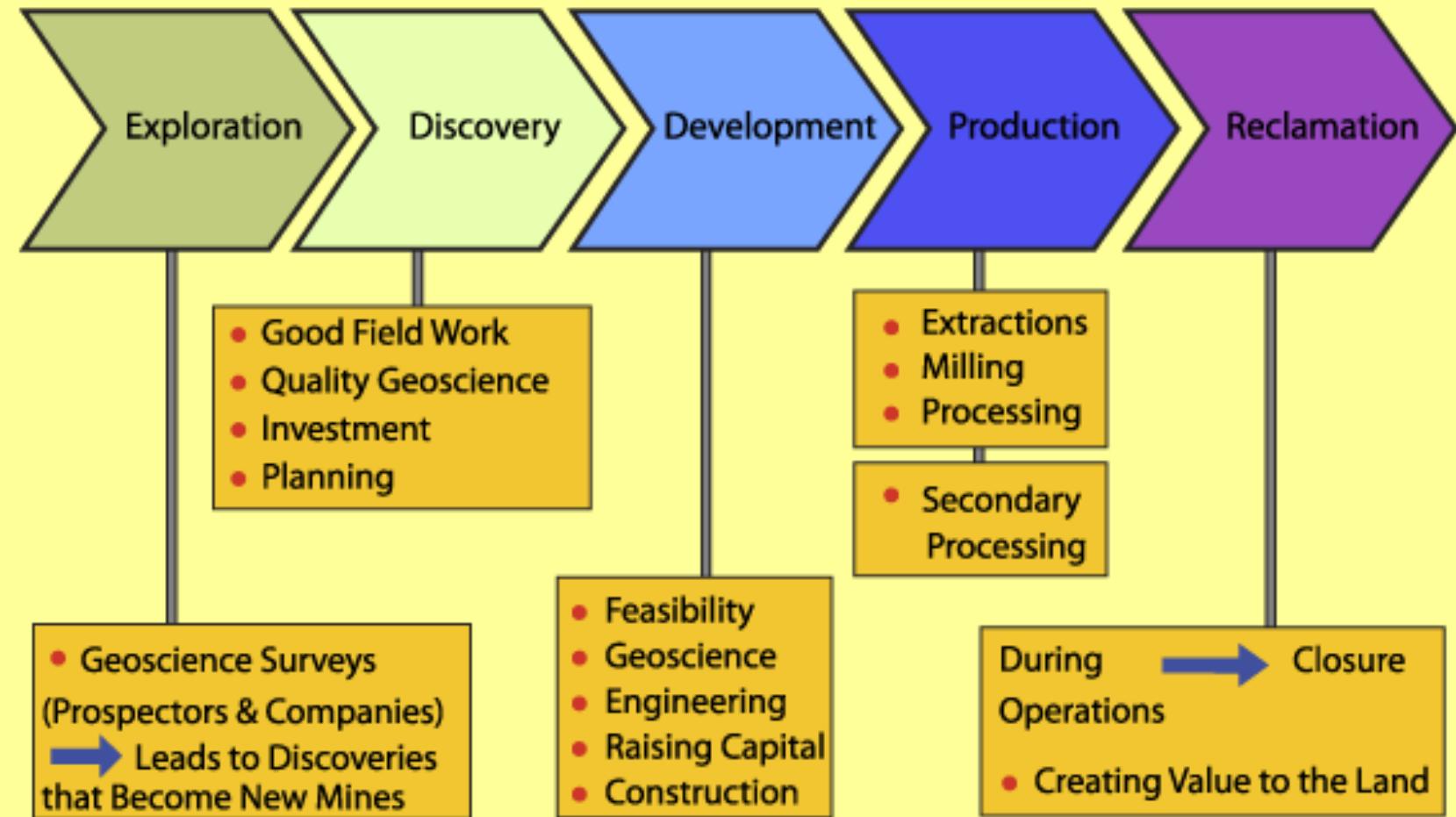


A photograph of an industrial facility, likely a refinery or chemical plant, set against a backdrop of a sunset or sunrise. The sky is filled with warm orange and yellow hues, and the industrial structures, including tall towers and pipes, are silhouetted against the bright sky.

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# What is Exploration & Production (E&P)



A photograph showing the silhouettes of several oil pump jacks against a blue and orange sunset sky. The pumps are in various stages of their cycle, with one prominent one on the left facing right and another on the right facing left. Some palm trees are visible in the background.

# Economic Process of Contracting

- 1. Bid for blocks
- 2. Owners select a winner
- 3. Contractual agreement
- 4. Preliminary drilling of oil wells
- 5. Samples collected and appraised
- 6. Project initiated

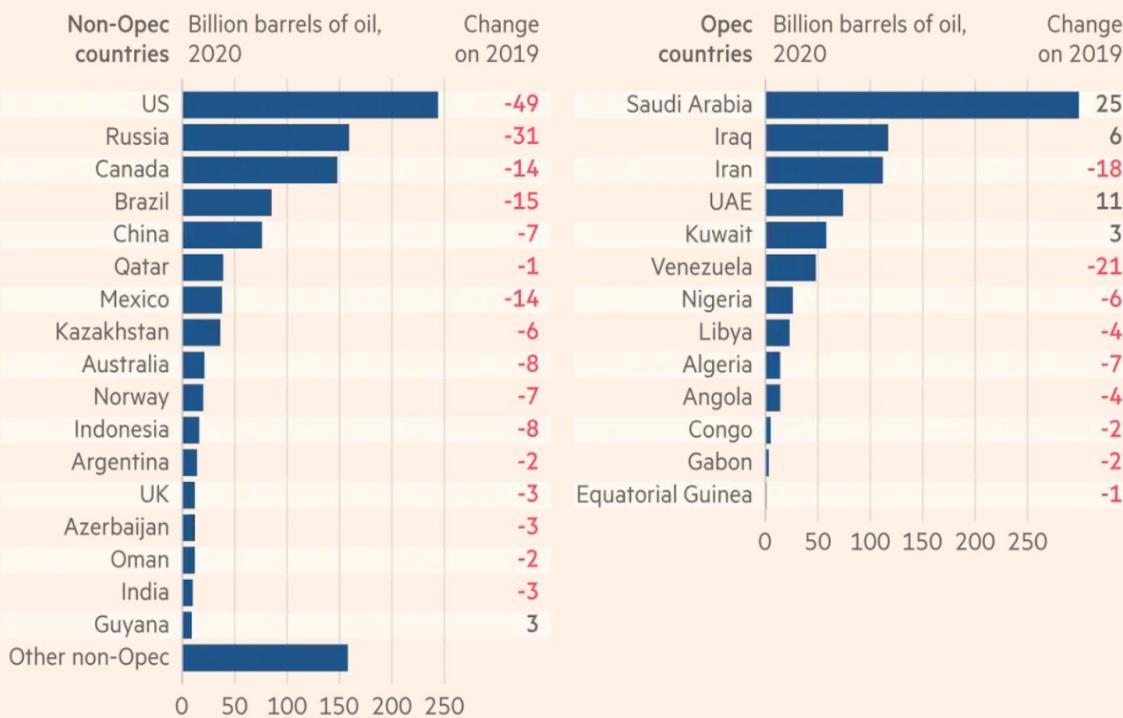


# Oil & Gas Trends: 2010-2019, 2019-2022, and 2023 & Beyond

# Energy Markets 2019-2022

World's recoverable oil falls by about 282bn barrels in 2020

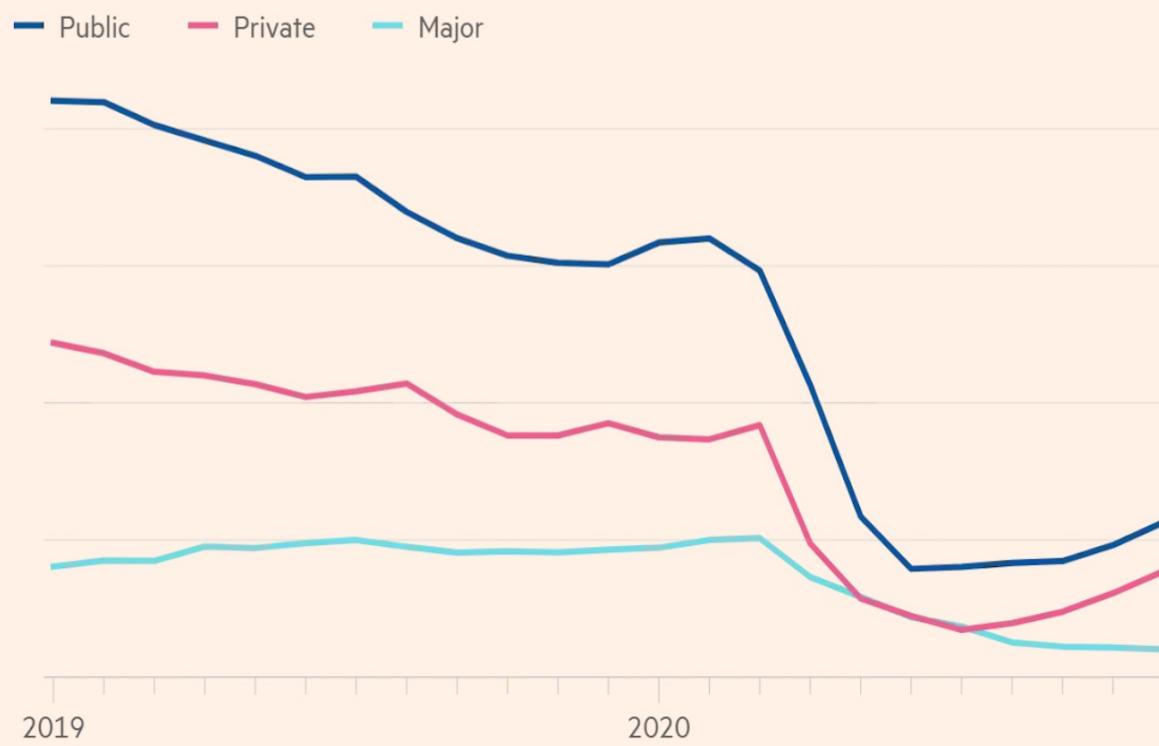
Potentially recoverable resources\*



\*includes contingent resources and risked prospective resources in undiscovered fields. Source: Rystad Energy UCube

Drilling is slowly picking back up

Oil rig count by company type



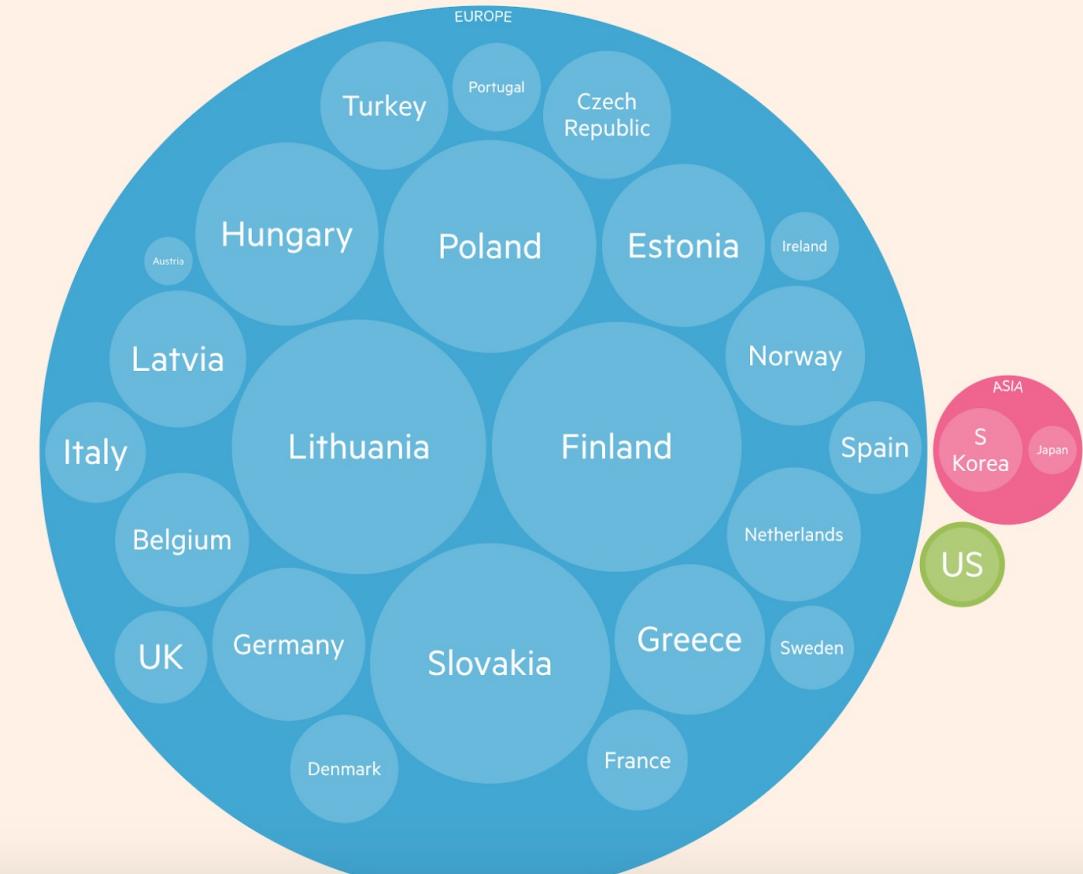
# Energy markets in 2022

Russian invasion of Ukraine and the severing of official trade ties with Russia:

- West Texas crude reached \$112 a barrel, 90% higher YTD. Crude is expected to reach \$200s by end of quarter.
- Its effect on China: A new agreement was struck between Beijing and Kremlin on a gas pipeline from Siberia to China
- Why would China agree on such a deal in the middle of the invasion?

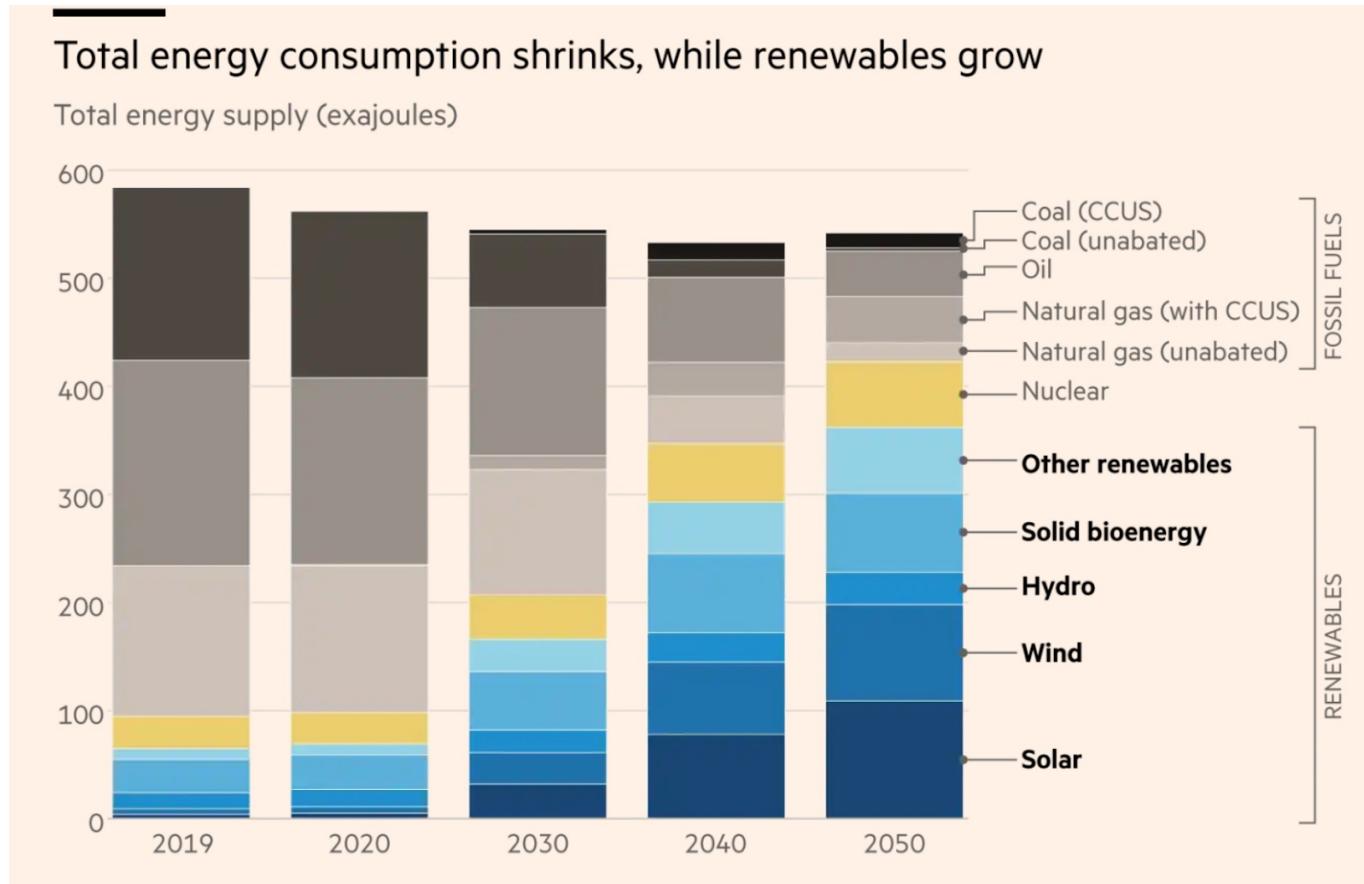
Russia supplies the majority of oil imports for many European countries

Circles sized by share (%) of OECD oil imports from Russia as of November 2021. Click any country for more details about oil imports.



# 2023 & beyond

- Electrification of transport and the Green Revolution
- Why would private players in China want to speed the transition to greens?
  - Largest consumer of coal
  - 2<sup>nd</sup> largest consumer of oil
  - Largest Co2 producer in the world
- UEG's investment on wind power in Pakistan to alleviate national power shortages and energy deficits during winter (and energy excesses during summer)



# UEG Company Overview

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- Independent energy exploration & production company (oil & natural gas) headquartered in Hong Kong
- Owns subsidiaries in China, Pakistan, Dubai, Iraq, and Egypt
- Expansion through acquisitions of companies abroad
- Chairman & Executive Director is Zhang Hongwei  
张宏伟
- Actor in China's Belt & Road Initiative



# UEG Corporate Strategy

- Large In-house law division highly skillful in M&A
  - Expansion through acquisitions
- Support team in Pakistan & compliance team in Hong Kong
- Umbrella contracts with outsourced law firms in other markets
  - Relationship building vs one-time contracting



# UEG Corporate Strategy

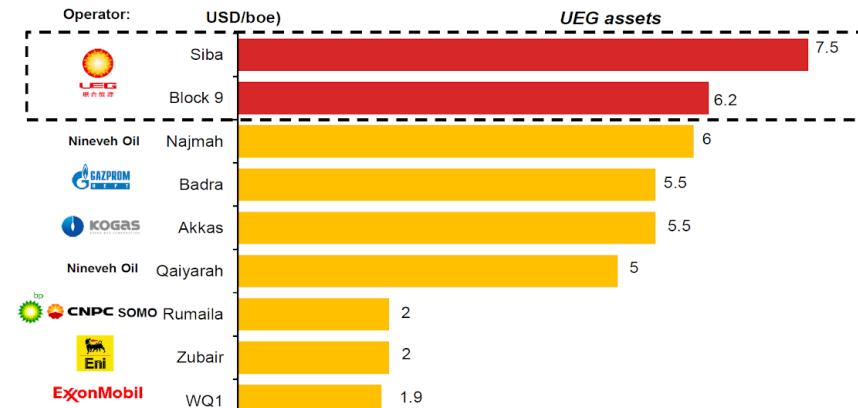
- Efficient operational cost structure
  - Less than 3,000 employees in 2020
  - Reliance on contracting & local expertise
- Promote high-quality development
  - CSR
  - Human & physical capital development
    - Over 27,000 workers trained in 2020
    - Infrastructure development
  - Expanding on sustainable operations & growth
    - Pakistan's 99MW wind farm in 2017
- High service fees



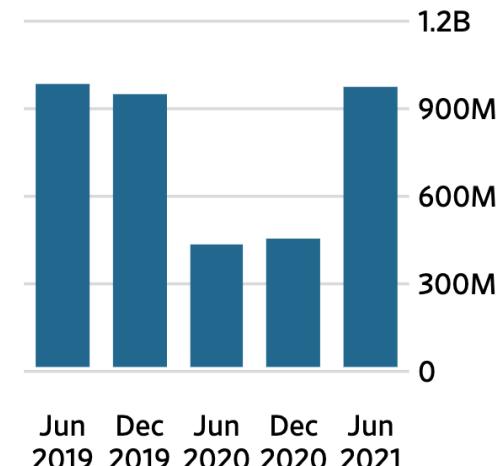
# Competitive Positioning & Performance

- Efficient legal counsel allows for expedited entry into new markets and operation commencement
- Recognized as “2013 Top 100 Hong Kong Listed Companies” and ranked 3<sup>rd</sup> place for revenue growth
- Received Best Investment Value Award at 2017 China Financial Market Awards
- Doubled market value from 2017 to 2018
- Joined Hang Seng Composite Large Cap & Mid Cap Index

Service fee benchmark of selected Iraqi O&G fields



Net Income



# Our Speaker – Leslie Zhang Weihua 张伟华

- General Counsel & Vice President of UEG
- Law degree in Civil & Commercial Law from Peking University
- Specialized in International Acquisitions
- Published numerous articles on law theory & practice
- Ranked among best in-house counsels in the Asia-Pacific region by The Legal 500



# Discussion questions

- Can the invasion put a halt to the dollar-backed petrodollar system (de-dollarization)?
- Re-monetization of gold and yuan-ruble reserves to disrupt western monetary systems?
- Can Russia still sell its oil through fungible markets to other players who will then sell it to US? - UEG acting as a vehicle for Russian gas?
- What is the main priority of China's energy policymakers: strike new fossil fuel deals or by far advance renewables?
- How can adequate regulations halt and weaken the transition to green energy?
- No 2021 Investor report?
- Aside from diversifying assets through expansion into new markets, does UEG plan to further expand into renewable energy?
- How are legal partnerships sourced in new markets?
- Who are UEG's main customers beside its countries of operation?
- How much country-specific expertise is required by the in-house counsel when expanding to a new country?
- Who are the primary actors UEG's in-house counsel interacts with on a day-to-day basis?
- How does UEG plan to respond to the current increase/volatility in oil prices?

# Works cited

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# Appendix

# Energy Markets 2010-2019

- 1. US Energy Resurgence:
  - Shale gas production reaching a record 18 million by end-2019.
  - Lifting of crude export ban resulted in the addition of 10% to global oil supply
  - China direct LNG import contracts
- 2. Geopolitical Events
  - US ban on imported oil from Russia following 2014 Crimea invasion
  - US withdrawal from Paris Agreement
  - Iran nuclear deal

# EIA and the future of drilling

- Spending on exploration as a share of total CAPEX in 2020 was down 18% from 2014. Although total spending is still down, drilling continues
- This sets a challenge: EIA states that energy groups must completely halt all oil and gas explorations from this year if global warming is kept in check.
- How will the still-existing supply crunch be compensated if drilling is prohibited?

# New Drilling Investments have Sunk

