

Why now is the right time to invest in oil and gas projects by Kay Rieck

It's all about the bottom line though. While the ambition may be to move away from oil and gas, because its big difference between long-term energy and the norm

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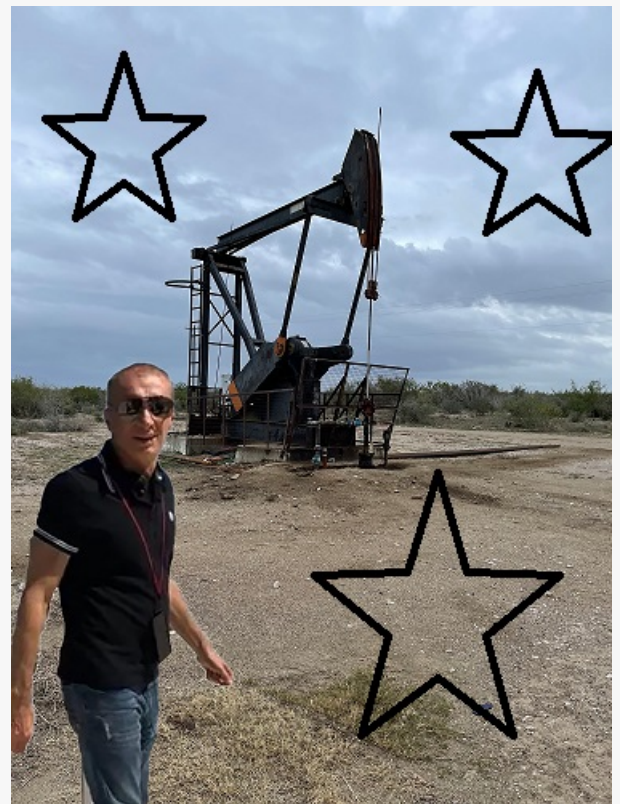
/EINPresswire.com/ -- The last five years have been exceptionally difficult for the [oil and gas](#) sector. Today though, at least in the short term, oil and gas represents a good place to invest, suggests [Kay Rieck](#), an experienced market observer and investor.

Back at the start of 2022 I warned that one of the risks facing the oil and gas industry was that Russia would take some action that would lead to it putting itself under further sanctions. I reasoned that while higher energy prices would be welcome after a very challenging couple of years for the industry, if prices remained inflated at the USD80 per barrel levels that were being achieved as 2021 gave way to 2022, there was a risk of accelerating the transition away from oil.

Usually with articles like this I write them, publish them, and then wait for events to prove me wrong. In this particular instance I have been tragically proved right. Russia's decision to invade Ukraine came shortly after publishing and alongside the loss of life and the destruction of property that inevitably followed the invasion, the price of oil and gas has remained relatively high throughout the rest of 2022.

Focus on the bottom line

It's all about the bottom line though. While the ambition may be to move away from oil and gas, right now demand remains high, because there is a big difference between long-term energy policy and the day-to-day needs of consumers.



Kay Rieck Oil Pump

In the long-term this may change as new technologies emerge,¹ but in the short-term people need to heat or cool their homes, they need to get to and from work and they need to charge their phones. And in the majority of cases, the power that enables them to do this comes from oil and gas. So we need to keep the oil and gas flowing.

The boom that follows the bust

It is also worth noting that as 2022 comes to a close the price of oil is at the top end of the majority of credible forecasts, but the industry endured an exceptionally difficult period during the pandemic. The massive reduction in economic activity meant that demand collapsed and at certain points there was virtually no market available.

Even for the two years before that though, oil prices were relatively low, hovering in the region of USD65 per barrel, well below the USD80 p/b that most estimates suggest puts the industry in a healthy position.

What this means is that the industry has endured an exceptionally difficult period over the last five years. Many projects have failed. Many companies around the world have gone bust. But alongside the high prices, there are two reasons why the industry is an attractive place to invest at this stage.

Firstly, the leadership teams that have survived these difficult years are, in the main, exceptionally experienced and have been tempered in the fire of the most difficult of times. If they've survived this, then they can survive anything.

Secondly, it means that there is a great deal of experience out there that is going to be looking for projects to be involved in. Oil projects and companies fail for a variety of reasons, but usually there are at least a couple of people on the payroll of each failed company that would be useful additions to the teams of companies that have made it through the bust. The competition for positions will also mean that salary ambitions are likely to be realistic, which is good news for both leadership teams and investors.

China's recent decision to start the process of stepping back from its zero Covid-19 policy is likely to kickstart global economic activity and demand for oil and gas is likely to increase as a result. Prices are likely to remain high well into 2023.

In short, the oil and gas industry is relatively lean, and has a good potential to enjoy high prices in the short to medium term. That makes it a potentially interesting place to invest.

About the author

Kay Rieck has been active on the investment side of the oil and gas sector for more than two decades. Starting his career as a financial adviser and stockbroker on the New York Stock

Exchange, he quickly developed an interest in natural resources and associated assets building his expertise with investment banking and asset management roles at the New York Board of Trade and the Chicago Board of Trade. Utilising his exceptional network of global contacts, he started his first exploration and production company in the US in 2008, selecting investments across the Haynesville Shale, Permian basin, Eagle Ford shale, Dimmit county and elsewhere that offered exceptional prospective returns.

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