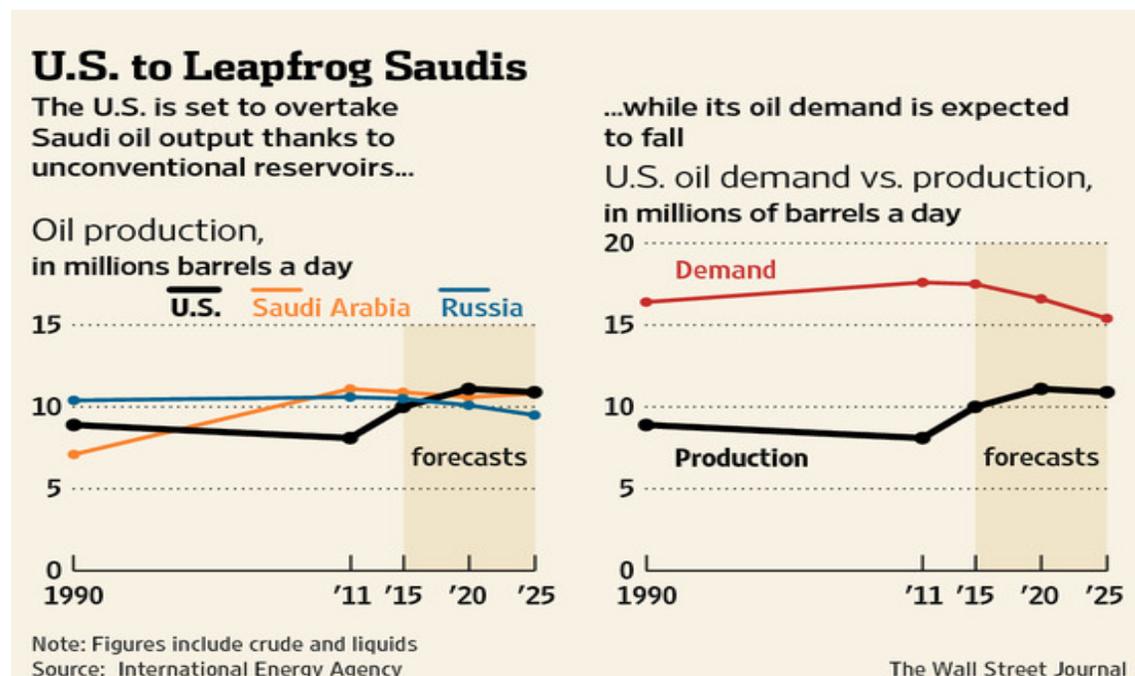




November 14, 2012

## 2012 World Energy Outlook of the International Energy Agency calls for Substantial Growth in US Oil and Gas Production, establishing more evidence for the US Energy Revolution.

The International Energy Agency (IEA), based in Paris, announced their updated World Energy Outlook and released the new study November 12, 2012. It confirms the energy revolution taking place in the USA and forecasts that the US will overtake Saudi Arabia as the world's largest oil producer by 2020.



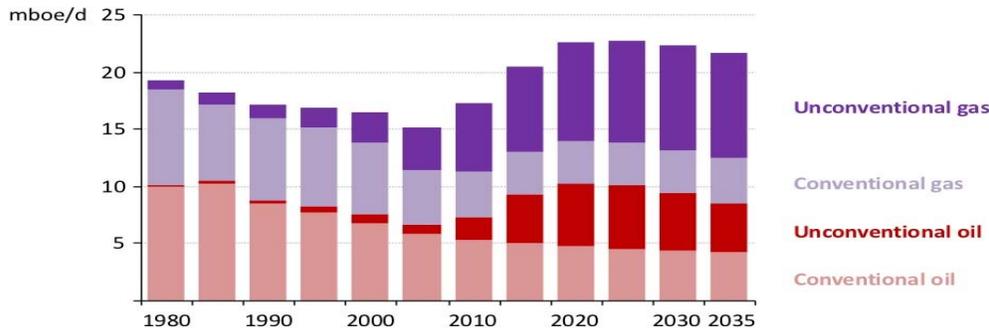
In making these forecasts, the IEA highlights the significant growth projections for both unconventional oil and gas production available in the US from the abundant resource supply located in a number of important shale formations and the improvements to drilling techniques and use of horizontal drilling and hydraulic fracturing. They also recognize the long term effects of natural gas as a substitute for both oil and coal and expect natural gas to be the largest single fuel in US by 2030.<sup>1</sup> The demand creation witnessed in the switching of a significant number of utility power plants during 2012 from the use of coal to natural gas is a current example of a longer term trend. Please see the projected US production, as estimated by the IEA on the following page.

<sup>1</sup> Source: *The Wall Street Journal*, "U.S. Redraws World Oil Map", November 13, 2012.

## A United States oil & gas transformation

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### US oil and gas production



**The surge in unconventional oil & gas production has implications well beyond the United States**

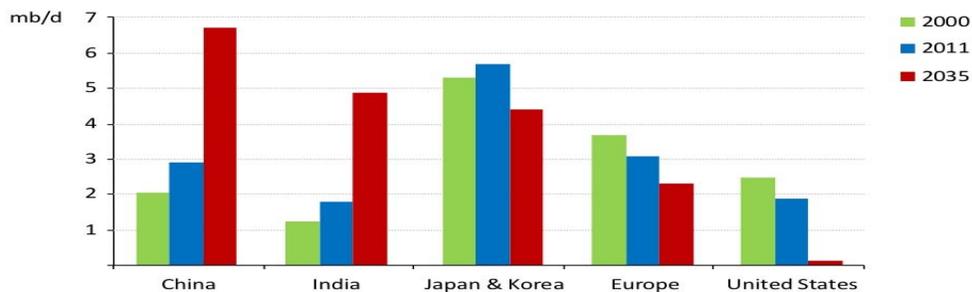
Source: International Energy Agency

This expected growth reinforces the long term opportunity for companies involved in the major shale formations, such as the Marcellus Shale in the eastern United States, which was the subject of a PGS article in June 2012. Established midstream energy companies, including MLPs, will be beneficiaries of the build out in energy infrastructure necessary to process and transport the oil and gas to where it is needed. This build out will be the engine for the expected growth in cash flows that translate into distribution growth. The report also calls for significant shifts in the movement of oil over the next 10 to 15 years. The EIA projects dramatic increases of Middle Eastern oil exports going to China and India and extremely limited trade with the United States, given the expected change of North America becoming a net exporter of crude oil.

## Middle East oil to Asia: a new silk road

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### Middle East oil export by destination



**By 2035, almost 90% of Middle Eastern oil exports go to Asia; North America's emergence as a net exporter accelerates the eastward shift in trade**

Source: International Energy Agency

In Conclusion, the energy revolution in the US is starting to take hold and will be a game-changer that should provide the US with an energy supply and cost advantage to create jobs, return manufacturing to the US, and provide increased exports that will result in significant economic growth. In order for the US to source the abundant oil and gas, however, the country will need the necessary energy infrastructure. Energy MLPs are positioned to build and control the infrastructure necessary. The MLP sector provides an excellent way to participate in the current energy revolution.