Construction in Today’s Uncertain Market

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NDAs

• All information is publically available
Today’s Discussion Topics

• Market Uncertainty
• Shrinking Markets
• Bright Spots
• Opportunities
• Open Discussion Forum
Market Uncertainty - Drivers

- Economic Uncertainty
- Credit Markets Frozen
- Cash Conservation

Economy
Shrinking Markets

- Independent operators
- Highly leveraged / project financed
- Marginal projects
- Small developers
- > 70 / 7
- Conventional coal

Projects Cancelled
Bright Spots

- Government backed projects
- Balance sheet funded projects
Government Backed Projects

• Short term stimulus spending
• Carbon legislation / Renewable standards (RPS)
• Mandates
• Guaranteed off-takes
• Government financed
Short Term Government Spending
Carbon Legislation / RPS

• Major shift in power market

Renewables
Clean Coal
Mandates

- Benzene reduction
- Ethanol
Benzene Reduction Impact

US Petroleum Refining Industry
Major Projects - Based on Construction Starts

<table>
<thead>
<tr>
<th>Year</th>
<th>Active (in billions)</th>
<th>On-Hold (in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$13.26</td>
<td>$3.72</td>
</tr>
<tr>
<td>2009</td>
<td>$7.26</td>
<td>$3.12</td>
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<tr>
<td>2010</td>
<td>$40.95</td>
<td>$12.55</td>
</tr>
<tr>
<td>2011</td>
<td>$3.80</td>
<td>$2.00</td>
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<tr>
<td>2012</td>
<td>$1.16</td>
<td>$0.35</td>
</tr>
<tr>
<td>2013</td>
<td>$2.01</td>
<td>$0.01</td>
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</tbody>
</table>

Source: Industrial Information Resources
## Renewable Fuels Standard (RFS)

<table>
<thead>
<tr>
<th>Year</th>
<th>Ethanol</th>
<th>Advanced Biofuels</th>
<th>Total RFS</th>
<th>Installed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>9</td>
<td>0</td>
<td>9</td>
<td>13.75*</td>
</tr>
<tr>
<td>2015</td>
<td>15</td>
<td>5.5</td>
<td>20.5</td>
<td></td>
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<tr>
<td>2022</td>
<td>15</td>
<td>21</td>
<td>36</td>
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</tbody>
</table>

All values in Billion GPY

* Includes partially completed projects
State Level Legislation

- Illinois S.B. 1987
- Indiana SNG law
- Others pending
Loan Guarantees

- DOE Title XVII
- Gasification projects with sequestration
- Now in “high-gear”
Balance Sheet Funded Projects

- Long term view
- Super majors
- National Oil Companies
- Industrial gases
2009 Oil Majors Capital Budgets (US Billions)

- ENI
- Total
- COP
- Chevron
- BP
- Shell
- EM
Long term projects

- Oil sands
- GTL
- LNG
2008 Industrial Gas Capital Budgets (US Billions)

- Linde
- Air Products
- Air Liquide
- Praxair
Industrial gasses

• Self-financed
  – Hydrogen reformers
  – ASU’s
What does it all mean??
Opportunities

OLD
- Schedule Driven
- Purely cost reimbursable

NEW
- Cost Driven
- Silo Approach Contract-Driven
  “Skin in the Game”
Creative Contracting Solutions

- Risk sharing EPC contracts
- Vertical silos vs. horizontal
- Direct perform vs. CM
- Increased modularization
Modularization
Summary

• Contractors in diverse markets are doing fine
• Near term projects either Government supported or balance sheet funded
• Contractors will all have skin in the game