

Creation of Value in Energy

Evaluation to Make Investment Selections

Introduction

The early energy sector found similar attraction in this aphorism. "Find energy—wherever it is and as much—they're not making it anymore" was the strategy that investors adopted. And the suggestion was effective, at least in the early decades of the petroleum business. However, just as real estate investors quickly discovered that not all real estate is valuable, so too did energy investors come to the realisation that not all energy projects provide value. The energy industry is dealing with fresh difficulties, such as scarcer resources and an unstable market. The energy-oriented interpretation of Mark Twain's proverb has essentially become obsolete.

Which projects should we invest in and which ones should we reject given their technical and market uncertainty? Those who add value ought to be chosen. Analytics and valuations have grown in importance in this regard. We ought to be aware of the uncertainty, explain its implications, and arrive at wise choices. The art and science of analysis for value development are covered in this training course on energy value creation. It tries to produce insights about value creation by talking about theory and practice.

Objectives

The goal of this Course N Carry training programme is to give participants the information and abilities needed to study and assess investment choices and separate initiatives that add value from those that detract from it. Locating energy resources is a risky endeavour. While many commercial endeavours have failed in the past, some successful initiatives have also produced tremendous value creation and business success. What then constitutes an excellent project opportunity?

The solution is probably multifaceted; it involves comprehending disciplines ranging from economic to subsurface, all-encompassing coverage that ultimately represents our comprehension of the value potentials of energy initiatives.

After completing this training programme on Creation of Value in Energy, participants will be able to:

- Recognise the fundamentals of economic decision-making and financing in the energy industry.
- Develop your ability to make wise investment selections.
- Recognise the difficulties of investing in an uncertain environment.
- Learn how to use analytical tools such as decision trees and probability.
- Utilise your knowledge and abilities to analyse decisions that provide value.

Training Methodology

Participants in the training course will receive in-depth instruction using a variety of tried-and-true adult learning teaching and facilitation strategies, such as computer programs, talks, and lectures. We urge active participation in the conversations during the interactive sessions. Clear thinking is the cornerstone of an informed analysis. Through the study of actual case studies, this course fosters logical and economic reasoning.

Organizational impacts

Any energy company operates primarily as a business, and the objective should be to create value.

- There are technological and financial dangers in the energy industry.
- Recognise and evaluate risk and uncertainty to make wise decisions.
- Businesses that can make wise decisions and put money into worthwhile projects will be successful.
- Concentrate on the fundamental skills and knowledge that improve an organization's capacity for analysis and decision-making.
- Utilise contemporary methods for analysis that are practical and efficient.
- Analytics facilitates business partner communications.

Personal Impact

The target audience for this training programme is everyone who can create energy value by thinking and acting clearly and effectively.

- This training programme on energy value creation develops people who:
- Have obtained a general knowledge of creating value in an unpredictable environment.
- Recognise the subsoil as well as the commercial sources of uncertainty.
- Analyse energy investment decisions and identify important uncertain aspects.
- Analyse risk and uncertainty using computer models to create value.
- Possess the ability to use quantitative models to make important judgements about energy investments
- Provide valuable insights for decision-making.

Anyone who makes financial decisions or does valuations will find this training session useful. This training will also be beneficial to anyone interested in the energy industry who hold technical or managerial roles. A wide range of professionals can benefit from this Course N Carry training course, but the following are particularly noteworthy:

Analysts that conduct energy project feasibility analyses

- Engineers participating in the process of choosing investments
- Managers who are accountable for or interested in the process of making investment decisions
- Decision-makers in governmental or corporate organisations
- People who want to gain more expertise and understanding in the area of creating energy value

Course Outline

Day 1

Corporate Finance and Value Creation Principles

- Overview of Energy Value Chain Analysis for Business Goals and Decision Making
- Recognising Uncertainty in Energy Projects
- Simulating Uncertainty
- Encoding uncertainty using probability
- Economic consideration: Well-informed analysis for choices that provide value

Day 2

Value Comparisons Over Time

- From Uncertainty to Value Comparative Analysis of Value
- Value comparison at different uncertainty levels
- Principles of Discounted Cash Flow
- Theory and Application of Risk vs. Uncertainty

Day 3

Project Cash Flows, Risk, and Uncertainty

- Risks related to markets and technology
- The Impact of Diversity
- Risk-Reward Balances
- The Discounting of Risk Premiums in the Capital Asset Pricing Model (CAPM)

Day 4

Evaluations of Projects

- Project and Portfolio Level Uncertainty, Risk, and Financial Return Financing Leverage and Its Impact
- Energy Markets and Prices, General Investment Analysis
- Calculating the Discount Rate Estimate
- Introducing the certainty-equivalent method for analysing investment data

Day 5

Obstacles in the Energy Sector

- Flexibilities and Uncertainties in Management
- Energy exchanges and commodities: market tools for risk hedging
- The use of decision trees in modeling and communication
- A comprehensive method for valuing and analysing value creation
- Future obstacles include those related to the environment, carbon markets, and emission levies.