AP

Study: 'BRICs' Overtake U.S. in Energy

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Study: Brazil, Russia, India, China Overtake U.S. in Dominating Global Energy Industry

UNITED NATIONS (AP) -- The main challengers to U.S. economic power -- Brazil, Russia, India and China -- have overtaken the United States in dominating the global energy industry, according to a new study by Goldman Sachs.

The rising power of the four countries -- the new economic tigers nicknamed the BRICs -- is already evident in the metals and mining sector and is starting to be felt in insurance and consumer-related industries, said Anthony Ling, a managing director at the investment bank.

"For any company operating on a global scale, the world is changing more rapidly, more challenging than ever before -- truly globalizing," he said, and one of the significant changes is "the rise of BRIC economies."

At the end of the first Gulf War in 1991, 55 percent of the 20 largest companies in the energy industry by market capitalization were American, and 45 percent were European, according to the Goldman Sachs Group Inc. study.

But in 2007, 35 percent of the 20 largest energy companies are from BRIC countries, about 35 percent are European, and about 30 percent are American, the study said.

"The U.S. is now lagging with the smallest percentage number of energy companies worldwide," Ling said.

"If you think about the global resource industry typically being a leader in terms of global trends, we're starting to see this replicated in the mining industry, where 20 percent of the top 20 companies are now from BRIC countries," he said. "We believe this sort of pattern will be repeated industry by industry."

It is already evident in the insurance business, where BRICs account for about 10 percent of the top 20 companies, and in the global beverage industry, where the new economic powers are just starting to show with about 5 percent. Ling predicted the BRICs would soon be moving into the food and pharmaceutical sectors.

If investors and corporations don't take the growing power of the BRICs in the global economy into account, he warned, they will lose out on investment growth and competitive advantage for their companies.

Ling spoke at a news conference Monday previewing a July 5-6 summit in Geneva focusing on the U.N. Global Compact, which outlines a set of core values for companies including respect for human rights and fair labor, environmental responsibility and anti-corruption practices. The Goldman Sachs study, which analyzes the impact of those factors in several industry sectors, will be released July 3.

Ling, who has been involved in analyzing the energy industry for 20 years, said he did not believe anyone polled after the first Gulf War "would come remotely close" to predicting the market capitalization of the energy industry today.

"I think there's a number of factors, which I think is a very good case study for just how rapidly changing the competitive environment for most industries are," he said.

Irving, Texas-based Exxon Mobil Corp. is still the No. 1 energy company by market capitalization today, as it was in 1991, Ling said.

But he said it is now followed by the likes of PetroChina Co., a unit of state-owned China National Petroleum Corp.; OAO Gazprom, the Russian state-controlled gas monopoly; Petroleo Brasileiro SA, or Petrobras, Brazil's government-run oil company; Sinopec, also known as China Petroleum & Chemical Co.; Russian oil producers OAO Rosneft and OAO Lukoil; China National Offshore Oil Corp.; and Oil & Natural Gas Corp., India's state-owned oil company.

"So you have major state energy companies that have entered the market capitalization ranks," he said. "I think it's a combination of the U.S. energy industry falling dramatically behind the rest of the world for a number of reasons."

First, Ling said, energy production has changed.

Goldman Sachs analyzed about 170 new projects around the world, each in excess of 500 million barrels, "the so-called legacy assets that will drive production in the future," he said.

Ling said 70 percent of that new production is coming from outside the Organization for Economic Cooperation and Development, which includes the world's richest nations including the U.S., Japan, South Korea, Canada, and major European nations.

Historically, he said, the bulk of that production was coming from the U.S., Canada, Norway and Britain.

"So what has happened is there's been an enormous spate of new projects in new areas," he said.

In many cases, Ling said, "it really does look like the attitude of European and also the BRIC countries' oil companies has been very different to the more traditional-based players in the Anglo-American world -- much less colonialist, much more inclusive, really working together to come up with solutions in a way that seems to have been beyond the traditional competitors."

That means "they've seen their market share of new projects grow," he said.

There's also been "a conspicuous bout of acquisition, and many of the American companies have been acquired," including Amoco and Arco by London-based BP PLC.

Another factor, Ling said, is the declining number of petroleum engineers in the U.S., especially compared with the Middle East, India, China and Russia, where "being a petroleum engineer is still a highly sought after job relative to going into technology or finance."

"I think all of those things have led to a dramatic shift in the spread of market capitalization within the energy industry -- and all of that within a 15-year period," he said. "And it is simply accelerating."
