

Capitalize on Energy Industry Trends with an Expert Reverse Supply Chain Partner



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Introduction

The energy industry is vital to the global economy, representing about \$6 trillion of annual recovery.ⁱ With growth in the global population – specifically in developing countries – increasing consumption, energy demand is expected to grow 55% by 2035.ⁱⁱ Challenges inherent to your industry include falling global oil demand and increased regulation. Your organization can, however, benefit from positive trends such as the economic growth of developing markets, mergers and acquisitions, and technology and infrastructure innovations.

Your reverse supply chain is key to maximizing value from these opportunities. This business function encompasses the management, valuation, and sale of surplus assets. For energy companies, surplus assets include drilling and well service rigs and equipment, oilfield production equipment, refinery and petrochemical equipment, and other capital assets sitting idle in warehouses or nearing the end of their lifecycles.

Traditionally, the management of this surplus has been a burden for organizations. Today, your energy company can leverage your reverse supply chain to capitalize on opportunities in your industry and maximize total value across your enterprise. Since the reverse supply chain is, by definition, a non-core function for most energy companies, your organization likely lacks the time and resources required to build, implement, and manage a high-performing surplus asset program. The ideal solution is often to select a trusted partner to manage and optimize your reverse supply chain.

Read on to discover key opportunities and challenges impacting your industry and how a trusted reverse supply chain provider can help you optimize value from them.

Trends, Opportunities, and Challenges in Energy

Falling Global Oil Demand

Global oil demand has plummeted, with Brent crude prices dropping more than half between June 2014 and January 2015.ⁱⁱⁱ Energy companies must swiftly respond through strategic cost-cutting and consolidation. Some may need to close entire operations.

How a Reverse Supply Chain Partner Helps You Capitalize

Your surplus assets provide a source of capital to help you ride out the (hopefully short-lived) trend of low oil prices. An expert reverse supply chain provider will sell your surplus equipment and material for maximum recovery, reducing operating costs and generating working capital when you need it most. Look for a partner with experience selling energy surplus in all asset categories and conditions, from drilling equipment to entire refineries.

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Economic Growth of Developing Markets

As the standard of living in developing countries continues to increase, so does energy consumption in these countries. Energy demand is growing much faster in developing countries than in developed ones.^{iv} Emerging nations are also investing in alternative energy. For instance, China is installing large numbers of wind turbines and solar facilities, India is planning multiple new nuclear plants, and Brazil remains a leader in using ethanol as fuel.^v



Energy demand is growing much faster in developing countries than in developed ones

Your energy business can seize this opportunity by expanding or shifting your presence globally to better serve international markets.

How a Reverse Supply Chain Partner Helps You Capitalize

Developing countries are a robust market for your surplus. Energy assets that your organization considers outdated or obsolete may be in demand in South America and Africa. An effective reverse supply chain partner will leverage its global buyer base to sell your surplus for maximum value anywhere in the world.

As your business becomes more global, you'll need a solution to manage a complex array of surplus worldwide. An expert partner will provide asset management software that offers complete visibility into all surplus assets globally, empowering you to more effectively execute your asset management program by discovering, valuing, redeploying, and selling surplus across all locations.

Your energy company may aim to capitalize on developing countries' high interest in alternative energy by producing wind, solar, nuclear, and other non-fossil-fuel forms of energy. This refocus may result in surplus assets related to fossil fuel production. A reverse supply chain partner with expertise in your industry and asset categories will recover maximum value for these assets, fueling your investment in renewable energy.

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Mergers and Acquisitions

Electric and oil & gas companies are merging with or acquiring renewable energy companies, a trend expected to increase in the next two years. These consolidations allow traditional energy companies to take advantage of tax credits, replace retiring generators, and reduce dependence on natural gas. Since more and more consumers see solar and wind energy as appealing alternatives, diversifying into renewable energy provides a path to a growing market.^{vi}



Diversifying into renewable energy provides a path to a growing market

How a Reverse Supply Chain Partner Helps You Capitalize

A proven reverse supply chain partner helps energy companies extract maximum value from mergers and acquisitions in three ways. First, merger and acquisition activities often result in surplus when facilities are consolidated. A superior partner works with you to resell or redeploy all of this surplus for maximum value.

Second, energy companies can support strategic merger and acquisition decisions by appraising targeted companies. An expert reverse supply chain partner will leverage robust market data and industry expertise to accurately value your targeted companies, providing critical insights to guide decision-making.

Finally, many mergers and acquisitions in your industry aim to expand an organization's operations internationally, particularly into developing countries. A superior reverse supply chain partner will have a global buyer base that drives maximum recovery for your surplus anywhere in the world. It will also provide superior asset management software that lets you effectively manage surplus across all global locations.

An expert reverse supply chain partner will leverage robust market data and industry expertise to accurately value your targeted companies

Increased Regulation

In a recent poll, 56% of energy industry leaders cited regulations as their most significant challenge.^{vii} Many proposed regulations are likely to impact the energy industry in coming years. For example, by 2020 the European Union aims to reduce CO₂ emissions by 20% and make renewables 20% of energy demand. The United States proposes to cut carbon emissions from power plants 30% by 2030. Tax credits and exceptions also incentivize renewable energy such as wind, hydroelectric, and solar.^{viii}

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How a Reverse Supply Chain Partner Helps You Capitalize

Energy companies may find that older equipment is incompatible with their mandate to reduce emissions and must be scrapped or sold on the secondary market. An expert reverse supply chain partner will leverage industry expertise and proven marketing and sales methods to sell these obsolete assets for maximum return.^{ix} A provider with a global buyer base can find a market for this surplus in countries with less stringent emissions standards.

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Technology and Infrastructure Innovations

Forward-thinking energy businesses are improving efficiency by upgrading technology and replacing obsolete infrastructure. The energy industry will invest an estimated nearly \$17 billion in this area between 2010 and 2035. As a result, tomorrow's energy business will have more intelligent networks, new transmission infrastructure to integrate renewable energy sources, and improved interconnectors.^x



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How a Reverse Supply Chain Partner Helps You Capitalize

Energy companies that upgrade to new, innovative equipment will end up with surplus in the form of outdated machinery. A trusted reverse supply chain partner will help you identify this surplus and strategically sell or redeploy it as appropriate, maximizing total program value.

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Conclusion

An expert reverse supply chain provider helps your energy business capitalize on the many opportunities and challenges in your industry, from economic growth of developing markets to mergers and acquisitions to increased regulation.

The right partner will maximize total value across your reverse supply chain while requiring little time and effort from your organization. A reputable partner will have professional, data-driven services to manage, value, and sell all types of surplus assets. It will also possess extensive knowledge of the secondary market; a vetted global buyer base; and the ability to ensure transparency, efficiency, and compliant removal of assets. Partnering with an experienced provider, your organization can do more than just seize industry opportunities. It can maximize value across the reverse supply chain while freeing up resources to focus on core business.

About Liquidity Services

Every organization has surplus – assets or inventory no longer required. Liquidity Services (NASDAQ: LQDT) works with clients to ensure surplus is intelligently transformed from a burden into a liquid opportunity that fuels the achievement of strategic goals. Our superior service, unmatched scale, and ability to deliver results enable us to forge trusted, long-term relationships with over 7,000 clients, including Fortune 1000 and Global 500 organizations as well as government agencies. With over \$1 billion in annual sales proceeds and nearly 3 million buyers in almost 200 countries and territories, we are the proven market leader in delivering smart surplus solutions. Let us build a better future for your surplus.

Visit us at LiquidityServices.com.

ⁱ http://content.thirdway.org/publications/351/Third_Way_Report_-_Creating_a_Clean_Energy_Century.pdf

ⁱⁱ <http://instituteforenergyresearch.org/analysis/coal-use-rise-globally-bp-energy-review-2014/>

ⁱⁱⁱ <http://www.vox.com/2014/12/16/7401705/oil-prices-falling>

^{iv} <http://www.reportlinker.com/ci01346/Energy.html>

^v <http://www.api.org/policy-and-issues/policy-items/american-energy/~media/Files/Policy/American-Energy/Energy-In-Charts-2013-HiRes.ashx>

^{vi} http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/Energy_us_er/us_er_MA_in_AlternativeEnergy_April2014.pdf

^{vii} <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Documents/2013-energy-industry-outlook-survey.pdf>

^{viii} <https://www.kpmg.com/TT/en/IssuesAndInsights/ArticlesPublications/Documents/Challenges%20and%20Opportunities%20for%20Today%20Global%20Refining%20Industry.pdf>

^{ix} <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Documents/2013-energy-industry-outlook-survey.pdf>

^x <http://www.reportlinker.com/ci01346/Energy.html>