

**Oil Prices and Expert Predictions of U.S. \$ 100 a Barrel:
Panelists Discount the Forecast But Expect Price to Edge Up**

**BDO Dunwoody CEO/Business Leader Poll
by COMPAS in the Financial Post
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1.0 Introduction

In the wake of oil jitters and the prediction of U.S. \$ 100 a barrel made by the respected chief economist of a chartered bank, CEOs and business leaders on the COMPAS business panel were asked about their forecasts and corporate strategies and contingency plans.

Panelists largely discount the bank prediction. They expect the price to rise to U.S. \$ 79 in two years with most repudiating the idea of U.S. \$ 100 a barrel. Most are taking a wait-and-see approach with few making decisions to cut back or having contingency plans.

These are the key findings from the current web-survey of the panel of CEOs and business leaders undertaken for the *Financial Post* under sponsorship of BDO Dunwoody LLP.

2.0 Key Findings

Panelists expect the price of a barrel of crude to rise incrementally to U.S. \$ 79 in two years, as shown in table 2a. Most consider the bank prediction of \$ 100 a barrel to be improbable, as shown in table 2b. Only 14% report efforts to cut back and 10% contingency plans for their business. The predominantly wait-and-see approach remains unchanged from 2004, when COMPAS first began asking the question of business, as shown in table 2c.

Some verbatim comments:

The price of oil seems totally dependant on the [difficult to predict] situation in the Middle East and I don't see that changing in a significant way in the near future.

The barrel price of oil should not be an issue in Canada as a producing country. The government should be introducing Made-in-Canada pricing and supply guarantees.



I don't think that many companies in the oil and gas industry have adjusted their plans based on \$100 oil.

As the price of crude rises and becomes more attractive to OPEC, the supply taps will turn on. As the supply increases, the price will go down. Cycles such as these are created every 8-10 years. I believe that we are at the top of the cycle currently and that crude will begin to fall shortly. OPEC countries that have been used to the increased revenues that have been generated for the past 3 years will strive to maintain these levels. Therefore, the quantity available to the market will increase driving the price even lower...The laws of supply and demand will prevail.

The falling US dollar, on its way into the tank, will further crunch our economy.

Table 2a: (Q1) Crude oil was worth \$US 73.56 a barrel on Tuesday, July 24, 2007, and the price of crude oil has recently been as high as \$US 77 a barrel. Please give your prediction of what it will be worth... (rounded to the nearest dollar)

	Mean	DNK
In six months	75	4
In one year	76	4
In two years	79	7

Table 2b: (Q2) The chief economist of a charter bank recently predicted that the price of crude oil will reach US \$100 a barrel by the fourth quarter of 2007. Using a 100-point probability scale, how likely do you think this is to happen?

Mean	DNK
42	3



*Table 2c: (Q3) How is the world energy situation affecting your
business? Are you: [RANDOMIZE]*

	July 2007	April 2004	April 2002
Taking a wait-and-see approach	53	47	46
Discounting the threat of the world energy situation on the grounds that events cannot be truly predicted	14	24	21
Making decisions to cut back	14	7	3
Making contingency plans in case of more serious evidence in the days ahead	10	10	14
Don't know or no opinion	9	13	16

3.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted July 25 – 27, 2007. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of 127 are deemed accurate to within approximately 8.7 percentage points 19 times out of 20. The principal and co-investigator on this study are Conrad Winn, Ph.D and Tamara Gottlieb.

