



Pulse of the Industry

Promoting Thought Leadership

engineering & construction contracting association

Spring 2010

CHAIRMAN'S NOTE

Welcome to the winter edition of ECC's Pulse of the Industry.



First of all, I would like to congratulate Alan Thomas and the 2009 ECC Executive Board for a job well done. Our 41st conference at the Hyatt Lost Pines resort in Bastrop, Texas was a huge success. We had some fantastic speakers at our 2009 conference as the

ECC's reputation of delivering top rated speakers and programs continues.

I am pleased to have the opportunity to chair this year's ECC Executive Board. We have gathered a very talented group of individuals to lead our association in 2010. The Executive Board will work diligently to build on the success of our past conferences. The 2010 conference theme has been set and clearly represents the state of our industry as we consider, "Business as UNusual: Gaining Advantage in a Dynamic Project Landscape". The programs are shaping up to provide the same excellent material and sessions you have come to expect from the ECC. Our 2010 conference will be held at the incredible Ritz Carlton Grande Lakes in Orlando, Florida, which is sure to be an attraction.

We also continue to support our Future Leader program. As our industry faces the challenge of retaining expertise, the success of the Future Leaders program is paramount for sustainability moving forward. This group successful enjoyed another successful mid-year meeting in March. Thank you to our sponsor companies for your support and the resultant access you gain with membership in the Future Leader program.

I wish you all a safe and successful 2010 and I look forward to seeing you September 1-4 in Orlando.

Rob Berra
ECC Chair, 42nd Annual Conference



What you missed in 2009!

The conference opened on Thursday morning with a presentation by Jeffrey Garten – Professor, Yale School of Management, Business Columnist & Former Undersecretary of Commerce. Garten talked about the economic situation and his expectations for the recovery curve. He presented several possibilities for recovery, suggesting finally that there will be a partial return to normal after a prolonged trough of recession (a partial return to the pre-recession GDP output of 2008). The leading influences he noted were American spending fueled by easy credit and a now more cautious middle class more prone to save than spend. Garten also suggested that this would also be the case for India and China, where the lack of social safety nets (welfare and health care) would force their population to save more than they spend. Garten went on to predict

that the rest of the global economy will recover quite well and there will be a sustained need for construction as third world countries urbanize at the rate of 180,000 people per day. His analogy was incredibly impactful — this growth means that the world has to build the equivalent of 6 New York City's every year to accommodate people who move from the rural areas to the cities. The existing pent up demand for infrastructure will become more and more acute across the globe. With this mainframe established, Garten then suggested that a future market for US firms

would be in the field of global Research and Development projects.

Attendees also heard from industry leaders in a discussion about the direction Owners will be heading in the coming years. The panel included:

Robert W. Patterson
Manager, Deepwater Projects, Shell International Exploration and Production Inc.

Jack Hartung
Manager, Project Assurance, Chevron Project Resources Company

Jeff Reilly
Manager, International Projects, ConocoPhillips

Mike Lowder
Director, Process Engineering, Eastman Chemical Company



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The ECC is pleased to present the following follow up conversation from our 2009 ECC Conference Keynote John Hofmeister – Founder and Chief Executive – Citizens for Affordable Energy; Former President – Shell Oil Company.

ECC: Did the recent presidential address hurt or help the near term Engineering & Construction industry outlook? How do you feel about the commitment to more offshore drilling?

John Hofmeister: The President said important statements regarding the future of offshore drilling, clean coal and nuclear energy futures, as well as his continued emphasis on a new energy system utilizing clean energy sources such as wind, solar and biofuels. He emphasized the creation of so-called “green jobs” and continued his emphasis on implementing policy to effect the future of climate change. I found none of the statements new, a repeat of campaign promises and consistent with previous presidential addresses. This is a matter of actions, not words. While he promises more funding for loan guarantees for nuclear, there are no initiatives to make nuclear energy more affordable, calling into question the promise of more nuclear. Private investors must fund future nuclear construction. Loan guarantees sound good but investors also want to know they will receive a return on their investment. At the current and expected cost of new nuclear construction it is doubtful many investors will be willing to invest, given the extraordinary costs involved. Moreover while the loan guarantees are given, the President has also taken away the nuclear waste disposal solution that the nation has spent over 20 years and \$20 billion dollars of taxpayer money to build. With regard to offshore drilling, there is little or no indication from the Interior Department that any new drilling will be occurring anytime soon in new offshore locations. The current five year plan has been indefinitely postponed. There are indications that potential, uncommitted seismic studies, to be run by the government, not industry,

are years away. Such studies are essential to opening up new offshore resources. The industry has been proposing such seismic studies for many years. There is a promise of studies for carbon capture and sequestration, not commercial ventures. So all in all, apart from continued investments in government subsidized energy, including wind, solar and biofuels, any additional initiatives among more traditional energy sources should be measured by actions taken not by words articulated.

ECC: How do you view the reputation of oil companies in 2010?

JH: Oil and gas companies continue to suffer from their own unwillingness to engage the consuming public in serious conversation about the future of the sector. Flashy or emotive commercials in traditional media in my opinion have little or no impact on the knowledge, understanding and awareness of consumers. I think they add little or nothing, and could more often create a negative reaction, to consumers appreciation of the challenges and risks of providing affordable energy to consumers. The administration’s promises to tax “big oil” by eliminating so-called hydrocarbon subsidies continuously reminds Americans of the “excess profits” claim, however fraudulent, and is likely, coupled with the industry’s lack of engagement, to continue to keep oil and gas in an unfavorable light. Just as worrying are the more frequent and repeated media reports and government investigations of hydraulic fracking and what potential harm on land and water resources the new unconventional gas plays are having on residents and communities.

ECC: Where do you stand on the “cap and trade” legislation and, if you support it, why?

JH: The nation in my opinion needs to come to grips with gaseous waste emissions sooner rather than later so that we do not leave future generations with a clean up task that properly belongs to current generations. In the same way that we have established physical and liquid waste management regimes across the country, without regard to what the rest of the world is doing, so that we are neither buried in our own physical waste or poisoned by our own liquid wastes, I believe we should similarly address gaseous wastes. They should be reduced and managed in order to diminish or eventually contain their impact on the atmosphere. Cap and Trade is one method to do that. I was an early member of the United States Climate



Action Partnership, putting Shell Oil Company into the organization, which was founded to seek a legislative remedy to gaseous wastes which would be rational, balanced and affordable. US CAP made good progress creating a framework that its members could support. Unfortunately we have yet to see Congressional solutions that follow that framework. As a result I do not support any of the current legislative acts or proposals as they have been written or described because they approach the problem we face with punitive rather than corrective impact. I believe we need to use time to solve a very big problem. I have suggested that any legislation have a five year transition period where no costs are assigned to any emitter, followed by continuing five year increments of implementation where no more than 20 per cent of emissions per five year increment are cost bearing. All in all I believe that a proposal to implement a gaseous waste management regime that takes thirty years to implement can solve the nation's waste problem in ways that are affordable, job creating and reasonable for all parties from emitters to consumers.

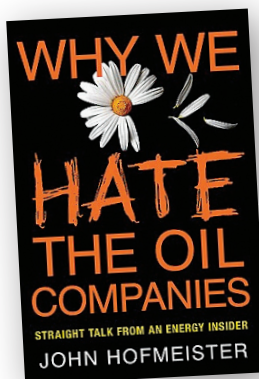
ECC: With ExxonMobil buying XTO and other natural gas finds in the US, in your opinion is natural gas going to play a bigger role in solving our energy dependence issues?

JH: I'm positive about the role that natural gas can play in the nation's future energy system and believe that development of unconventional gas is of critical importance to the future energy mix of the nation. The technology of fracking comes with its own sets of issues. I believe they can be managed with proper attention to well construction, drilling, compressing, land and water management and clean up, well monitoring, water table monitoring and other health, safety and environmental best practices that deliver an effective and sustainable future for tight gas drilling and production. Too much of anything, rushed too fast, where mistakes or accidents happen, could lead to unintended consequences. The industry has a tendency to push the limit. If it pushes too far, it could find itself governed by regulations it neither sought or wanted or by agencies that it never anticipated it might have to deal with. The future of natural gas development could be taken away from the industry's preferred methods of operating, replaced by a regulatory regime that adds costs, time and limits growth opportunities, especially if the industry misbehaves, makes too many mistakes, or gives the impression to local residents and communities that government controls are needed to ensure basic safety and protections.

ECC: The scientific community and current government are convinced that renewable/alternative sources of energy are the key to solving the problem of global warming. Meanwhile, the oil & gas and power industries point out that until wind, solar, etc. can be done at scale, it will have no significant impact. Doing it at scale will be enormously costly since none of these sources (with the

exception of hydro) are cost-competitive with coal or gas. Meanwhile consumption, even with an economic downturn and an increased focus on conservation/efficiency, will inevitably rise over time. This would suggest that it is not possible for renewable to have a significant impact on the nation's carbon footprint. So the question is, should our state and federal government continue

their current emphasis on renewable (e.g., renewable portfolio standards, subsidies, etc) or is a more realistic and practical approach, based on an intelligent use of hydrocarbons, the way to go?



JH: In my new book "Why We Hate the Oil Companies: Straight Talk from an Energy Insider" (Palgrave Macmillan 2010) I directly address this topic. In summary I describe a short, medium and long term future energy system which combines hydrocarbons, i.e. oil, gas and coal,

nuclear energy, renewables, i.e. wind, solar and biofuels, geothermal, hydrogen, hydropower and wave energy as the eleven basic sources of supply, all of which will be required for generations to come. I suggest that the U.S. and the world have no shortage of energy, although there are energy shortages due to man-made policies. I describe a fifty year transition, where short term is zero to ten years, medium term ten to 25 years, and long term more than 25 years, during which the balance of energy shifts slowly over time to less carbon intensive energy production. This includes cleaner production of energy from carbon sources, such as coal gasification with carbon capture and sequestration, massive expansion of nuclear energy in commoditized, lower cost nuclear plants, with nuclear waste reprocessing and common waste storage, gradual expansion of wind, evolution of solar technology utilizing substances not yet identified to produce electricity more efficiently, and early testing of geothermal and wave technologies. Hydrogen could be a game-changer depending on the future of personal mobility. I advocate for hydrogen fuel cell technology for autos and the gradual elimination of the internal combustion engine. All energy must be both commercial and affordable. It also must meet future sustainability requirements. No form of energy warrants government subsidy for more than an initial pre-competitive period. Then it must stand alone. Material energy from renewable sources is unlikely for decades to come. My predictions however will only occur if we successfully divorce energy and politics. If politics runs energy in the future as it has in the past, then we are headed for an energy abyss the likes of which no modern country has ever experienced. We will live the Venezuela experience in the U.S. by 2020 if we stay on our current course.




Howdy! Future Leaders

The 2010 Conference Planning is off with a BANG and we are gearing up for another exciting conference. The 2010 Future Leaders have a lot to live up to and we are ready!

The mid-year meeting held in early March in Houston, TX proved to be a great time. Returning Future Leaders got a chance for networking with some familiar faces as well with the new 2010 class. This year is an exciting year since the Future Leader program has been upgraded to a 3 year program allowing for an even stronger presence at the conference and participation in Wednesday before the Conference Thought Leadership sessions.

The ball is rolling and gaining momentum as the Future Leaders are already hard at work on the upcoming conference. At the mid-year meeting, the 2010 Future Leaders were notified that the Board has again challenged us to lead 2 conference break-out sessions. The topics we are taking on cover the themes of Mentorship and Cool Projects. Get ready 2010 Future Leaders to get down to Business as UNusual.

This year we hope to help you grow more with some "out of the box" thought leadership topics and other personal development training. We would like to thank Denise Elston with Shell, who is the 2010 ECC Board Future Leader Sponsor, for providing an insightful presentation on Gender Speak at our mid-year meeting. This was a great opportunity for us to learn and discuss the unspoken rules of how men and women communicate with each other.



Please be sure to check out all the latest Future Leader happenings on the ECC website:

www.ecc-conference.org/future_leaders.html

Don't miss out on this unique opportunity to network with other great minds in the industry. Challenge yourself with personal growth in thought leadership and strive for excellence in pre-

senting industry issues. Don't forget that future leaders are given a registration discount for the conference, so don't miss out!

FUTURE LEADER LIASONS

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The ECC Future Leader Program is a benefit of Corporate Sponsorship and designed to provide a network of emerging professionals in our industry. In addition, the program supports the ECC mission of promoting thought leadership by providing fresh perspectives on various matters related to our industry, and by enabling knowledge transfer across various stakeholders of the ECC community by active participation in the organization and its annual forum.

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The panel delved into topics such as population growth, increasing price of energy, pressure of increasing regulation around greenhouse gas emissions and the volatility in oil prices. They shared valuable insight into their corporate strategy going forward and discussed such issues as improving productivity, redistributing risk between themselves and the contractors, dealing with mega projects in difficult locations, implementing Lean practices and moving towards more integrated control and decision making on their projects.

Day two opened with John Hofmeister - Founder and Chief Executive - Citizens for Affordable Energy; Former President - Shell Oil Company. Mr. Hofmeister focused upon the responsibility of leadership in the 21st century, sharing his view that the 21st century will need contextual leaders (with broad views) and sustainable leadership to prepare for the next generation. See more of his comments in his follow up interview in this issue.

Attendees also heard from Contractor Panels, distinguished academia and participated in forums covering topics from Navigating the Millennials to LEAN Construction Tools and Methods, Courageous Leadership during Turbulent Times, The Direction of Alternative Energy, and Labor Law Changes.

The conference closed with a stirring and impactful presentation from distinguished football coach, Jack Lengyel who took over as head coach at Marshall University in 1971 after almost the entire football team and coaching staff died in a plane crash on November 14, 1970. His story was chronicled in the movie "We are Marshall". It was an inspiring close to what attendees overwhelming said was a very valuable event. The full presentations can be downloaded from www.ecc-conference.org/41/index.html.

BUSINESS AS UNUSUAL



Gaining Advantage in a Dynamic Project Landscape

Super-mega projects, the global supply chain, competitiveness issues, new technologies, sustainability requirements, emerging economies, and other issues, present new opportunities and challenges that will affect your business. The worldwide effects of the global recession triggered a modern-day perfect storm and the rethinking of past strategies. For all firms, those that operate internationally and those that do not – it is business as unusual. Whether your company is moving forward boldly or with cautious optimism, the 2010 ECC Conference will examine a broad spectrum of issues affecting your success.

In addition to powerful industry panels and interactive forum workshops, attendees will hear from an impressive roster of business and industry leaders including **José Sérgio Gabrielli de Azevedo, CEO – Petrobras** and **Patrick Lencioni**, author of eight best-selling books with over 2.5 million copies sold, including *The Five Temptations of a CEO* and *The Five Dysfunctions of a Team*.



FUTURE ECC DATES

Sept 1-4, 2010

Sept 7-10, 2011

Sept 5-8, 2012

August 28-31, 2013

The Ritz-Carlton Orlando Grande Lakes, Orlando, FL

JW Marriott Desert Ridge, Scottsdale AZ

JW Marriott Hill Country, San Antonio, TX

JW Marriott Orlando Grande Lakes, Orlando, FL



ECC SAFETY CREED:

We know that while risks exist, incidents are avoidable. Each individual has a personal responsibility for their safety of others. As leaders we are accountable for driving this safety culture.



ECC ASSOCIATION

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ECC SPONSORSHIP OPPORTUNITIES

Thank you to our 2009 Sponsors and those who have already committed to support the 42nd ECC Conference in 2010. Because of this support, we have gotten off to a great start in planning what will be an enjoyable and valuable event. Sponsor commitment allows the ECC to continually improve the annual conference as you will see in Orlando this year. If you are interested in becoming a corporate or event sponsor for this year's Annual Conference, contact Liz Walzel at ecwalzel@dow.com or Mike Yost at mike.yost@fluor.com. For sponsorship information, contact Tara Wilson at twilson@EventsiaGroup.com or 713-337-1600.

And a special thank you to our 2009 sponsors who helped to make the 41st Annual Conference a success!

