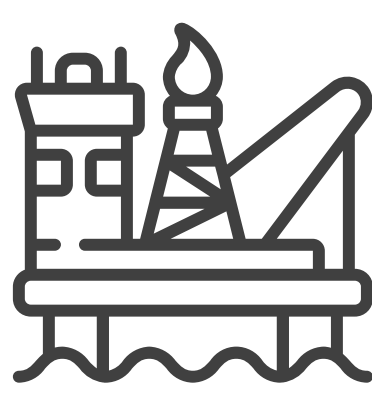
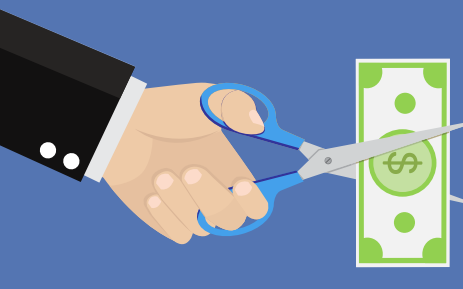


# COVID 19

## Impact on the Oil & Gas Industry



**COVID19 has stressed the global economies. Oil and Gas sector seems to be among the worst affected**



### SIGNIFICANT SPENDING CUTS

To control the spread of the disease, oil companies worldwide are cutting down the personnel on rigs and platforms. Oil and gas exploration and production companies have announced deep cuts in their capital spends in 2020 and later



#### E&P COMPANIES

- Royal Dutch shell announced a 20% cut on its planned CAPEX of US\$ 25 Bn for 2020
- Chevron announced a 20% cut, equivalent to US\$ 4 Bn, in their approved expenditure for 2020. This included US\$ 2 Bn expenditure for unconventional upstream activity in the Permian Basin
- Total SA announced an organic CAPEX cut of more than US\$ 3 Bn which is more than 20% of planned for 2020
- BP expects 25% lower CAPEX for 2020, which is down to US\$ 12 Bn. This includes a reduction of US\$ 1 Bn for upstream onshore and another US\$ 1 Bn for downstream activities
- Exxon Mobil capital investments for 2020 are now likely to be approximately US\$ 23 Bn down by 30% from previously planned



#### OFS COMPANIES

- Schlumberger announced capital spending cut by up to 30% in 2020 from its 2019 levels
- Baker Hughes GE announced its plan to reduce its 2020 net capital expenditures by more than 20%
- Halliburton, to cut its 2020 CAPEX significantly. It announced plans to furlough approximately 3,500 of its employees for the next two months

### DECLINING RIG COUNT

Worldwide rig operations continue to decline due to the pandemic. Land and offshore rigs in North America have declined from 4,980 in January 2020 to 3,615 in March 2020. This rig count is further expected to fall in the coming days



### ENERGY PRICES, AT ROCK BOTTOM



- The year 2020 started fairly for the oil and gas industry with WTI and Brent crude Oil prices recorded at US\$ 61.18 and US\$ 67.05 per barrel respectively. However, by 13th April 2020, WTI prices plunged to US\$ 20.97 per barrel, while Brent prices came down to US\$ 20.23 per barrel
- On 20th April 2020, the US crude oil prices have come down to a historical low of minus US\$ 37.36 per barrel (WTI). This collapse was driven by the lack of enough oil storage capacity amid oversupply as the demand dried up across all transportation sectors due to the lockdown. However, the Brent prices have seen a marginal decline

- The US government has announced to open up its Federal Reserve tanks to provide 75 million barrels of oil storage space
- Demand regain appears to be less likely even after the pandemic is over, as there would crude available in storage
- LNG prices have also dropped to a decade low due to COVID19, stressing the suppliers, especially FPSOs

### DECLINING DEMAND FOR OIL

- The oil and gas industry was already under pressure with oversupply and lower prices. COVID19 has further caused a major decline in the global oil demand straining the oil prices
- On 12th April 2020, OPEC members and non-members have made a historic two-year agreement, to curb global oil production by nearly 10% to control oil price and demand decline
- Under the agreement, there will be nearly 9.7 mbpd production cut in the months of May and June, 2020. There after, the production cut will be relaxed gradually to 5.8 mbpd by the end of 2022
- Global oil production stood 100.6 mbpd in 2019, while consumption stood at 100.8 mbpd. With COVID19 infections rising all over, demand continues to fall rapidly
- EIA forecasts the global oil demand to reach 95.52mbpd in 2020, a 5.2% decline from 2019 level
- Lack of demand and storage space is further causing oversupply and is posing the worst challenge ever to the oil and gas industry
- Strong production cuts of LNG and oil now appear to be inevitable with shipments being rejected all across the world



### INFRASTRUCTURE PROJECTS DELAYED

- Amid CAPEX cuts and downsizing, COVID19 has been causing infrastructure projects to be deferred or canceled
- Abu Dhabi National Oil Co. (ADNOC), has canceled contracts awarded towards Abu Dhabi gas megaproject in the UAE. The project was originally expected to be complete by 2022
- Pieridae Energy Limited, an E&P company in Canada, stated to delay its US\$ 10 Bn investment decision in an LNG export facility in Nova Scotia



### EMERGENCY BUSINESS RELIEF FUNDS ANNOUNCED BY MAJOR PRODUCING COUNTRIES

The US is currently one of the worst-affected countries. It has already announced a US\$ 2.3 Tn relief fund. This includes US\$ 510 Bn fund to prevent corporate bankruptcy and US\$ 359 Bn towards small businesses that retain workers



Saudi Arabia announced a US\$ 18.7 Bn private sector support package. Besides, government tax payments, fees, and other dues are suspended to provide liquidity to the private sector. It increased its available financing through the National Development Fund



Russian Federation created a financial reserve of Rub 300 Bn and a loan guarantee fund for restructuring the affected companies



The Canadian Parliament has approved a US\$ 75 Bn emergency stimulus package to help businesses and households in the country. This included US\$ 36.6 Bn towards support for individuals and companies and another US\$ 38.7 Bn towards temporary tax deferrals



### China plays smart, after having started to slowly getting back to its normal

- Amid the industry downturn, China is strategically sourcing oil and gas products
- While the global oil and gas industry is struggling with 18-year low oil price regime, China is stocking up oil, sourcing at the cheapest prices
- China is one of the largest consumers and importers of oil. It imported 72% of its oil consumed in 2019
- Currently, this country aims to stock 85 million tons of oil in its emergency stockpile by the end of 2020



Note: The facts mentioned in this report only reflects the current scenario on the day of reporting and is likely to change.

For a more detailed assessment of the impact of COVID-19 on the Oil & Gas industry please reach out to [marketing@datamaticsbpm.com](mailto:marketing@datamaticsbpm.com).