

# Business

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## Energy majors slash oil exploration

### Pandemic slams oil demand and prices

**LONDON:** The coronavirus pandemic that has slammed oil demand and prices is forcing energy majors to tighten their belts on exploration, even if finding new deposits remain essential to their existence.

While the sector is increasingly diversifying into greener energies such as electricity and wind power, its core business remains oil and gas. "Questions abound over whether it is still profitable to look for oil given subdued demand growth prospects and a low-price environment," Stephen Brennock, analyst at oil brokers PVM, told AFP.

"The answer seems not, judging by the recent spate of massive hydrocarbon asset writedowns.

"Set against this backdrop, I don't expect a rebound in drilling in the medium-term. "Instead, oil majors will be forced to beef up their green energy portfolios in order to survive," Brennock said.

#### Slashed projects

Compared to pre-virus plans, the energy sector has slashed exploration projects in UK North Sea waters by 70

percent and by 30 percent off the coast of Norway, according to research group Westwood. US oil giant ExxonMobil has cut its total exploration plans by 30 percent, or an investment reduction of \$10 billion (8.4 billion euros).

European rivals ENI, BP and Equinor have carried out similar moves, which have in turn hurt subcontractors including French oil services group CGG,



### Focus now on green energy portfolios

which expects revenue to slump 40 percent this year. In the United States, more than 30 oil exploration and production companies have this year filed for bankruptcy, according to Texan law firm Haynes & Boone.

If oil prices remain stuck around the

current \$40 per barrel level, a further 150 such companies could be lost by 2022, estimates research group Rystad Energy. "Drilling programs will be hampered in the near-term, in particular in US shale areas but also elsewhere, because of immediate cost-cutting measures," said JBC Energy analyst Raphaela Hein.

"In the past, we have seen that massive capital expenditure cuts to majors' budgets did not really impact their future production. "As such, we think that they will continue to look for new fields-maybe to a slightly lesser extent... and keep production within their long-term plans.

"Of course this will contribute to ensuring their survival," she added.

Hein however said that Arctic projects appeared to be "economically unviable".

This despite the vast area forecast to have 13 percent of the world's oil reserves and 30 percent of its undiscovered natural gas. In July, Russia's Gazprom Neft and Anglo-Dutch giant Shell announced a partnership to explore in the Arctic.



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#### 'Markets don't believe'

While oil prices rebounded strongly after briefly turning negative in the early days of the coronavirus pandemic, the world's main oil contracts Brent North Sea and West Texas Intermediate have failed to build on those gains-and last week fell heavily to under \$40. "Markets right now do not believe there is a future for oil," said SEB analyst Bjarne Schieldrop.

"For how long we'll have reduced drilling depends on the oil price," he added. Even so, the administration of US President Donald Trump in August approved oil and gas drilling in Alaska's Arctic National Wildlife Refuge, angering environmentalists in the process. While the oil price crisis is making the realization of such projects unlikely, "political will may still trump" that, said Hein of JBC energy. — AFP

## Washington, heart of US power, frozen by pandemic

**WASHINGTON:** Behind the giant bay windows of the World Bank, security guards remain at their posts, but idle. Outside, the sidewalks of Washington DC are largely empty.

The bank is open, ready to host but its twice annual meetings with international financial institutions. But the meetings are all virtual these days. Next door, at the HQ2 building of the International Monetary Fund (IMF) a sign says "temporarily closed." It has been hanging there for six months.

With just a month to go before the presidential election, Washington, the hub of American politics, is still in the social and economic deep freeze it was plunged into by the COVID-19 outbreak that began six months ago. The 12,000 people due to take part in upcoming meets at the World Bank and IMF will not stroll the sidewalks of the spruced-up city center, which before the pandemic had been touted as example of the regeneration of US downtowns.

Instead, they will be sitting at home, in front of their laptops. As well as its political activities, the city had billed itself in the past two decades as a hub for international conventions and conferences. Before the pandemic, "we were experiencing record

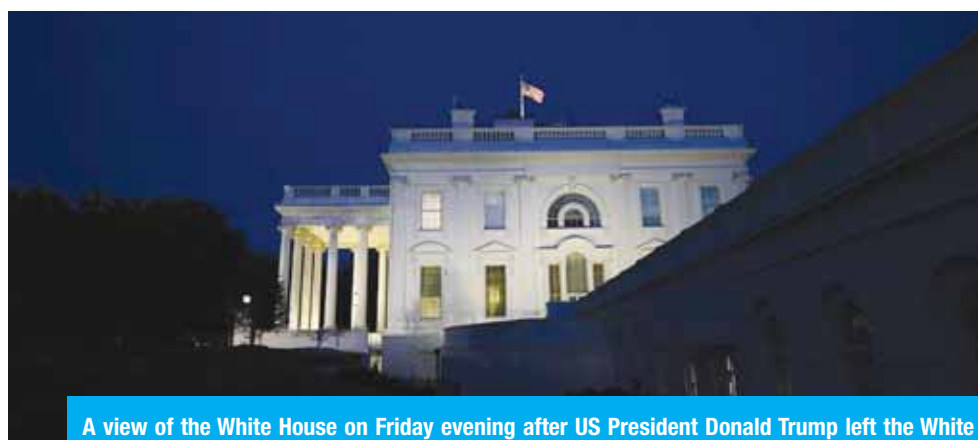
## Trump, Biden outline competing visions for US economy

**WASHINGTON:** One US presidential candidate wants to raise taxes, the other lower them. One will pursue an ongoing trade war, the other may throttle back tensions. And neither will get much done without Congress's approval. The proposed economic policies of President Donald Trump and Democratic challenger Joe Biden offer starkly different views of the world's largest economy and its global role, ahead of the tense November 3 election.

Biden's agenda is aimed at poorer Americans and includes a number of policies that would mark a sharp departure from Trump's time in office, while building on the policies of Barack Obama, whom he served as vice president. Trump, by comparison, has offered what analysts complain are few details on his plan, other than a vow to bring back the comparatively good economy and the record low unemployment Americans experienced until March, when the coronavirus pandemic ended that.

"I would categorize the Biden plan as really being about an expansion of existing social programs," said John Ricco, a senior analyst at the University of Pennsylvania's Penn Wharton Budget Model. "In contrast, the Trump plan, to the extent that such a plan exists, is... sort of taking the same themes that the administration pursued in the last four years."

The extent to which either candidate can get what they want will depend on which party controls Congress, which is currently split



A view of the White House on Friday evening after US President Donald Trump left the White House for Walter Reed National Military Medical Center. — AFP

attendance and visitation to Washington, not only with congresses and meetings, but of course, also with the leisure market... and the international markets," said Elliott Ferguson, director of Destination DC.

And that activity all stoked the local economy. "We were on pace to do well over 25 million visitors to the city, over 42 large congresses," he said. Now the city is expecting some 11 million visitors.

#### Working from home

For sure, some of the trendier districts of the city have bounced back to life. Restaurants have opened up outdoor terraces and rooftop dining and have started to fill up in the late summer, thanks to local clientele. But in the downtown area, not far from the White House, the fast food restaur-

rants of K Street—the central artery where busy lobbyists and lawyers used to grab lunch—have not re-opened and struggle to attract local business.

That is because the thousands of government and institutional workers—including the 9,000 of the World Bank, excluding its consultants—are all working from home until the end of the year.

The white-collar workers who filled the offices of the nerve center of US and international politics have overwhelmingly chosen to carry on with remote work. And they have the backing of Democratic Mayor Muriel Bowser, who has implemented one of the strictest regimes of restrictions in the country to keep the virus death toll down to 629 deaths and more than 12,250 infections. — AFP

between the Republican-controlled Senate and the Democrat-controlled House. With polls showing the former vice president ahead and many key Senate races leaning toward the Democrats, analysts are cautiously warming to the possibilities offered by a Biden victory—assuming Democrats win the Senate.

"Democratic control of the House, Senate and White House would produce the largest changes in policy, but if Republicans retain the Senate or White House, we expect limited new federal policies, fiscal or otherwise," JP Morgan said in a note.

#### The race upended

Biden's economic platform has centered on the slogan of "build back better," with promises of creating jobs via infrastructure and clean-energy improvements funded by \$4.1 trillion in taxes over the next decade, most of it levied on big business and the rich. Trump has vowed to restore what he calls "the greatest economy in history," the period from his 2017 inauguration up until March; after a decade of economic expansion, unemployment was at a 50-year low.

Polls have shown voters thus far siding with Biden as the United States grapples with the world's worst coronavirus outbreak. Then on Friday the race was upended when Trump reported he had contracted the virus. The two men's platforms appear aimed at benefiting different sectors of the economy, said Mark Zandi and Bernard Yaros, economists at Moody's Analytics.

Biden's platform is targeted at the poor and middle class, whose "tax bill will remain roughly the same as it is today, but they are significant beneficiaries of increased government spending on education, healthcare, hous-



President Donald Trump (left) and former vice president Joe Biden (right) have competing visions for the US economy if they win the November elections, but controlling Congress is seen as key to their success.

ing, a plethora of other social programs and a larger economy," Zandi and Yaros wrote. A Trump presidency would likely see the extension of tax cuts passed by Congress in 2017, and "the benefits largely go to higher-income households and businesses, while government spending is scaled back on healthcare and a range of social programs," they wrote.

If the Democrats manage to take Congress and the White House, Moody's predicts that full employment, as seen before the pandemic, could return as soon as the second quarter of 2022. If Republicans get the same control, full employment would be restored only in early 2024. However, Moody's most likely scenario is that neither Trump nor Biden wins the White House and Congress, and employment isn't restored until sometime in 2023. While much of their economic policies are aimed at winning individual Americans, businesses are eyeing the two candidates' differing approaches to trade and in particular to China, with which Trump has pursued a trade war. — AFP

## UK 'can prosper mightily' under no-deal Brexit: PM

**LONDON:** Prime Minister Boris Johnson said yesterday that Britain "can prosper mightily" without a post-Brexit trade deal with the European Union, the day after agreeing to extend stalled talks with Brussels. Johnson, who accepted prolonging negotiations in a video-call Saturday with EU chief Ursula von der Leyen, told the BBC he believed a deal is "there to be done" before Britain leaves the bloc's regulatory regime in 2021.

But he cautioned the EU needed to understand that his government is "utterly serious about needing to control our own laws and our own regulations", including its fisheries policy.

Britain formally left the bloc in January but remains bound by most of its rules until the end of the year under the terms of its Brexit divorce. The current 11-month transition phase was intended to allow the two sides to agree their future trading relationship after nearly five decades of economic and political integration. However, nine scheduled rounds of negotiations ended Friday with both parties saying significant obstacles to an agreement remain, prompting Johnson and von der Leyen's intervention.

The two leaders, who last held Brexit talks in June, asked their negotiators to "work intensively in order to try to bridge those gaps".

But fears are growing of travel and trade chaos if progress is not made and a so-called no-deal Brexit ensues. "I don't want the Australian, WTO (World Trade Organization)-type outcome particularly, but we can more than live with it,"

Johnson said of the scenario. "I think that we can prosper mightily under those circumstances," he said.

#### Entrenched positions

London and Brussels had pinpointed a European summit on October 15 as the latest an agreement could be reached for it to be ratified in time to take effect by 2021. Reports suggest the talks could now continue for the rest of October, but British officials are stressing the need for clarity on whether a deal is feasible by the summit.

Neither side appears ready to make a big shift in their entrenched positions. Johnson—a key figure in the lengthy and divisive process to take Britain out of the bloc—said Sunday he hoped the EU would "agree to the deal that we've set out". Following his call with von der Leyen, an EU source told AFP the bloc was waiting for London "to really start negotiating on the big issues".

German Chancellor Angela Merkel, who meets the bloc's chief negotiator Michel Barnier on Monday, said Friday she believed a deal was still possible, though warned the coming days were crucial.

Britain and Europe have so far found no way to overcome fundamental disagreements over how to assign future fishing rights in UK waters and how to maintain a level playing field in business and state subsidy regulations. Meanwhile the atmosphere has been soured by London taking steps to overturn parts of the divorce agreement struck last year, prompting Brussels to launched legal action this week. — AFP



LONDON: In a handout picture released by the BBC shows Britain's Prime Minister Boris Johnson gesturing as he appears on the BBC political program The Andrew Marr Show in London yesterday. — AFP