Kuwait Times
Established 1961

Business

MONDAY, MARCH 22, 2021

Saudi Aramco's 2020 profits slump on lower crude prices

Pandemic weighs heavily on global demand

RIYADH: Energy giant Saudi Aramco on Sunday posted a 44.4 percent slump in 2020 net profit due to lower crude prices, as the coronavirus pandemic weighed heavily on global demand. Aramco, Saudi Arabia's cash cow, has revealed consecutive falls in profits since it began disclosing earnings in 2019.

That has piled pressure on government finances as Riyadh pursues multi-billion dollar projects to diversify the oil-reliant economy. "Aramco achieved a net income of $49 billion in 2020," the company said in a statement-down from $88.2 billion in 2019.

Saudi Arabia, the world's biggest crude exporter, was hammered last year by the double whammy of low prices and sharp cuts in production. Aramco chief executive Amin Nasser described it as "one of the most challenging years in recent history".

The firm said "revenues were impacted by lower crude oil prices and volumes sold, and weakened refining and chemicals margins." But compared to many of its loss-generating international peers, the company, which made its stock market debut in 2019, played up its "strong financial resilience" despite the challenges.

Crude prices have risen in recent weeks to over $60 per barrel. But in the short term, analysts say the Saudi giant is bracing for a possible further waves of coronavirus infections that could undermine a tentative global economic recovery. As the global vaccination program gains momentum, however, Aramco said it was seeing a pick-up in crude demand in energy-hungry Asia and other parts of the world. Analysts say the company's debt levels surged last year as it offered shareholders a bumper dividend even as its earnings plunged. Aramco said it stuck to its commitment of paying shareholders dividends worth $75 billion in 2020 — an amount that exceeds the declared profit. Dividend payments from Aramco help the Saudi government, the company's biggest shareholder, manage its ballooning budget deficit.

JEDDAH: A view of a damaged silo at the Saudi Aramco oil facility in Saudi Arabia's Red Sea city of Jeddah. — AFP

A brake on reforms

Without addressing the company's debt, Aramco's Nasser said belt-tightening had kept the firm's financial position "robust", enabling it to pay out the dividends. "As the enormous impact of COVID-19 was felt throughout the global economy, we intensified our strong emphasis on capital and operational efficiencies," Nasser said. The statement said Aramco "expects capital expenditure for 2021 to be around $35 billion, significantly lower than the previous guidance of $40-$45 billion".

Aramco has also slashed hundreds of jobs as it seeks to reduce costs, Bloomberg News reported last June. A drop in oil income is expected to hinder Crown Prince Mohammed bin Salman's ambitious "Vision 2030" reform program to overhaul the kingdom's energy-reliant economy. Aramco was listed on the Saudi bourse in December 2019 following the world's biggest initial public offering, generating $29.4 billion for 1.7 percent of its shares. In January, Prince Mohammed said the kingdom would sell more Aramco shares in the coming years. The kingdom's de facto ruler said future share offerings would be a key way to boost the Public Investment Fund, the kingdom's sovereign wealth fund which is the main engine of its diversification efforts. But analysts say further share offerings could struggle to generate investor interest amid a downbeat energy market, as the coronavirus pandemic saps global demand. There are also concerns over an uptick in drone and missile attacks on Aramco's facilities in the kingdom, claimed by Yemen's Houthi rebels. A drone strike sparked a fire at a Riyadh oil refinery on Friday, in the second major assault this month on Saudi energy installations claimed by the Iran-backed insurgents. — AFP

Carbon pawprint: Is man's best friend the planet's enemy?

PARIS: Is your adorable puppy as bad for the planet as a gas-guzzling SUV?

While the precise carbon pawprint of our pets is the source of scientific debate, one thing is becoming increasingly clear: lovable, they may be, cats and dogs have an impact on the planet.

In their 2009 book "Time to Eat the Dog?", Brenda and Robert Vale sparked anger among pet owners for saying that the meat eaten by an average canine companion had twice the carbon footprint as driving an SUV 10,000 kilometers. A decade on, the verdict is still out on the planetary impact linked to the diets of cats and dogs.

"I've got nothing against pets," said Gregory Okin, a professor at the University of California's Institute of Environment and Sustainability. "I know that they bring a lot of good to people, both working animals and companion animals.

"But, I believe that for people who want to make informed choices, they should have the information available to them," he said. In a 2017 study, Okin estimated that the 160 million domestic cats and dogs in the US were responsible for between 25-30 percent of the environmental impact of meat consumed in the country. That's 64 million tons of C02, equivalent to the annual emissions of 13 million petrol or diesel cars. Kelly Swanson, a professor in animal nutrition at the University of Illinois, disputes the findings of that study, saying the calculations were based on "a lot of inaccurate assumptions".

"Because most pet foods are based on secondary products from the human food industry, especially the ingredients that are animal-based, the environmental costs of those ingredients are not the same as those being consumed by humans," he said. For Sebastien Lefebvre, from Lyon's VetAgro-Sup veterinary school, carbon emissions from conventional mass-produced animal food was "negligible".

He said emissions from pet food would only be a concern "when mankind stops food waste (and becomes) completely vegetarian." He said that unfashionable cuts of meat, including offal, which many humans turn their noses up at, would be ideal for pet food in order to avoid waste. Yet in some countries, including the Netherlands, meat is reared specifically for animal consumption. Pim Martens, professor of sustainable development at Maastricht University, said that — as with humans — animal carbon footprints "depend on where you live in the world". In a 2019 study, Martens found the lifetime emissions of a dog weighing 10-20 kilograms in the Netherlands was anywhere between 4.2 and 17 tons of CO2 equivalent.—AFP

With rivalries, eSports gain traction in corporate world

SAN FRANCISCO: Microsoft software engineer Daniel Jost has found a way to take on his peers at Amazon, Apple, Facebook, and Google in friendly fashion-through video game competition.

His team is the one to beat when it comes to using jet-powered cars to score points by knocking giant balls, soccer-style, into nets on virtual fields in Rocket League tournaments organized by the Corporate Esports Association (CEA). "It feels similar to the company bowling or soccer league, it's just being done in front of a computer screen instead of meeting at the bowling alley every Friday," said Jost.

Matches are streamed online at an array of platforms such as Twitch and YouTube, with bragging rights and charity dollars on the line. Like video-game play overall, interest in company team matches has boomed during the COVID-19 pandemic as real-world options from soccer to softball stopped being viable.

"It really is the corporate sports leagues in just a very slightly different form," said Brad Tenenholtz, a cybersecurity industry veteran and co-founder in 2018 of the association with Terence Southard, a scientist with Jeff Bezos's space exploration endeavor Blue Origin. Company workers are free to form teams and sign up to compete in leagues set up by the CEA, with registration fees going to a charity chosen by the victors. "My dad works at a steel mill in Cincinnati, Ohio, and plays on his corporate softball team," CEA chief Tenenholtz said. "No one is going to fly him to another city for some kind of national competition, but with eSports we can bring people together electronically and just as meaningfully." Leagues organized by the association include competitions for League of Legends, Dota, Overwatch, Valorant, Call of Duty, and even chess.

E-sportsmanship

The association can also be hired by companies to run team-building events. Just as the pandemic was starting, CEA introduced a "Comprehend" tool that analyzes which players are inspiring teammates and which are spoiling the fun. Players are told the tool is being used and are given copies of results. "We're explicit with players about what Comprehend is and what it measures," Tenenholtz said. "We go to great lengths to make sure there are no surprises."

The software can identify people who work well together and those to whom peers look for leadership, according to Tenenholtz. The tool also measures how well players communicate to achieve goals, and it spots comments that cause conflict.

The feedback is intended to help companies improve workplace camaraderie and collaboration, with happier workers who feel connected to peers being less likely to quit their jobs. Jost, whose Ninjacats team has only played in charity matches where Comprehend is not used, credits the league with making him feel more closely bonded with Microsoft, which, thanks to its Xbox division, has status in the video game world. A point of pride for his team is having won thousands of dollars for Child's Play, a charity that gives toys and games to children in hospitals.

"The bond with this community of players is absolutely a selling point for me to be with Microsoft," Jost said. Playing for charity and representing one's company helps keep rivalries good-natured. Plus, since tech talent tends to be mobile, players sometimes find themselves facing former colleagues on rival teams. "There is a lot of emotion and passion to win, and your competitive spirit kicks into overdrive," Jost said of matches. "Amazon is particularly fun to beat because we share the same hometown." Nearly every major tech company has at least one team playing in CEA matches, with League of Legends and Rocket League the most popular games. "It makes sense, as workforces attract a greater percentage of gamers, and many of those games-Rocket League in particular-are easy to play and fun for the participants," said Wedbush Securities analyst Michael Pachter.—AFP

In this file photo, Team Curse players Christian "IWillDominate" Rivera (left), Joedat "Voyboy" Esfahani (center) and David "Cop" Roberson (right) prepare for the start of a match during the League of Legends North American Championship in Manhattan Beach, California. — AFP

China crackdown cuts Big Tech down to size

SHANGHAI: Tighter regulations, billions in lost overseas share value and government pledges to get even tougher-Chinese tech giants are reeling under what looks like a sustained Big Brother assault on innovation and enterprise. But there's a reason why the escalating crackdown is largely drawing shrugs from Chinese consumers: it is widely seen as necessary. Concern is rising in China over chaotic online lending and accusations of powerful platforms squeezing merchants and misusing consumer data, reflecting global unease with Big Tech that has Facebook, Google and others also facing scrutiny at home and abroad.

"With China, it immediately becomes about the Communist Party. But if the UK government were doing this, people would probably be OK with it," said Jeffrey Towson, head of research at Asia Tech Strategy. "These actions look quite reasonable."

Companies such as e-commerce giants Alibaba and JD.com, along with messaging-and-gaming colossus Tencent, are among the world's most valuable businesses, feasting on growing Chinese digital lifestyles and a government ban on major US competitors.

But they have become victims of their own success. The troubles burst into public view last October when Alibaba co-founder Jack Ma committed the cardinal sin of publicly criticizing China's regulators for their increasingly dire warnings concerning his company's financial arm, Ant Group. Ant Group's Alipay platform is ubiquitous in China, used to buy everything from meals to ride-hailing, groceries and travel tickets. Slow-footed regulatory oversight also allowed Ant to expand into loans, wealth management, even insurance. Tencent's fintech profile also has risen.

Consequently, they have become "overly powerful actors capable of pushing regulatory boundaries without regard for systemic risks," Eurasia Group consultancy said in a research note. These ambitions have collided with Beijing's years-long campaign to purge its chaotic financial system of a dangerous debt build-up.

Size matters

Chinese debt spiraled to 335 percent of gross domestic product by the end of 2020, according to the Institute of International Finance. Previous lower levels had already prompted International Monetary Fund concern. The official response to Ma's unusual outburst has been uncompromising: Ant's record-breaking $35 billion Hong Kong-Shanghai IPO was abruptly suspended, Ma disappeared from public view for weeks, and regulatory screws have been tightened.

China is expected to force Ant and Tencent to begin running their lending operations like banks, with resulting higher scrutiny and financial liability-things the fintech leaders had largely avoided. "They'll have to meet capital requirements and set up financial holding companies. They can't escape it," said Ke Yan, lead analyst at DZT Research. The Wall Street Journal reported last week that Alibaba was also being pushed to shed wide-ranging media assets, including a potential sale of Hong Kong's South China Morning Post. The tumult has sliced billions off Chinese tech firms' share values. In China's crackdown, size matters.

While just over 20 percent of US retail spending takes place online, China is forecast to surpass 50 percent this year. Major Chinese platforms boast hundreds of millions of users, amplifying concerns about industry concentration and data privacy. Ma's unusual outburst was seen by many as a direct Big Tech challenge to Communist Party authority and influence.

But Ke says: "I don't think (the crackdown) was triggered by Jack Ma. It's been planned for a long time." Unease over tech's growing influence is not unique to China. "Most major governments globally are focused on this issue in a way they weren't two years ago. Everyone seems to think that Big Tech has gotten too powerful," Towson said. Such crackdowns are not unusual in China. Its economy has transformed so rapidly in recent decades that regulators often play catch-up, eventually making headlines with clampdowns that analysts say are often necessary-though belated-attempts to address problems that appear.—AFP