



Cars are refuelled at a British Petroleum petrol station in Ciudad Satellite, Naucalpan de Juarez municipality, near Mexico City.

Oil majors strike it rich on rising crude prices

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THE WORLD'S leading oil companies published a bumper crop in profits last year as rising crude prices helped turn their fortunes around, but they remain cautious and are unlikely to rush out on a new spending spree just yet.

In a flourish of earnings reports over the past week, the picture painted by majors ranging from ExxonMobil and Chevron to BP, Royal Dutch Shell and Total has been a very rosy one.

French giant Total saw its bottom line jump by more than a third, Shell's net profit tripled, ExxonMobil's fourth-quarter earnings rose nearly five-fold, Norway's Statoil swung back into the black and BP's profits soared.

In fact, "2017 was one of the strongest years in BP's recent history", the British group's chief executive Bob Dudley told his annual earnings news conference.

Key to this success was the steady rise in crude prices in recent months, driven by a landmark deal between oil-producing countries both inside and outside the Opec cartel to reduce the worldwide glut in supply by throttling output.

Correspondingly, after falling from \$115 (Bt3,628) per barrel in 2014 to under \$35 at the start of 2016, oil prices have been rising, from an average \$44 in 2016 to \$54 in 2017 to nearly \$70 this month.

Flush with their new-found profits, the oil majors have raised dividends and announced share buy-back programmes, eager to make it up to their shareholders who have become restive after having to do with meagre payouts for years.

But it's still a far shot from the heady days of old.

Companies have learned to live with low oil prices, slashing costs and investment to become leaner and fitter, and said they have little intention of abandoning that regime any time soon.

Shell's CEO Ben van Beurden said he now always works on the assumption that oil prices would remain "lower forever".

"We're sticking to the cost-cutting programmes, despite the rise in crude prices," said Total chief executive Patrick Pouyanne.

Such prudence is evident in the only modest uptick in investment in upstream exploration and production activities.

Globally, these investments rose by 4 per cent to \$389 billion last year and should increase by a modest 2-6 per cent again this year, according to estimates published by IFP Energies Nouvelles last week.

By comparison, the amount totalled \$683 billion in 2014.

Developments vary from region to region, and the anticipated growth this year is driven almost entirely by independent companies and US shale firms, whose overheads are much lower.