



Since the Covid-19 crisis slashed oil prices, Sia Partners forecasts Oil&Gas main companies to drop investment by 18%



-65%

Oil prices collapsed in two months



-23%

Upstream major's investment cuts



Limited impact

Regarding investments in alternative energies



96%

Share of Oil&Gas upstream & downstream investments



A price drop of nearly -65% due to a double shock on the market

Supply shock

OPEC+ production cuts agreement was first not extended, KSA massively increased production and proposed heavy sell offs⁽²⁾
A further quota agreement was signed and will be effective in May⁽⁴⁾

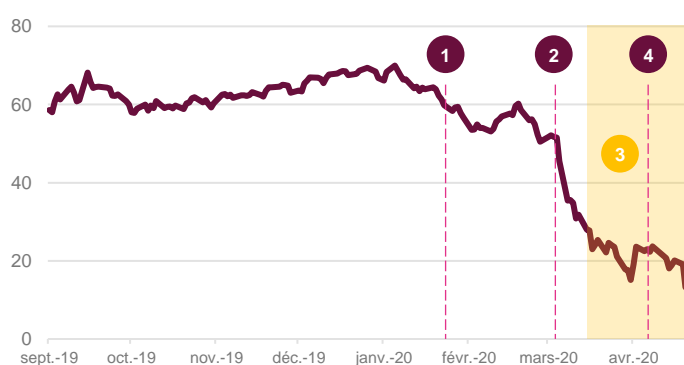
**+5 Mbbl/d in March then
-10 Mbbl/d starting in May**

Demand shock

Covid-19 hits hard industrial and transport consumption due to lock downs first in China⁽¹⁾ in February and now over 4 Billion people⁽³⁾

Down by -30 Mbbl/d

Brent prices variation over the past 8 months



Sources : Sia Partners analysis, IEA, Rystad energy

Majors' investments following the drop in oil prices linked to the COVID-19 pandemic

Source : Sia Partners analysis regarding annual reports of Shell, Exxon, BP, Total, Chevron, ENI and IEA

Source : Sia Partners analysis

Sector	Majors' investments 2018 (G\$)	Impacts of current pandemic	Estimation of investments for 2020 (G\$)
Upstream			
Conventional	27	- 5% With the lowest investment ratio , majors will concentrate on these projects in the short term. A similar strategy is profiling for KSA and Russia who are the biggest producer of this oil type	26
Shales	19	- 40% Shale producers managed to drastically reduce costs to 48\$/bbl after the 2016 price drop, but they can't hardly reproduce such an effort which could lead to major bankruptcies for the independent actors. Drastic reduction of production expected if no subsidies from the American administration	12
Oil sands	4	- 26% With a breakeven around 70\$/bbl, Canadian fields should take a big hit even though producers managed to lower costs for the coming projects by restraining to thermal in-situ production. We could expect Canada government to subsidise an industry that represents 10% of its GDP	3
Offshore	41	- 30% The geographical variety of this product leads to a large range of breakeven and allows the majors to diversify their portfolio . However, deep offshore projects are far out of the money with current prices and the first to be delayed	29
Downstream			
	18,7	-5% These activities are a natural hedging when prices drop but the majors are slowly shifting away from downstream activities and this should be reinforced regarding the current situation since margins are rather low and majors are going to need cash flows. Nonetheless, the current situation may increase the investments made to develop automatization and digitalization	17,8
Renewables			
Solar	0,4	Solar power is very attractive since costs have strongly decreased over the past 10 years and most countries have subsidies that ensure constant revenues. For instance, Total just announced the construction of a 800 MW plant in Qatar by 2022 for half a billion \$	0,8
Wind	0,4	BP keeps reducing its activities in this field but other majors are winning tenders, buying back companies to develop this activity and signing PPAs as Exxon with Orsted for 500 MW/y over the next 12 years	0,6
Biofuels	0,1	Close to their core business, all majors have biofuels activities. Shell and BP have the biggest production capacities (respectively 2000 and 765 ML/y). Current regulation over the globe and opportunities to transform refining capacities in developed countries should encourage all majors to maintain their investments	0,1
Other	0,1	No impact directly linked to COVID-19. All majors have been investing in CCUS for several years. Since 2016, Total has chosen to invest massively in electricity (production, supply, storage and mobility) and has announced an investment plan of \$2 b/y over the next 10y	2,0

TOTAL

111

91

meaning -18%