Oil giant Shell axes thousands of jobs on virus fallout

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Royal Dutch Shell says it will axe between 7,000 and 9,000 positions by the end of 2022, of which 1,500 staff have already agreed to take voluntary redundancy this year

Royal Dutch Shell will axe up to 9,000 jobs or more than 10 percent of its global workforce, the energy giant said Wednesday as the coronavirus pandemic slams oil demand and prices.

The Anglo-Dutch group will cut between 7,000 and 9,000 positions by the end of 2022, including 1,500 staff who have agreed to take voluntary redundancy this year, it said in a statement.

"This is an extremely tough process. It is very painful to know that you will end up saying goodbye to quite a few good people," said Shell chief executive Ben van Beurden, who oversees 80,000 staff across more than 70 countries.

"But we are doing this because we have to, because it is the right thing to do for the future of the company.

"We have to be a simpler, more streamlined, more competitive organisation that is more nimble and able to respond to customers," he added.

The virus has hit the entire energy sector, with Shell's fierce rival BP axing about 10,000 jobs or 15 percent of its staff.

Shell on Wednesday added that it aims to generate annual savings of between $2 billion and $2.5 billion (1.7-2.1 billion euros) by also cutting back on refining capacity.

It will help the company to achieve a $3-$4 billion efficiency drive announced in March and that runs to 2021.

Shell had in July flagged that job cuts were in the pipeline after posting a colossal $18.1-billion second-quarter net loss.

On Wednesday it warned that it would suffer more post-tax impairment charges of $1.0-$1.5 billion in full third quarter earnings due next month.

Van Beurden added that Shell was looking at a raft of other areas where it can cut costs, such as travel, its use of contractors and virtual working.

COVID-19 slammed the brakes on the global economy and sent oil prices off a cliff—even causing them to briefly turn negative in April.

The market also crashed on the back of a vicious price war between key producers Saudi Arabia and Russia.

The resulting meltdown ravaged revenues and profits.

Shell was already in the red in the first quarter, which prompted it to cut its shareholder dividend for the first time since the 1940s.

Oil prices currently stand at about $40 per barrel, which is still well down on the same time last year.

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