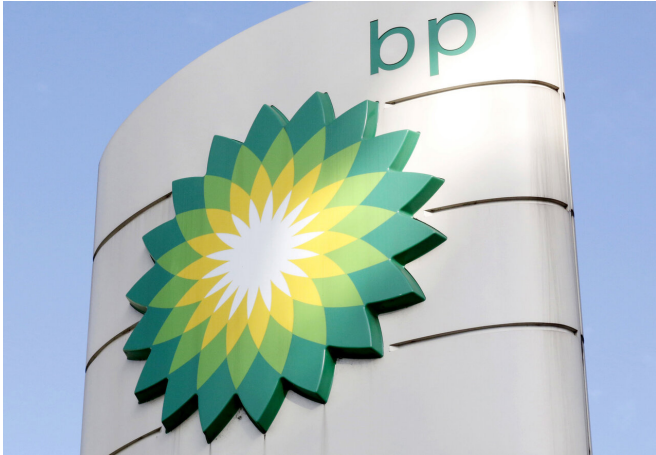


BP to cut 10,000 jobs worldwide amid virus pandemic

8 June 2020, by Danica Kirka



This Tuesday, Aug. 1, 2017 file photo shows the BP logo at a petrol station in London. Energy company BP said Monday June 8, 2020, that its global workforce will be trimmed by 10,000 jobs amid the ongoing impact of the COVID-19 pandemic. (AP Photo/Caroline Spiezio, File)

Oil and gas company BP announced Monday that it will slash its global workforce by 10,000 jobs as the COVID-19 pandemic slams the energy industry.

Chief Executive Bernard Looney said that the cuts will affect office-based roles in BP's global workforce of 70,000 people and come mostly this year. The changes are expected to significantly affect senior levels, cutting the number of group leaders by a third.

"We are spending much, much more than we make – I am talking millions of dollars, every day," Looney said in an email to staff that revealed that net debt rose by \$6 billion in the first quarter. "We have to spend less money."

He pledged to bring down capital expenditure by 25% this year, a reduction of around \$3 billion. He also said that it costs \$22 billion a year to run the

company, including \$8 billion in people costs.

"So we are driving down those operating costs by \$2.5 billion in 2021 – and we will likely have to go even further," he said.

The job cuts come at a time of tremendous change for London-based BP. It had already embarked on a restructuring plan to ensure its long-term viability as the world decreases its reliance on fossil fuels in an effort to fight climate change. BP wants to eliminate or offset all carbon emissions from its operations and the oil and gas it sells to customers by 2050, an ambitious target.

The wider energy industry has meanwhile been hit hard by the pandemic as the widespread limits on business, travel and public life reduced the need for oil, gas and other fuels.

Supply of oil and gas was particularly high when the outbreak began, creating a perfect storm for the industry. With storage facilities filling up, the U.S. price of oil went below zero in April for the first time ever.

"To me, the broader economic picture and our own financial position just reaffirm the need to reinvent BP," Looney said in the email. "While the external environment is driving us to move faster – and perhaps go deeper at this stage than we originally intended – the direction of travel remains the same."

The U.S. contract for crude oil began the year at over \$60 a barrel, collapsed to below -\$37 in April and recovered to about \$39 a barrel as of Monday as OPEC countries agreed to limit production.

David Elmes, who leads the Global Energy Research Network at Warwick Business School, said BP's cuts are symptomatic of the wider challenges facing the industry, with firms in the sector thinking about cutting costs.

"BP and the other European-based international companies have already said they will become less focused on oil and gas over time," he said. "If this situation continues, there will be intense discussions about what can they do to move faster."

Major companies like BP with diversified businesses are likely to survive the pandemic, but smaller oil producers are going to have a harder time, analysts say.

U.S. shale companies in particular took on a lot of debt to finance operations and can only make ends meet at about \$40 a barrel. Heavily-indebted companies will have to refinance at a time of capital constraint.

Some companies are already going under. Whiting Petroleum, a shale producer, filed for bankruptcy protection in April, for example followed by Diamond Offshore Drilling. More are expected.

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