

Petrol PLAZA

Shell and Total slash billions in spending to face global crisis

In the wake of the coronavirus and price warfare between top producers, both oil giants are slashing costs and suspending buybacks.



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Royal Dutch Shell and Total have suspended their share buyback programmes and announced billions of dollars of cost cutting as they navigate the recent crash in oil prices.

With the price of Brent crude hitting a 17-year low last week as the coronavirus pandemic continues to set an economic impasse on the world and top producers wage war against each other.

Shell announced plans to reduce its operating costs by between \$3bn and \$4bn this year while cutting its planned capital expenditure by \$5bn to \$20bn for the year. The combination of actions are expected to boost Shell's free cash flow by \$9bn.

"As well as protecting our staff and customers in this difficult time, we are also taking immediate steps to ensure the financial strength and resilience of our business," said Ben van Beurden, Chief

Executive Officer of Royal Dutch Shell.

French oil major Total announced on Monday morning that it would slash capital spending by around 20% to less than \$20bn.

Patrick Pouyanné, Chairman & CEO of Total, addressed the Group's employees on March 19 to mobilize them in the face of the challenges ahead. He recalled the resilience that the group's teams demonstrated during the 2015-16 oil crisis.

Total will also reduce their operating costs by an extra \$500 million in 2020 to reach \$800 million less than in 2019.

The effects provided by the toxic combination of increased global supply and rapidly falling oil prices will prove to be a colossal challenge for major oil companies.