Financial Review of the Global Oil and Natural Gas Industry: Third-Quarter 2020

Markets and Financial Analysis Team

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Key findings for third-quarter 2020

• Brent crude oil daily average prices were 30% lower in third-quarter 2020 than in third-quarter 2019 and averaged $43 per barrel.

• The combined petroleum liquids production of this study’s 100 companies decreased 9.3% in third-quarter 2020 from third-quarter 2019, and their natural gas production decreased 7.9% during the same period.

• Upstream capital expenditures on a per-barrel basis declined to the lowest average level in the 2016–20 period in third-quarter 2020.

• Cash flow from operating activities increased from the first and second quarters of 2020 to $88 billion, but it remained 31% lower than third-quarter 2019.

Note: The 100 companies analyzed in this study publish publicly available financial statements. A full list of the companies included and a glossary of terms begin on slide 20.
Geographic distribution of global oil and natural gas company headquarters, third-quarter 2020

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements

Note: Other includes Argentina, Brazil, Chile, China, Colombia, and Russia.
Distribution of global energy companies by production of petroleum liquids, third-quarter 2020

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements
Petroleum liquids and natural gas production was 34 million barrels per day and 19 million barrels of oil equivalent per day, respectively, in third-quarter 2020.

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements.
In third-quarter 2020, global petroleum liquids production decreased 9.3% year over year and natural gas production decreased 7.9% year-over-year change.

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements.
Third-quarter 2020 crude oil prices were 30% lower than in third-quarter 2019, and natural gas prices decreased 9% during the same period.
Cash from operations in third-quarter 2020 was $88 billion, 31% lower than in third-quarter 2019.

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements.
Capital expenditure in third-quarter 2020 was $46 billion, 39% lower than in third-quarter 2019.

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements.
About 83% of companies had positive free cash flow, and 44% of companies reported positive upstream earnings in third-quarter 2020.

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements.

Note: free cash flow = cash from operations minus capital expenditures.
The companies decreased debt by $21 billion in third-quarter 2020, and the long-term debt-to-equity ratio decreased to 58%.
As of third-quarter 2020, the long-term debt-to-equity ratio for energy companies was 58% and for U.S. manufacturing companies was 68%.
The energy companies’ combined market capitalization in third-quarter 2020 decreased by almost $1 trillion year over year.

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements.
The $19 billion in asset impairments were 2% of the companies’ net present value of their proved reserves.

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements.
The energy companies’ return on equity fell to -13% in third-quarter 2020.

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements.
The return on equity for energy companies remained lower than U.S. manufacturing company returns.

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements and U.S. Census Bureau.
Upstream capital expenditures on a per-barrel basis declined to the lowest average level in the 2016–20 period

upstream capital expenditure/BOE produced
dollars per BOE, four-quarter moving average

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements

Note: BOE=barrel of oil equivalent
Royal Dutch Shell merged with BG Group in first-quarter 2016. Mergers are typically large, non-recurring expenditures. The $52 billion merger accounted for almost half of all combined company upstream capital expenditure, which contributed to the large increase in the ratio of upstream capital expenditure/BOE to Brent price from fourth-quarter 2015 to first-quarter 2016.
Crude oil prices remain lower year over year, indicating continued declines in cash from operations and capital expenditure.

Cash flow items and Brent prices year-over-year change.

Source: U.S. Energy Information Administration, based on Evaluate Energy data of companies with publicly available financial statements and Bloomberg.
## Appendix: List of companies

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Source: U.S. Energy Information Administration, Evaluate Energy

Note: Some companies merged, closed, or de-listed before 2020. A total of 100 companies existed in third-quarter 2020.
Background

• This analysis focuses on the financial and operating trends of 100 global oil and natural gas companies (called the energy companies).

• The data come from the public financial statements each company publishes, which a data service (Evaluate Energy) aggregates for ease of data analysis.

• An energy company’s assets that were acquired by another company in the group after first-quarter 2015 were kept in the data for previous quarters.

• Several charts show comparisons between energy companies and the U.S. manufacturing industry. The data were collected from the U.S. Census Bureau’s Quarterly Financial Report.
**Brief description of terms**

- *Cash from operations* is a measure of income from the company’s regular business activities.

- *Capital expenditure* represents cash used to purchase property, plant, and equipment.

- *Financing activities* measure inflows and outflows in debt or equity markets, including dividends, share issuances or repurchases, and debt issuances or repayments.

- *Return on equity* is a measure of the profit a company earns on money that shareholders have invested.

- *Market capitalization* is the total value of all of a company’s outstanding, publicly traded shares.
Brief description of terms

• *Net income* represents profits after taxes and depreciation.

• *Asset impairments* occur when a company lowers the estimated value of a property to reflect current market value, which may result from the loss of production potential or a decline in oil prices.

• *Upstream activities* refers to crude oil exploration, production, and other operations before refining.

• *Downstream activities* refers to refinery operations, product sales, and marketing at the wholesale and retail levels.