PORTLAND MARKET REPORT

IP WEEK 2020 – PLAYING SECOND FIDDLE TO COVID 19 – AN EVEN MORE PRESSING ISSUE

March update

London's IP Week takes place each February and provides an unerringly accurate pulse of the oil sector, both from the numbers of attendees and the range of topics discussed. Back in 2013, when Portland first covered this event, it was arguably the high point for the global oil industry, with prices topping $100 per barrel, demand booming and the new shale technology dominating every conversation. Attendance was correspondingly huge, discussions upbeat and as our report documented, seemingly every nationality and oil related profession was present.

IP 2020 was always going to be different. In the run-up to the event, the mood music was already sounding rather downbeat, as it became clear that the scale and extent of entertainment would be trimmed down versus previous years. Traditional glitzy events from the likes of Saudi Aramco and the State Oil Company of the Azerbaijan Republic (SOCAR) would still go ahead, but the extravagance of yesteryear would be toned down and shock horror, events would be wrapped up early…. (yawn).

FEBRUARY SAW A 25% REDUCTION IN OIL SALES VERSUS JANUARY. OVERALL, TOTAL DEMAND FOR OIL HAS BEEN REDUCED SOMEWHERE BETWEEN 750,000 AND 1,000,000 BARRELS BPD

Was the scaling down of social activity reflective of the challenges facing the oil industry and an indication that the sector is now heading into a more sober and serious phase? The event does indeed play a significant part in collectivising industry thinking and it has historically been immune to many of the trials and tribulations facing the industry. Back in 2015 for example and following the massive price crashes of 2014, one IP Week speaker (a commercial director of an oil trading firm) famously opened his presentation by saying that "just because the product is worth a lot less, doesn't mean that we are moving any less of it about – or making any less money for that matter!" But this year such bravado was harder to find, as even the most thick-skinned oil-men (for they are invariably men) are increasingly aware of the social pressures that are now facing the industry.

In the same way that no single day passes without some form of discussion on climate change, so the official IP event programme was dominated by the same subject and more specifically, how the oil industry is to survive (and prosper?) in a world where its basic product is at the core of the problem. Of the 17 official conference presentations facilitated by the Energy Institute (the official hosts of the event), 12 of them focused on climate change and the transition to a low carbon economy. Of course, discussions around CO2 and climate change are nothing new and have been covered at previous events, but Portland would wager that never have they taken centre stage in this way.

However, for all the efforts of the Energy Institute to put climate change at the centre of the week's proceedings, it still had to play second fiddle to an even more pressing issue and that was Covid 19! IN the run-up to the event, a string of oil majors such as BP, Exxon-Mobil, Repsol and Chevron had already "boycotted" the event, for fears of spreading and/or contracting the Coronavirus. Major supporting players such as VOPAK and Bureau Veritas also did the same, whilst the likes of Shell, PetroChina and RWE allowed their staff to attend, but cancelled their own social receptions.

What the no-shows missed was plenty of talk around the short-term and long-term impact of the virus on oil prices and specifically, how it was affecting Chinese consumption. Getting accurate figures in this area is very difficult, such is the fluidity of the situation and of course the massaging of data that takes place within China (several conference speakers had obviously updated their presentations "on the hoof"). But the emerging picture was that there had been a 20% decrease in Chinese imports of oil and (based on PetroChina's own figures), February saw a 25% reduction in oil sales versus January. Overall, total demand for oil has been reduced somewhere between 750,000 and 1,000,000 barrels per day (just shy of 1% of global demand) and this in turn has inevitably pushed prices downwards, so that they now sit in the mid-$50 per barrel range.

IP WEEK PROGRAMME – 'DOMINATED BY HOW THE INDUSTRY IS TO SURVIVE (AND PROSPER?), IN A WORLD WHERE ITS BASIC PRODUCT IS AT THE CORE OF THE PROBLEM'

All of which gave this year's IP week a rather peculiar and low-key air, combining as it did the growing existential crisis facing the oil industry with the fashionably apocalyptic Coronavirus. Certainly, the hedonistic and gung-ho feel of the 2010s seemed to belong to a different age. Nonetheless, the idle late-night chat (be assured that some social events still went ahead…!) was around how the no-show from the oil majors was a bit lightweight and OTT. Thinking about it though, maybe that is being too harsh. Perhaps their staff were back in the office trying to work out how to deal with the short-term dip in Chinese demand, along with the longer-term challenge of ensuring that "Big Oil" is as prosperous in the future, as it has been in the past.

For more pricing information, see page 22

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