Chevron to slash hundreds of jobs at Australian gas projects

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Workers in Australia will be hit hard by plans announced by California-based resources company Chevron Corporation on October 30 to eliminate 6,000 to 7,000 more jobs, plus a similar number of contractor positions, globally over the next year.

The downsizing was unveiled at an investors' meeting by Chevron CEO John Watson amid a 64 percent drop in Chevron's September quarter profit to $US2 billion, resulting from falling oil prices driven by the worldwide economic slowdown.

Watson declared: "One of the key areas for reductions is in Australia." Watson did not specify how many Australian jobs would be shed, but industry analysts estimate the number will be in the region of 2,000. The jobs are expected to come from the company's liquefied natural gas (LNG) projects, and over time the number will be higher.

Globally, the layoffs equate to about 10 percent of Chevron's workforce, and come after the company already announced in July cuts of 1,500 jobs. Capital investment is also being halved. Spending in 2017-18 is now tipped at $US20 billion-$US24 billion, compared with $US40 billion before oil prices dropped in 2014.

Chevron has two large LNG projects in Western Australia. The $US29 billion Wheatstone project has an expected start-up target for late 2016, while the company is looking to finish the $US54 billion Gorgon venture in the first quarter of 2016. The Wheatstone project currently employs about 15,000 people in the construction phase, while Gorgon employs around 8,200.

Approximately 90 percent of the construction activities at the Gorgon project, one of the world's biggest, are now complete. As early as January this year major contractors on the site, such as Chicago Bridge and Iron (CBI), began laying off workers. CBI shed 200 jobs in January, followed by another 770 over subsequent months.

In January the Australian Bureau of Resources and Energy Economics estimated that around 35,000 people were directly employed in the seven major onshore LNG projects currently under construction in Australia, at the combined cost of around $200 billion, including Gorgon and Wheatstone. When all seven projects reach the operational stage, the number employed was expected to be cut to just 7,000.

For several years, in a bid to stifle opposition by workers to mounting job cuts throughout the mining industry, the trade unions and Labor and Liberal-National governments alike have peddled the illusion that the thousands of workers displaced from LNG projects, as well as those laid off other sectors such as auto and manufacturing, would be rapidly absorbed as a new wave of gas projects took off.

Such claims have been shattered by the ongoing global downturn and falling demand, especially from China, that has resulted in plunging prices for oil, to which gas prices are linked.

According to a Reuters report at the end of August, Asian spot LNG prices had fallen 60 percent since 2014 and "could fall a further 25 percent in coming months as new supply, falling demand and weaker oil prices put it on par with iron ore and coal as the worst performing commodity of recent years."

Earlier this year, UBS investment bank oil and gas analyst Nik Burns commented: "The hope was that there would be a new wave of projects come to the fore, either in mining or oil and gas sector, but the commodity price slides has deferred indefinitely the next wave of major investment."

Research released by the ANZ bank in July estimated that 50,000 to 75,000 mining jobs would be lost in

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Australia over the next couple of years as investment slowed and the construction stage ended on large projects. Already by May, according to the Australian Bureau of Statistics, the sector had lost close to 50,000 jobs in the previous 12 months, with the numbers employed falling from 270,000 to 220,400.

This job destruction has been facilitated at every point by state and federal governments, both Labor and Liberal-National, and the mining trade unions, which have blocked any opposition by workers and collaborated with the companies to restructure their operations to make them "internationally competitive."

When the BHP Billiton-Mitsubishi Alliance sacked 300 workers at a coal mine in the central Queensland town of Blackwater in September, for example, the Construction, Forestry, Mining and Energy Union issued a token protest, then pleaded for the management to keep working with the union to devise alternative means of achieving the required "productivity gains," inevitably at the expense of jobs and conditions.

Chevron's announcement is just the latest in a deepening reversal of the protracted "mining boom" that produced mega profits for resources companies.

Last month, oil and gas company Santos announced it would axe 200 jobs from its head office in Adelaide, South Australia. The company announced in its half yearly report that it had progressively cut 565 regular jobs across its national operations, including in Queensland's Cooper Basin, and had shed another 1,000 contractor positions.

A company spokesman declared the job losses would "deliver approximately $100 million in cost savings across the company's Cooper Basin activities over the next three years" and was "consistent with the objective of the company's strategic review announced in August, to restore and maximise shareholder value."

South Australian Chamber of Mines and Energy chief executive Jason Kuchel commented: "I think companies like Santos can be productive and can be profitable at the current oil prices. Unfortunately, it does mean going through pain to achieve that."

This "pain" has resulted in over 2,500 jobs being eliminated across South Australia's mining sector in the past 12 months, helping push the state's official employment rate to 8.1 percent—the highest nationally.

Later this month, Alinta Energy will close down its Leigh Creek coal operations in South Australia at the cost of 200 jobs and shed another 240 jobs next March when it closes its remaining operations in Port Augusta.

In September, mining giant AngloAmerican announced it will axe 85 jobs at its Middlemount coal mine in central Queensland. The company earlier announced it would cut 1,000 jobs across its coal mining operations in Australia by the end of the year, followed by another 1,500 by the end of 2016 and a further 3,000 after that.

Last month, Centennial Coal announced that a restructure at its Myuna mine on the New South Wales Central Coast will result in the loss of 30 jobs. The mine currently employs 255 workers. Also in October, Anglo-Swiss mining and trading house Glencore announced it would slash almost half its zinc production in Australia, cutting 535 jobs.

Mining company Sibelco announced last month it will axe 57 jobs cross its magnesia operations in central Queensland, while Mincor Resources said it will cut 50 jobs at its Mariners and Miitel zinc projects in Western Australia, a quarter of the mines' workforces.

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