Global oil industry job losses continue to mount

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Job losses continue to mount as investment in new drilling projects has plummeted in response to the collapse in oil prices over the last year and a half. While oil prices are generally believed to have bottomed out and have begun a modest recovery, prices still remain at around 60 percent of their 2014 highs when oil traded for more than $100 per barrel.

The crisis is particularly pronounced in the United States, where oil companies poured massive amounts of money into investment projects after the 2008 financial crisis to take advantage of rising oil prices. Since January 2015, 15,700 jobs in oil and gas and nearly 100,000 jobs in supporting industries have been lost in the US, according to the latest figures from the Bureau of Labor Statistics.

Over that same span, the number of US oil and gas rigs has collapsed from 1,811 to only 489, or a staggering 73% in a little more than a year, according to a recent report by the Brookings Institution. The traditional oil producing state of Texas has accounted for nearly one-half of these closures with 614, while oil production in the state of Utah has been wiped out entirely.

Extrapolating from studies on the economic impact of oil well closures, the Brookings Institution estimates that the long-term effects of these closures could lead to 226,000 to 296,000 job losses nationwide. In North Dakota, where the state's largest oil producer, Whiting Petroleum, decided last month to suspend major operations in the state, this decline would represent over 7 percent of the state's total number of employed.

Emboldened by the easy-money policies of the Federal Reserve and the infrastructure boom in China, which propped up global commodities prices for years after the 2008 financial crisis, US oil companies loaded up on debt to the tune of an estimated $237 billion to finance major drilling projects. In particular, these projects relied upon new, environmentally destructive fracking technologies to access previously untapped and difficult-to-reach oil reserves.

The collapse in oil prices beginning in 2014 left the US oil industry particularly exposed, which had nearly doubled its production since 2007. Bankruptcy filings in the oil and gas industry shot up 379 percent in 2015, encompassing at least 67 firms, and *Fortune* Magazine argues that this number could grow six fold in 2016. "By the time this is over this might be the worst of all the [oil] busts," one oil executive told the *Washington Post*.

The international situation looks little better. The Deloitte consulting firm predicts that as many as one-third of all global oil companies are at risk of bankruptcy this year, with the 175 most at-risk companies holding more than $150 billion in debt. A global survey of oil and gas executives found that nearly 75 percent "were preparing their companies for a sustained period of low oil prices, with job cuts one of the top three methods they cited to control costs," according to a CNBC report. Thirty-one percent of respondents expected further cuts to employment over the current year, an increase of 6 percent over last year.

Far from signaling a return to health for the industry, a major factor behind the bottoming out of oil over the past few months has been the collapse in output among non-OPEC oil producers.

The International Energy Agency (IEA) in March estimated that oil production among non-OPEC countries will fall by 750,000 barrels per day in 2016, up from its previous estimate of 600,000. Among non-OPEC oil producers outside the US, according to a report in the British *Telegraph*, the collapse in output among these countries has proceeded at four times the rate expected by analysts at the IEA, with net output declining by 220,000 barrels per day in China, Russia, Mexico, Canada and the North Sea.

Pressures on the North Sea led to an estimated 65,000 job losses in Britain last year, with possibly 45,000 more jobs on the block for 2016. In Norway, which also borders the North Sea, an estimated 200,000 jobs are threatened by the crisis of the oil industry in that country. The collapse in oil prices has caused a crunch in new investments, with an estimated $380 billion in planned oil projects being put on hold.

In spite of a modest increase in oil prices to roughly $40 per barrel, a major longer-term concern for oil companies continues to be slumping demand in China, which accounted for 35 percent of global demand since 2000, according to a report by *Forbes*. The IEA's forecast for growth in Chinese demand this year is an anemic 330,000 barrels per day, well below the 10-year average of 440,000. The drying up of Chinese demand over the past two years has contributed to a collapse in commodities prices across the board.

For the oil industry, additional downward pressure on prices has been produced by the refusal of Saudi Arabia to cut oil production in the face of slumping demand. While this has been done in large measure to force out its competitors in other parts of the world, geopolitical concerns are also a major consideration for Saudi Arabia.

As one commentator in *Forbes* candidly put it, "[What Saudi Arabia cares about] is Russia and Iran being able to fund destabilizing groups that threaten their regime. Keeping oil down helps the US and somewhat prevents Russia and Iran from funding these groups to the point they can win." By "destabilizing groups," the commentator euphemistically refers to Russia and Iran's opposition to the US-led proxy war in Syria, where US and Saudi-backed Islamic fundamentalists have played a leading role.

The author continues: "What's happening right now is to artificially pump oil into the market to depress the prices such that ISIS and Putin will run out of funds for their adventures. It's not a coincidence that the oil price started tanking when Putin invaded Ukraine," again referring euphemistically to Russia's opposition to the toppling of the government of neighboring Ukraine by fascist thugs backed by the US.