

# support as oil prices dive

PLUNGE: Some oil prices in the US made history this week by hitting zero

## Only a 'cataclysmic' event would see a negative Brent price

### EXPERT

BY ALLISTER THOMAS

A leading petroleum economist has said it would "require something cataclysmic" for global oil benchmark Brent to follow the US standard into negative pricing.

History was made on Monday night as West Texas Intermediate (WTI) oil became technically worthless as storage space in the US filled up, brought on by plummeting demand for fuel amid the Covid-19 outbreak.

WTI reflects the US supply and demand situation, which is affected by bottlenecks holding up exports.

The main oil benchmark for the rest of the world, Brent crude, is also falling.

Brent plunged to nearly \$18 a barrel at one stage yesterday, its lowest level in 19 years.

But Professor Alex Kemp, of Aberdeen University, does not expect it to go down the same path to zero or even negative pricing.

He said: "The two prices, WTI and Brent, are in some ways linked but, to some extent they are separate. The main reason being that Brent reflects the world balance of supply and demand, and WTI reflects the position inside America.

"We wouldn't get negative prices for Brent because it is the world market.

"It would require something cataclysmic for the world economy to get a negative Brent price.

"This year, if the virus problem continues, lockdown continues and economic activity goes down, with air travel and petrol demand staying very low, the price could go lower.

"But I don't think we could get anything like a negative (Brent) price."

Drilling is being brought to a halt in the US shale sector as a result of the price crash.

Although WTI does not reflect the position in the UK and internationally, trade body Oil and Gas UK has warned the North Sea will not be immune to the same supply and demand factors.

Cash flows and revenues are down, while investment in any new fields is being postponed in Britain's offshore sector.

Prof Kemp said the North Sea was "suffering" and he expected that to continue into next year.

International oil firms with large exposure to US shale will be hit hardest, while investment levels in the North Sea

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will be impacted from the perspective of firms with major operations in America, he said, adding: "There are US companies operating in the North Sea as well.

"There's a link between their activities in America and here in the sense that corporate cash flows are all very relevant to whether they can make more investments - and what they will do with a major capital constraint.

"In that sense there is a relationship. The likes of BP and Shell who operate here have big interests in America, so the international companies are affected by the WTI price.

"That will affect their whole corporate cash flows and their ability to invest worldwide."

## Plea for urgent help so city can move over to renewable energy

### LETTER

BY ALASTAIR GOSSIP

The prime minister and first minister have both been urged to announce cash to bolster the north-east energy industry.

Aberdeen City Council's co-leaders have written to Boris Johnson and Nicola Sturgeon warning "tens of thousands of jobs" are on the line and asking for help to refocus the regional economy on renewable energy.

Douglas Lumsden and Jenny Laing have penned the letters a day after the TWI, the US oil benchmark,

slumped into negative territory for the first time in history.

The pair explained action to support industry jobs and escalate plans for an energy transition zone (ETZ) in Aberdeen was "imperative".

Last night Mr Lumsden said: "To avoid the worst of the impending financial hardship and significant job losses, we're calling on the UK Government and Holyrood to prepare a resilience support package for the energy industry.

"The cooldown in economic activity will ensure a depression on demand and this lag, coupled with the existing oversupply, will take us well

beyond the lift in Covid-19 restrictions and associated support measures.

"It is therefore vital that urgent financial assistance is arranged to ensure we retain the people and talent to support the energy transition and avoid the economic hardship ahead."

Last month the council earmarked a site in Torry for its planned ETZ.

Co-leader Mrs Laing added it would be a move to protect jobs and safeguard the regional economy.

Aberdeen Liberal Democrat leader Ian Yuill and SNP Aberdeen South MP Stephen Flynn, who has been campaigning for support for the industry since the beginning of

last month, backed the calls. But both were quick to criticise Mr Lumsden for taking to Twitter on Monday night to mock the economic case made for Scottish independence based on oil revenues, accusing him of "gloating" over the fall in price.

"The fact that the most senior Tory in Aberdeen even considered gloating about the continued slump in oil prices was beyond belief and a slap in the face to all those hard-working folk who have lost jobs in recent weeks," Mr Flynn added.

Mr Yuill branded the social media post "disgraceful".

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Prof Alex Kemp says Brent is unlikely to go into negative prices, as WTI has done