

# Oil majors gushing in cash despite cheap crude



**Paris**  
**T**he prospect of crude remaining near the current \$50 level is no longer a doomsday scenario for the world's oil majors whose latest earnings announcements show that cost-cutting lets them turn a profit even at these price levels.

BP, Chevron, ExxonMobil, Shell and Total have all published results in recent days, showing they pocketed \$23 billion in net profit in the first half of the year.

Either they increased their earnings or at least returned to profit compared with the same period last year.

With the exception of ExxonMobil they all benefitted from an increase in output from the same period last year, but more importantly they all profited from a rebound in crude prices as OPEC members and Russia agreed to limit production.

The price of the international benchmark Brent crude averaged \$51.7 per barrel in the first half of this year, up considerably from \$39.8 during the same period last year.

While the profits are still less than half of what the firms turned in during the same period three years ago when Brent was trading at over \$100 per barrel, they show that the major firms can survive profitably if crude prices stay at current levels, a scenario many now foresee.

After crude prices began their descent in 2014 the oil majors reacted quickly: cutting costs, selling off assets judged non-strategic and focusing on the projects they considered the most profitable.

By one measure, free cash flow -- or the amount of funds a firm has left over after investments needed to maintain or expand their assets -- they may even be better off.

### Lower, forever

"Recent results are good news and average production costs have fallen by 40 percent since 2014," said David Elmes, an energy specialist and professor at Warwick Business School.

"The important part of recent results is how firms are back to generating enough cash to cover such costs" like

investment and high dividend payments that have kept many long-term investors on board, he said.

While cheap oil was initially viewed as a phase that would soon pass relatively quickly as global demand continued to climb upwards, a shift has occurred and many now see lower prices as here to stay for a while.

Shell's chief Ben van Beurden said that Shell still believes there is a better than 50-50 chance that crude prices will trend higher in the coming years, but wasn't going to base its business decisions on that.

For the moment, the oil majors have shelved costly projects like extracting crude from Canadian tar sands or tapping certain Arctic fields.

"The amount of affordable oil and gas big oil can access is limited," said Elmes. "Much is in the control of national oil companies keen and able to develop it themselves."

And when it comes to exploiting shale reserves in the United States, Elmes said that the smaller companies have shown themselves to be able to better control costs.

## Diana, Princess of Wales, died 20 years ago

**Diana**  
1961-1997

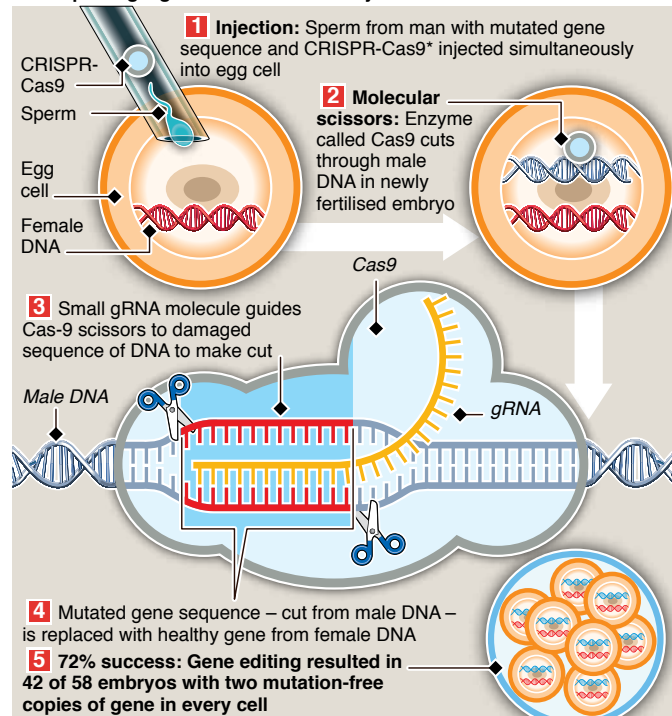
- Jul 1, 1961:** Diana Frances Spencer born. Her parents split up when she is six years old
- Feb 24, 1981:** Engagement of Prince Charles and Lady Diana Spencer announced
- Jul 29, 1981:** Royal wedding seen by around 750m TV viewers worldwide
- Jun 21, 1982:** Prince William born
- Sep 15, 1984:** Prince Harry born
- Apr 1987:** Diana shakes hands with AIDS patient -- key moment in fight against fear of disease
- Dec 1992:** Separation of Charles and Diana announced
- 1994-95:** Charles and Diana both publicly admit to extra-marital affairs. Queen urges couple to divorce after Diana implies Charles is not suited to be king
- Aug 1996:** Divorce finalised, Diana loses HRH title
- Jan 1997:** In Angola, Diana calls for campaign against landmines
- Jun:** Auction of her dresses raises \$4.5m for AIDS and cancer research
- Aug 31:** Diana, boyfriend Dodi al-Fayed and driver Henri Paul, killed in car crash in Paris
- Sep 4:** As sea of flowers swells around Diana's London home, Queen bows to mounting public pressure to participate in mourning
- Sep 6:** Thousands line streets for funeral at Westminster Abbey. Diana buried on island in lake at Spencer family's ancestral home

The 20th anniversary of the death of Diana, Princess of Wales, is commemorated. Diana was killed in a high-speed car crash in Paris on August 31, 1997, at the age of 36. Her friend Dodi Fayed, and their driver, Henri Paul, also died when the car struck a pillar in a tunnel as the princess was being pursued by paparazzi.

## CRISPR fixes disease gene in human embryos

### Human embryos edited to stop disease

Scientists have used gene-editing tool CRISPR-Cas9 to fix a DNA mutation responsible for a common inherited disease -- successfully replacing a gene in defective embryos that can cause heart failure



Scientists have used gene-editing tool CRISPR-Cas9 to fix a DNA mutation responsible for a common inherited disease -- successfully replacing a gene in defective embryos that can cause heart failure.

The researchers targeted a mutation in a gene called MYBPC3. Such mutations cause the heart muscle to thicken -- a condition known as hypertrophic cardiomyopathy that is the leading cause of sudden death in young athletes. The mutation is dominant, meaning if one parent has a mutated copy, there is a 50 percent chance of passing the disease to children.

CRISPR gene editing could apply to any of more than 10,000 conditions caused by inherited mutations -- including breast and ovarian cancer linked to BRCA mutations, as well as diseases like Huntington's, Tay-Sachs, beta thalassemia, and even sickle cell anaemia, cystic fibrosis or some cases of early-onset Alzheimer's.

\*CRISPR, Clustered regularly interspaced short palindromic repeats  
 Source: Nature