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Europe's energy giants reap benefits of oil price surge

July 26 2018, by Roland Jackson With Serene Assir In Paris

Shell has reaped the benefits of the resurgent world oil market

Anglo-Dutch energy giant Royal Dutch Shell, French peer Total and Spain's Repsol on Thursday logged surging second-quarter net profits on the back of soaring oil prices.

Rising oil prices can push up inflation and adversely impact the world economy further down the line—but first they translate into rising revenues and profits for energy majors and producer nations.

"The rise in the price of crude is obviously very good news for oil companies," said analyst Fawad Razaqzada at trading firm Forex.com.

He added: "The higher the price of oil goes, the better the profit margins and revenue would be for oil companies."

The oil market has been propelled by a December 2016 deal between the Organization of the Petroleum Exporting Countries (OPEC) cartel and Russia to curb production.

The price of London Brent crude, which is the main global oil benchmark, has jumped about 50 percent over the last twelve months to the current level of $74 per barrel.

Fearing an out-of-control spike in prices, OPEC and Russia reached a new deal in June to open the taps.

The buoyant market has nevertheless fizzed higher on output disruptions in oil producers like Iran, Libya and Venezuela.

Shell launches buyback

Royal Dutch Shell announced Thursday that second-quarter net profits quadrupled, energised by high oil prices and asset sales, and launched a vast $25-billion shares buyback.

Earnings after taxation surged to $6.0 billion in the three months to June from a year earlier.

The company offloaded $2.5 billion of assets, with disposals in Canada, India, Malaysia, Norway and Thailand.

Shell has undertaken a huge $30-billion divestment plan as it streamlines its portfolio following the 2016 blockbuster takeover of BG Group.

Markets.com analyst Neil Wilson told AFP that Shell are "absolutely reaping rewards of higher oil prices ... and very effective cost cutting which has left it far leaner and fitter than when oil was above $100".

Over in Paris on Thursday, French oil and gas giant Total reported an 83-percent jump in net profit to $3.7 billion.

The group said it had "benefitted fully from (oil price rises) by remaining focused on operational efficiency".

Adjusted net income leapt 44 percent to $3.55 billion, aided by a relatively recent and partial recovery in output from Libya—whose exports had been disrupted numerous times in recent months by unrest.

Libya boost

"Total is also benefiting from reopening of Libya's oil exporting capacity," Accendo Markets research analyst Artjom Hatsaturjants told AFP.

"It has a long history of operating here and its position strengthened after purchasing some Marathon Oil assets in the country."

And in Madrid on Thursday, Repsol said adjusted net profit leapt by almost a quarter to 549 million euros in the same period.

There was however some downbeat news in the energy sector from

Norwegian oil group Equinor, formerly known as Statoil.

Equinor's net profit shrank 15 percent to $1.2 billion on higher tax payments—but turnover increased by a fifth to $18.1 billion.