# Oil majors prepare for prolonged low prices with cautious optimism and cost cuts



The world’s largest oil companies are gearing up for an extended period of subdued crude prices, marking what would be the third significant downturn in just over a decade. This renewed caution comes amid a sharp slide in oil prices, which fell below $60 per barrel earlier this year and remain under pressure as the Opec+ coalition continues to add supply despite a sluggish demand outlook. In response, executives from ExxonMobil, Chevron, Shell, TotalEnergies, and BP have taken to their latest earnings calls to reassure investors that their finances are robust and that they are prepared to weather the challenging market conditions without hastily curtailing capital expenditure or shareholder distributions.

ExxonMobil’s chief executive Darren Woods articulated the gravity of the current pricing environment, acknowledging “significant downward pressure on prices and margins.” He emphasised that the company has been ready for a downturn of this scale, having implemented nearly $13 billion in cost reductions over five years and conducting rigorous stress testing against scenarios even more severe than the 2020 pandemic-driven slump. Woods underscored ExxonMobil’s preparedness in contrast to its competitors, implying a distinctive resilience in navigating market volatility.

This defensive stance is mirrored by peers such as Chevron, which is shrinking its workforce by about 20% yet projects generating $9 billion in free cash flow even at $60-per-barrel oil. Shell has also signalled confidence in its financial flexibility, guaranteeing dividend payments even if prices dropped to $40 and maintaining substantial share buyback programmes at $50 a barrel. CFO Sinead Gorman made clear that Shell’s current capital projects remain on track, with no plans to halt or pause investments despite the downturn. TotalEnergies’ CEO Patrick Pouyanné echoed this “no panic” approach, recalling the company’s commitment not to cut dividends even during the darkest days of the pandemic crisis.

Such a stance contrasts sharply with previous cyclical downturns, notably the protracted oversupply and price collapse between 2014 and 2016, which forced sweeping spending cuts, project delays, and a rise in debt as oil majors borrowed to sustain operations and shareholder returns. Unlike then, some companies have leveraged past downturns to make strategic acquisitions, such as Shell’s acquisition of BG Group in 2015 and Chevron’s purchase of Noble Energy in 2020, positioning themselves for growth when the market recovers.

Despite this outward confidence, analysts remain cautious. According to industry consultancy Wood Mackenzie, capital spending among the supermajors is poised to fall to around $98 billion this year, a decrease of nearly 5% compared with 2023. HSBC analysts estimate only a marginal 2% reduction in planned capital expenditure across major players in the short term, but anticipate further cuts should prices remain subdued. Their analysis also highlights that recent long-term investment plans were typically premised on oil trading comfortably above $70 a barrel, complicating efforts to revise guidance downward so promptly.

Market watchers point to a tension between the companies’ desire to maintain investor appeal and the underlying economic realities of a structurally lower oil price environment. HSBC’s analysts have accordingly downgraded their 2025 earnings forecasts, projecting declines of up to 35% for BP and nearly 20% for Chevron. Bank of America’s Christopher Kuplent warned that a sustained oil price below $60 per barrel could expose vulnerabilities in the majors’ cost structures and balance sheets. He noted the difficulty of further cuts given more than a decade of efficiency drives that have already pared back spending and workforce numbers.

Kuplent was sceptical of some companies’ assertions that they are fully prepared for the downturn, suggesting that while $65-a-barrel oil may not cause immediate crises, the majors could face more pronounced challenges if prices slip further. The concern is that years of belt-tightening have limited the latitude for additional cost savings without risking declines in production capacity, thereby potentially threatening future cash flow and dividend stability.

In this context, the oil majors are adopting a deliberate “wait-and-see” stance, cautious not to enact irreversible decisions prematurely while closely monitoring market dynamics. Their strategic calculus balances the need to protect core operations and shareholder returns against the persistent uncertainty surrounding the global economic outlook, energy transition pressures, and shifting demand patterns. The coming months will be a critical test of their resilience and adaptability as they seek to navigate the third major oil price downturn of the century without repeating the mistakes or vulnerabilities revealed in previous cycles.

**Reference Map**

Paragraph 1:
[[1]](https://www.ft.com/content/1fb2a6c5-e735-4d9c-8d14-b8d410af28d9)Paragraph 2:
[[1]](https://www.ft.com/content/1fb2a6c5-e735-4d9c-8d14-b8d410af28d9)Paragraph 3:
[[1]](https://www.ft.com/content/1fb2a6c5-e735-4d9c-8d14-b8d410af28d9)Paragraph 4:
[[1]](https://www.ft.com/content/1fb2a6c5-e735-4d9c-8d14-b8d410af28d9)Paragraph 5:
[[1]](https://www.ft.com/content/1fb2a6c5-e735-4d9c-8d14-b8d410af28d9)Paragraph 6:
[[1]](https://www.ft.com/content/1fb2a6c5-e735-4d9c-8d14-b8d410af28d9)Paragraph 7:
[[1]](https://www.ft.com/content/1fb2a6c5-e735-4d9c-8d14-b8d410af28d9)Paragraph 8:
[[1]](https://www.ft.com/content/1fb2a6c5-e735-4d9c-8d14-b8d410af28d9)Paragraph 9: [[1]](https://www.ft.com/content/1fb2a6c5-e735-4d9c-8d14-b8d410af28d9)

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.ft.com/content/1fb2a6c5-e735-4d9c-8d14-b8d410af28d9> - Please view link - unable to able to access data