Energy

BP to cut 13 percent of Alaska workforce as oil prices keep dropping

Alex DeMarban | January 12, 2016

The persistent plunge in oil prices has translated into a new round of industry job cuts for British oil giant BP, including in Alaska.

The morning fog still hangs in low areas of the Anchorage bowl behind the BP building on Sunday, Dec. 14, 2008.

Stephen Nowers photo

BP said Tuesday it would eliminate 4,000 of the approximately 24,000 positions in its exploration and production units this year. That would be in addition to about 4,000 jobs that the company cut last year, when it trimmed its workforce to about 80,000.

"We have to make sure we have a competitive and sustainable business," David Nicholas, a company spokesman, said by telephone. "External market conditions are getting tougher."

A statement released by the company's Alaska offices said the workforce reductions will include Alaska. The company did not describe the number of reductions in Alaska, but employees who attended company meetings held Tuesday morning said they were told BP Alaska would trim its workforce by 13 percent. That kind of cut to a workforce of 2,100 employees in Alaska would amount to about 270 employees.

The particular positions to be eliminated will be known by spring. Most of the reductions are expected to be completed by the middle of the year, with all of them complete by the end of 2016, the employees said.

"We have recently informed staff that we plan to further reduce numbers in our upstream segment by 2017 as we continue to simplify our business, improve efficiency and reduce costs without of course compromising safety which remains our number one priority," the company's statement said.

Other "upstream" or production areas of the business seeing reductions will be include the company's Gulf of Mexico and Lower 48 onshore operations.

Protected in part because of the long-term nature of plays in Alaska, the state has not experienced the sharp decline in oil-field employment experienced in the Lower 48. But oil and gas exploration efforts are declining in Alaska, with Shell's decision last fall to stop exploring the U.S. Arctic Ocean affecting 400 jobs in Anchorage alone.

BP workforce levels were also reduced in late 2014 as part of a $1.5 billion sale of some of its North Slope assets to Hilcorp.

About 200 BP workers either moved to Hilcorp with no break in employment or chose early retirement. But because the sale reduced the company's presence in Alaska, about 275 positions were cut, company officials said.

ConocoPhillips, the state's top oil producer, has kept up capital spending in Alaska to bring relatively large North Slope oil prospects into production. But it announced last September it would cut 10 percent of its international workforce, including about 120 of its 1,200 employees in Alaska. The cuts were finalized in October.

Repsol, a Spanish energy company, and privately held, Denver-based Armstrong Oil and Gas Inc., announced in October they were deferring exploration this winter until a later time, resulting in about 500 lost job opportunities for contracted Slope workers. Italian producer ENI also decided to suspend drilling this winter.

The effects of the reductions are showing up in statewide statistics of the oil and gas sector.

A long period of steady growth in oil company employment on the Slope and Cook Inlet began to change over the summer, though gradually, according to Neal Fried, an economist for the Alaska Department of Labor and Workforce Development.

The Lower 48 industry has shed about 70,000 jobs. The percentage of jobs lost has been much smaller in Alaska, but the losses are mounting.

The state estimates 13,900 workers were employed in the sector in November. That's a drop from the year before, when the industry employed 14,800, Fried said.

The state has also seen an increase in the number of former workers in the sector receiving jobless benefits. In November, 895 former workers in the sector were receiving unemployment, up from 463 for the same month in 2014.

Still, employment in the sector remains high historically, Fried said. The industry employed 10,100 people in 2006.

"We're beginning to see over-the-year reductions and I suspect the trend of a smaller oil and gas workforce will continue," he said.

After oil prices began dropping in 2014, BP was among the companies warning that the price plunge could be deep and sustained. After falling about one-third last year, prices are down an additional 15 percent in the first 12 days of 2016. Brent crude, the international benchmark, was 2.4 percent lower at $30.80 a barrel in late afternoon trading in Europe on Tuesday. The West Coast price for Alaska North Slope crude on Monday was $29.76, according to the Alaska Revenue Department. That's the first time it's been below $30 since 2003.

An estimated 250,000 oil industry jobs have been lost worldwide since the long price decline began.

Royal Dutch Shell, BP's biggest European rival, cut 7,500 jobs last year. Jonathan French, a Shell spokesman, said that if his company's acquisition of the BG Group, a producer of oil and natural gas based in Reading, England, is completed in the coming weeks as expected, an additional 2,800 jobs would most likely be eliminated across the two companies.

Some analysts expect the price slide to continue with no sign that perceptions of oversupply will ease and because of factors like the rise of the dollar, which puts pressure on the prices of commodities, including oil, and troubles in the Chinese economy.

"In an oversupplied market, there is no intrinsic value for crude oil," analysts at Morgan Stanley wrote in a note to clients Monday. Assuming continued dollar appreciation, "$20-to-$25 oil price scenarios are possible simply due to currency," they wrote.

BP did not specify where the job cuts would come from. But employees in Scotland, where BP has operations in the North Sea, said they had been told that 600 full-time and contractor jobs would be cut there over the next two years.

Alaska Gov. Bill Walker expressed concern over the BP announcement. In a prepared statement, he said the job cuts "emphasize the need to pursue additional resource development opportunities in Alaska." Among them: the $55 billion gas line and gas export project the state is pursuing with BP, ExxonMobil and ConocoPhillips. Walker also said he wanted to see the long-disputed coastal section of the Arctic National Wildlife Refuge opened for development, though he acknowledged that President Barack Obama remains firmly opposed.

Material written by New York Times reporter Stanley Reed is included in this article.

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