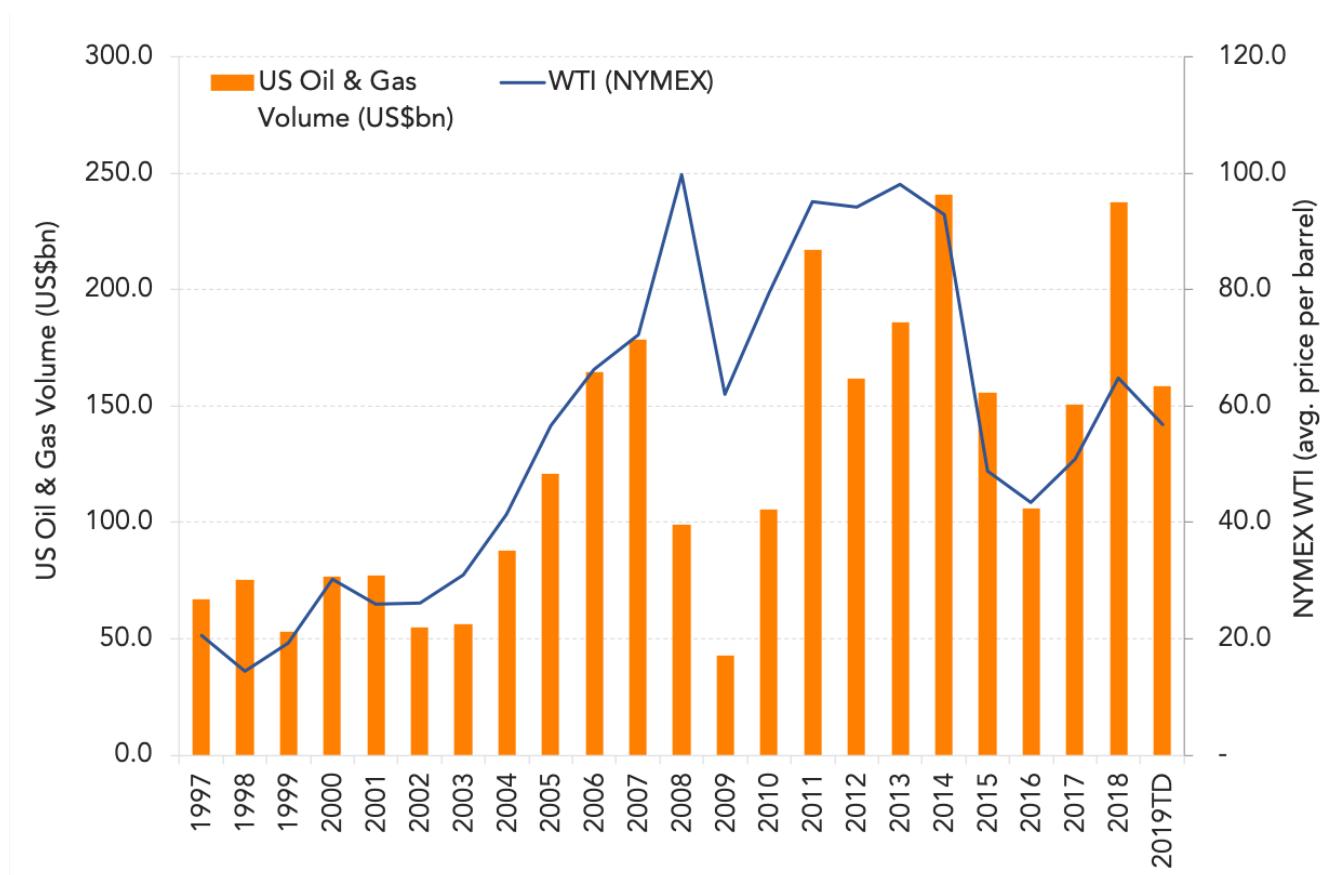


Oil and gas lending follows oil prices down

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The oil and gas industry is facing many challenges – recession fears, the ongoing trade war, regulatory shifts and excess global supply amid slowing growth in demand – all of which have curtailed any expectations of a meaningful increase in oil and gas prices. Oil prices have declined in the last year. The average West Texas Intermediate (WTI) crude oil futures price is at around US\$57 per barrel this year, down from US\$64.9 per barrel in 2018. Against this backdrop, the loan market has had a slow year. Oil and gas lending of US\$158.4bn through November 13 is 33% behind 2018’s total of US\$237.6bn. The investment grade market has held its ground as volume of US\$88.3bn so far is on par with the total logged in 2018, with a big chunk of it coming from the over US\$30bn financing for Occidental Petroleum’s acquisition of Anadarko. However, lending to leveraged companies has collapsed. After exploding to a record level of US\$113bn in 2018, oil and gas leveraged lending is just at US\$44.5bn so far this year. This is just 28% of total oil and gas lending, its lowest share since 2011.