

When the going gets tough...the gas industry sacks workers

Recent job cuts in the Australian oil and gas industry

Gas companies operating in Australia have announced major job cuts through the pandemic. ABS Labour Force figures show that average employment in oil and gas extraction has declined by over 10% from 2019 to 2020, despite record production. If all Australian industries had responded to the COVID-19 pandemic with equivalent job cuts, Australia would have an additional 1.3 million unemployed workers and around 15 percent unemployment.

Briefing note

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Summary

The oil and gas industry is a very small employer in Australia, employing around 0.2 percent of the workforce.

In the 12 months from December 2019 to November 2020 significant job losses were reported at virtually all of the of the largest oil and gas companies operating in Australia. This is despite 2020 being a record year liquefied natural gas (LNG) production. These job cuts included:

- **Chevron** - 410 job cuts including 180 voluntary redundancies and 230 forced redundancies reported in September 2020, equivalent to one quarter of Chevron's Australian workforce
- **Shell** - 9000 jobs cut from Shell's global operations announced in September 2020. Shell has not commented on how many of these jobs are from its Australian workforce
- **Woodside** - 1,200 job cuts including 900 reported in March 2020 followed by 300 in mid-October.
- **Oil Search** - 25 percent reduction in its Australian workforce reported in July 2020.
- **Origin** - 90 jobs cut reported in September 2020, 10 percent of the company's integrated gas business
- **Santos** - 150 jobs cut reported in April 2020 on top of an unspecified reduction in its "contingent workforce."
- **INPEX** - 465 joss cut including 400 reported in December 2019 and a further 65 reported in September 2020
- **ExxonMobil** - Redundancies offered to 1500 employees in September 2020, with "at least" 150 job cuts reported October 2020.

Australian Bureau of Statistics (ABS) quarterly Labour Force statistics reflect these job cuts, showing on average the oil and gas industry employed around 3000 less workers in 2020 than in 2019, a 10.5% reduction in its workforce.

Other Australian industries were far more resilient than the oil and gas industry, with the workforce in Australian industries overall falling by only 1.7% over this period.

Had all Australian industries cut their workforce by 10.5% as the oil and gas did, employment in Australia would have declined by 1.3 million jobs.

Assuming Australia's unemployment statistics reflected the 10.5 percent fall in employment, when added to the pre-existing rate of unemployment of around 5.3 percent, Australia would have experienced around 15 percent unemployment.

Introduction

A report by consultancy EY, commissioned by the gas industry lobby group APPEA opened with the following claim:

Australia's oil and gas industry has helped weather the country from more damaging economic fallout from COVID-19 by supporting jobs, preserving energy security and delivering steady export income.¹

Curiously, this report provides no data on how many people are employed by the oil and gas industry and how that number has changed through the pandemic. Instead, it focuses on other aspects of industry activity:

While many parts of the Australian economy continue to experience extreme hardship during the COVID-19 crisis, some industries have been prime movers and have helped limit the ongoing economic damage to the country.

The most heavily impacted sectors have been in services such as arts and recreation services, accommodation and food services, and education and training, where revenues and employment have plummeted.

In contrast, Australia's oil and gas businesses have been remarkably resilient. The industry, despite trying external conditions, increased production in 2019-20 by 10% from the previous year, with the value of production exceeding \$82 billion.

In fact, despite being 'prime movers' and 'remarkably resilient', not to mention record export volumes in 2020,² the oil and gas industry appears to have fired workers at a rate far greater than the rest of the economy.

It is important to remember that this industry provides few jobs in good times or bad. In the 12 months to November 2019, gas companies operating in Australia employed 28,200 workers on average, approximately 0.2 percent of the Australian workforce.³ Service sectors like health care and education employ 14% and 9% of the workforce respectively. But even from its low base, the gas industry appears to have reduced employment through the pandemic, the opposite of its claims of helping to "weather the economic fallout".

¹ EY (formerly Ernst and Young) (20 November 2020) *Australia's oil and gas industry: kickstarting recovery from COVID-19*, <https://www.appea.com.au/wp-content/uploads/2020/11/EY-Report-Australias-oil-and-gas-industry-Kickstarting-recovery-from-COVID-19.pdf>

² Energy News Bulletin (16 December 2020) *Oz LNG on track for bumper year*, <https://www.energynewsbulletin.net/outlook-analysis/news/1401428/oz-lng-on-track-for-bumper-year>

³ ABS (August 2020) *6291.0.55.003 Labour Force, Australia, Detailed, Quarterly. Table 06. Employed persons by Industry sub-division of main job (ANZSIC) and Sex*, <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/oct-2020>

Reported job cuts

There were significant job cuts reported at virtually all the large oil and gas companies operating in Australia in late 2019 and 2020. It is unlikely that all job cuts have been reported, so the actual job losses over this period could be higher than those reported. Approximately 2600 reported job cuts are summarised in Table 1, with more detail below.

Table 1: Reported job cuts by oil and gas companies November 2019-December 2020

Company	Reported job cuts	Details	Reported
INPEX	465	400 job cuts in December 2019, 65 job cuts in September 2020.	December 2019 and September 2020
Woodside	1200	900 jobs cut in March followed by a further 300 jobs cut in October.	March and October 2020
Santos	150	150 jobs cut on top of an unspecified reduction in its “contingent workforce.”	April 2020
Oil Search	50	25 percent reduction in its Australian workforce.	July 2020
Chevron	510	180 voluntary redundancies and 230 forced redundancies equivalent to one quarter of Chevron’s Australian workforce.	September 2020
Shell	Unknown	9000 jobs slashed from shells global operations. Shell has not commented on how many of these jobs are from its Australian workforce.	September 2020
Origin	90	90 jobs, 10 percent of Origin’s integrated gas business.	September 2020
ExxonMobil	150	Redundancy packages offered to 1500 workers in September 2020. 150 job cuts reported in early October with more waiting to hear if their applications were successful.	October 2020

Sources: see below

Chevron

The multinational oil giant Chevron has an export capacity in Australia of 15.9 million tonnes per year (mtpa) of liquefied natural gas (LNG), more than any other company in the country. It operates the Gorgon and Wheatstone LNG projects in Western Australia and is a participant in the North West Shelf LNG joint venture. It also operates Australia's largest onshore oil project on Barrow Island in Western Australia.⁴

On September 18, 2020, Chevron reported 230 forced redundancies due to;

An adjustment of the business in response to the impact of COVID-19 and a deteriorating business outlook.⁵

These job losses came on top of another 180 voluntary redundancies, together making up one quarter of Chevron's Australian workforce.

The job cuts come after maintenance checks revealed serious faults in the gas processing equipment at the Chevron's Gorgon LNG export plant prompting the Australian Manufacturing Workers Union (AMWU) to call for an immediate shutdown of the facility.

On the job cuts, AMWU secretary Steve McCartney said:

At a time when all hands should be on deck to fix the catastrophic mess Chevron has made with its foreign-made trains, it decides to sack workers.

If anything it should be hiring more skilled local people to ensure the unsafe heat exchangers on trains one, two and three are welded correctly and safe.⁶

Shell

Shell is another global oil and gas giant that Australian governments allow to export gas from Australia as LNG. It is the second largest gas exporter after Chevron, with an export capacity of 15.5 mtpa. It has interests in offshore conventional gas in Western Australia at Gorgon and Prelude, as well as the North West Shelf. It also operates and has a 90 percent share in Queensland Curtis LNG which is one of the three large coal seam gas (CSG) LNG export terminals in Queensland.

⁴ Chevron Australia (2021) *About Chevron Australia*, <https://australia.chevron.com/about>

⁵ Cross (September 2020) *Mass job losses as Chevron sacks 230 workers amid Gorgon plant safety concerns*, <https://www.smh.com.au/business/companies/mass-job-losses-as-chevron-sacks-230-workers-amid-gorgon-plant-safety-concerns-20200918-p55wzj.html>

⁶ Cross (September 2020) *Mass job losses as Chevron sacks 230 workers amid Gorgon plant safety concerns*

In September last year Shell announced it would slash 9,000 jobs from its global operations.⁷ Shell Australia has not commented on how many Australian jobs will be cut.⁸

It has been reported that job cuts are pending at Shell's Queensland coal seam gas operations, operating by the Shell subsidiary Queensland Gas Company (QGC). However, the company has not confirmed the cuts, only that it is "reviewing its organisation structure."⁹

Woodside

Woodside is the third largest LNG exporter in Australia after Chevron and Shell, with an export capacity of 8.4 million tonnes of LNG per year. It is the largest Australian based LNG export company. Woodside operates and has a 90 percent stake Pluto LNG in Western Australia, and is a joint venture partner in Wheatstone LNG operated by Chevron. Woodside also operates the North West Shelf LNG joint venture in which it holds a 16.9 percent stake.

In March last year the Australian Workers Union (AWU) reported Woodside had cut 900 jobs from its Pluto LNG project and its Karratha gas plant "without a word of explanation or a dollar of compensation."

AWU National Secretary Daniel Walton described Woodside's treatment of its workers as "brutal, cold and unnecessary," noting that:

The nation of Australia has been spectacularly good to Woodside over recent years, you'd think it's now time for Woodside to return just a little of the favour. Summarily sending hundreds of workers back to the airport without a word of explanation is just a woeful abdication of responsibility during this pandemic crisis.

Australia desperately needs workers like these to retain some optimism if our economy is to avoid a depression. Woodside is being an appalling corporate citizen by refusing to lift a finger to help.¹⁰

⁷ Slaker-Clarke (30 December 2020) *Shell to slash up to 9000 jobs worldwide*, <https://thewest.com.au/business/energy/shell-to-slash-up-to-9000-jobs-worldwide-ng-s-2031943>

⁸ Energy News Bulletin (30 September 2020) *Shell flags 9000 job cuts over next two years*, <https://www.energynewsbulletin.net/workforce/news/1396159/shell-flags-9000-job-cuts-over-next-two-years>

⁹ McEachern (October 19, 2020) *Impending job cuts hinted at major Western Downs gas company*, https://www.thechronicle.com.au/subscribe/news/1/?sourceCode=TCWEB_WRE170_a_GGL&dest=https%3A%2F%2Fwww.thechronicle.com.au%2Fnews%2Fqueensland%2Fchinchilla-news%2Fimpending-job-cuts-hinted-at-major-western-downs-gas-company%2Fnews-story%2Fe18d779857ee20ed1a3b2dc70b429004&memtype=registered&mode=premium#command-form

¹⁰ Janucci (March 25, 2020) *Woodside cuts 900 staff – AWU*, <https://www.engineeringnews.co.za/article/woodside-cuts-900-staff---awu-2020-03-24>

Then in mid-October Woodside was reported to have cut a further 300 workers, almost 8 percent of its remaining workforce. The company blamed COVID 19 and falling oil prices.¹¹

Oil Search

Oil Search is an oil and gas exploration and production company with interests in Australia, PNG and the USA. It is registered in PNG and has offices in Australia, PNG and of Alaska. Oil Search announced in July it would cut 500 full time jobs “cutting employee numbers from 1649 to 1222 immediately with a further 137 positions to be culled by December.” The company cited the pandemic and falling oil prices as reasons for the lay-offs.¹²

The cuts are reported to include a 25 percent reduction of its Australian workforce.¹³ In 2019 Oil Search employed 205 people in Australia,¹⁴ meaning a cut of around 50 jobs.

Origin

Origin Energy generates and retails electricity in Australia. It also produces and supplies gas into the Australian domestic market as well as exporting to Asia. It operates and holds a 37.5 percent share in the largest coal seam gas LNG export company in Australia, Asia Pacific LNG (APLNG).

It is also a leading proponent in shale gas developments in the Beetaloo Basin in the Northern Territory. In September last year, Origin announced it would cut 90 jobs, 10 per cent of the staff in its integrated gas business.¹⁵

Santos

Santos is a gas and petroleum company listed on the Australian Stock Exchange. It has oil and gas interests in Australia, PNG and Timor-Leste.

Its Australian projects include Gladstone LNG which is one of the three large CSG-LNG export projects in Queensland. Santos operates this project and has a 30 percent stake.

¹¹ Hunt (October 13, 2020) *Woodside confirms 300 direct staff jobs to go*, <https://www.energynewsbulletin.net/workforce/news/1397005/woodside-confirms-300-direct-staff-jobs-to-go>

¹² Toscano (1 July 2020) *Oil Search lays off 550 workers as energy prices plummet in pandemic*, <https://www.smh.com.au/business/companies/oil-search-lays-off-550-workers-as-energy-prices-plummet-in-pandemic-20200701-p557x5.html#:~:text=Oil%20Search%20on%20Wednesday%20said,projects%20in%20Papua%20New%20Guinea.>

¹³ Hunt (October 13, 2020) *Woodside confirms 300 direct staff jobs to go*, <https://www.energynewsbulletin.net/workforce/news/1397005/woodside-confirms-300-direct-staff-jobs-to-go>

¹⁴ Oil Search (2020) *How we work, People and Organisations, Data tables*, <https://www.oilsearch.com/data-centre-topics/data-centre-people-and-organisation>

¹⁵ McDonald Smith (13 October, 2020) *Woodside axes 300 jobs*, <https://www.afr.com/companies/energy/woodside-axes-300-jobs-20201013-p564nw>

Santos also owns the controversial Narrabri Gas Project in north west NSW and owns and operates gas and oil fields as well as processing infrastructure in the Cooper Eromanga Basin which spans northeast South Australia and southwest Queensland. Although the Cooper Eromanga Basin gas fields were developed to supply the domestic market, much of the gas has been diverted for export through the GLNG export facility in Gladstone.¹⁶

In April last year Santos announced 150 job cuts in its permanent workforce. These were on top of an unspecified reduction in its “contingent workforce.”¹⁷

ExxonMobil

ExxonMobil is US based global oil and gas company infamous for hiding early knowledge of the global warming impacts of oil and promoting misinformation on the issue.¹⁸ In Australia it operates Victorian Bass Strait gas fields and onshore gas processing plants, as well as a refinery, fuel distribution terminals and explores for onshore and offshore oil and gas.¹⁹ It also has a 25 percent stake in Australia’s largest LNG export facility, Gorgon LNG in Western Australia.²⁰

On September 2, 2020 Exxon announced it had offered voluntary redundancy packages employees in Melbourne, Sydney, Gippsland, Adelaide and Perth.²¹ The redundancies were reportedly offered to 1,500 employees, and were the result of “unprecedented” market conditions.²²

In early October it was reported that “at least” 150 employees had taken the package with more waiting to see if their applications have been successful. The company did not respond to questions about how many employees it intended shedding or how many people had

¹⁶ Marshall (2017) *Gas export blowtorch burns all*, <https://www.farmonline.com.au/story/4560403/gas-export-blowtorch-burns-all/>, AER (2020) Average daily flows – QSN link and southerly flows towards Victoria (monthly), <https://www.aer.gov.au/wholesale-markets/wholesale-statistics/average-daily-flows-%E2%80%93-qsn-link-and-southerly-flows-towards-victoria-monthly>

¹⁷ Oil and gas news (7 April 2020) *Santos downsizes with job cuts amid COVID-19*, <https://www.oilandgastoday.com.au/santos-downsizes-with-job-cuts-amid-covid-19/>

¹⁸ Hall (2015), *Exxon Knew about Climate Change almost 40 years ago*, <https://www.scientificamerican.com/article/exxon-knew-about-climate-change-almost-40-years-ago/>

¹⁹ ExxonMobil Australia (2020) *Australian operations*, <https://www.exxonmobil.com.au/Energy-and-environment/Where-we-work/Exploration>

²⁰ Chevron Australia (2020) *Gorgon Project*, <https://australia.chevron.com/our-businesses/gorgon-project>

²¹ ExxonMobil Australia (September 2, 2020) Media release: *ExxonMobil Australia commences voluntary redundancy program*, <https://www.exxonmobil.com.au/News/Newsroom/News-releases-and-alerts/2020/ExxonMobil-Australia-commences-voluntary-redundancy-program>

²² Jasi (September 2020) *ExxonMobil launches voluntary redundancy programme*, <https://www.thechemicalengineer.com/news/exxonmobil-launches-voluntary-redundancy-programme/>

applied for or accepted redundancies. It was also reported that additionally “dozens of contractors have recently lost their jobs as part of the downsizing of the workforce.”²³

Inpex

Inpex is a Japanese oil and gas production and exploration company.

It is the operator of the large Ichthys oil and LNG project with offshore oil and gas fields off the coast of Western Australia and an LNG processing and export facility in Darwin. Ichthys has a capacity of 8.9 million tonnes of LNG per year and over 100,000 barrels of condensate per day. Inpex also has interests in several other offshore oil and gas fields in northern Australia.²⁴

In December 2019 Inpex cut 400 jobs,²⁵ with a further 65 jobs cut in September 2020 which it blamed on the “low oil price environment.”

Commenting on the most recent 65 job cuts, an AWU spokesperson said:

Inpex has demonstrated a complete disregard for how it treats its workers for years and this redundancy process is proving no different.

Any decent employer would be deadset on encouraging and accepting as many voluntary redundancies as possible to reduce the psychological impact on its workforce, but Inpex has not incentivised voluntary redundancy at all.

²³ Gippsland Times (October 6, 2020) Employees take packages as ExxonMobil scales down workforce

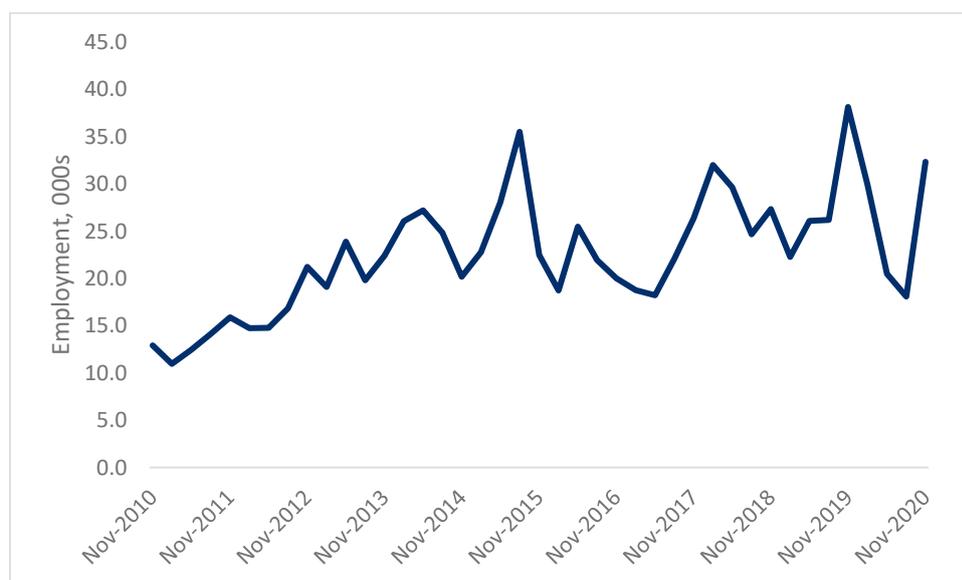
²⁴ Inpex Australia (2020) *Projects*, <https://www.inpex.com.au/projects/>

²⁵ Oil and Gas Today (December 6, 2019) *INPEX cuts 400 Ichthys jobs*

Quantifying oil and gas job cuts

Layoffs from the various oil and gas companies discussed above make it clear that far from helping Australia “weather the economic fallout” of COVID-19, the industry has sacked workers as quickly as it could when the going got tough. Quantifying the total reduction in oil and gas employment is difficult, however, as the industry is so small that national level statistics show enormous variance in employment estimates, as shown in Figure 1 below:

Figure 1: Quarterly oil and gas extraction employment



Source: ABS (December 2020) 6291.0.55.003 Labour Force, Australia, Detailed, Quarterly, <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/nov-2020>

Figure 1 shows that oil and gas employment clearly grew through the first years of the last decade as many major projects were developed. Beyond 2014, however, no trend is clear amongst the huge swings up and down. The huge variations seen in Figure 1 likely relate to problems with ABS estimation methodology rather than major hiring and firing events. In a workforce of around 13 million people, accurately measuring an industry with just 25,000 workers is very difficult, particularly when estimates are based on surveys of limited size.

Despite the variance shown in Figure 1, ABS data does appear to show a substantial reduction in oil and gas employment through 2020, compared to the year before. The industry employed on average 28,200 workers over the 12 month period between December 2018 and the end of November 2019. This fell to around 25,200 on average for the following 12 month period from December 2019 to the end of November 2020, as shown in Table 1 below:

Table 2: Employment in oil & gas extraction vs all Australian industries

	Oil & gas	All industries
	'000 jobs	'000 jobs
Dec 2018 - Nov 2019	28.2	12,894
Dec 2019 - Nov 2020	25.2	12,679
Difference	-2.9	-214
Percentage change	10.5%	1.7%



Source: ABS (December 2020) 6291.0.55.003 Labour Force, Australia, Detailed, Quarterly, <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/nov-2020>. Note – figures have been rounded.

Table 1 shows that average employment in oil and gas extraction was over 28,000 workers through 2019 and 25,000 through 2020, a decline of almost 3,000 workers, which appears to tally with media reports of 2600 layoffs in the major companies in Table 1 above. This decline represents a 10.5 percent reduction in the industry’s workforce. Over the same period, there was a reduction of only 1.7 percent in the workforce of all Australian industries as a whole.

If all Australian industries had cut their workforce by 10.5%, employment would have declined by 1.3 million jobs.

Assuming Australia’s unemployment statistics reflected the 10.5 percent fall in employment, when added to the pre-exiting rate of unemployment of 5.3 percent,²⁶ Australia would have experienced around 15 percent unemployment.

²⁶ ABS (2020) *Unemployment rate, seasonally adjusted*, <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/nov-2020>, January 2017-December 2019, average, authors calculation,

Conclusion

In 2007, during the Global Financial Crisis, former Treasury Secretary Ken Henry observed:

In the first six months of 2009, in the immediate aftermath of the shock waves occasioned by the collapse of Lehman Brothers, the Australian mining industry shed 15.2 per cent of its employees. Had every industry in Australia behaved in the same way, our unemployment rate have increased from 4.6 per cent to 19 per cent in six months.²⁷

A similar phenomenon is occurring during the Covid recession. The global oil and gas companies that Australian Governments allow to export Australian gas are one of the smallest and least labour intensive employers in Australia. They are also inclined to retrench a large proportion those workers they do employ as soon as they face difficult circumstances.

As such it is foolish for Australian Governments to subsidise this industry as a way to create jobs. The Federal Government's "gas-fired recovery" is part of its "JobMaker Plan" which implies its purpose is to create jobs. It includes subsidies of around \$300 million dollars of taxpayer's money to the gas industry to date, including \$52.8 million in the 2020 Federal Budget,²⁸ a \$50 million exploration subsidy to the gas industry in the Northern Territory,²⁹ and \$217 million to upgrade roads in the Northern Territory for use by fracking vehicles.³⁰

These initiatives are misguided. They represent a transfer of wealth from Australian taxpayers to multinational oil and gas giants who provide few benefits to Australians. Supporting virtually any other industry would be a more effective way to create jobs.

²⁷ Commonwealth of Australia Official Committee Hansard (2010) *Senate Economics Legislation Committee, Budget Estimates Thursday, 27 May 2010, E17,*

<http://www.aph.gov.au/~media/Estimates/Live/commttee/S13174.ashx>

²⁸ Australian Government (2020) *Budget 2020-21, Budget measures Budget Paper NO.2, P.116,*

https://budget.gov.au/2020-21/content/bp2/download/bp2_complete.pdf

²⁹ Australia Institute (2020) *\$50 Million Hand-Out to Northern Territory Frackers,*

<https://www.tai.org.au/content/50-million-hand-out-northern-territory-frackers>

³⁰ Fitzgerald (January 14, 2020) *Fast-tracked gas industry road upgrades prompt outrage,*

<https://www.katherinetimes.com.au/story/7086651/fast-tracked-gas-industry-road-upgrades-prompt-outrage/>