



Drilling rigs operate in the Permian Basin oil and natural gas production area in Lea County, New Mexico, US.

PHOTO: REUTERS/FILE

Services firms feel the squeeze as oil rally fails to spur drilling

REUTERS

Global oilfield services companies are bracing for a hit to earnings as the Iran war disrupts energy infrastructure across the Middle East and producers hold back on new drilling until higher oil prices prove durable.

Surging commodity prices - the Brent benchmark is up 53 percent since February 27, the day before the US and Israel launched strikes against Iran - typically make oil and gas projects more profitable, boosting demand for rigs and crews.

In the Iran war, however, security risks and infrastructure damage have sent activity plummeting and reduced demand for oilfield services and equipment in one of the world's top energy-producing regions.

"For oilfield services companies, the situation is quite ambiguous: if producers do not increase activity, the price jump alone will not lead to a rise in orders," said Igor Isaev, head of analytics at European broker Mind Money.

Idled rigs in the Gulf, slower crew mobilisations, and rising logistics and insurance costs are disrupting operations, delaying projects and cutting utilisation. Offshore rig count, an early indicator of

future output, has fallen about 39 percent to 72 rigs in the Gulf, as of March 27, according to Rystad Energy's estimates.

There were a total of 118 offshore rigs online in the region before February 28, the consultancy firm has said.

The Strait of Hormuz, which carries roughly a fifth of global oil and natural gas supply, has also become harder to navigate amid the rising security risks, further complicating offshore drilling and equipment movement.



ANALYSIS

"A persistent closure of the Strait of Hormuz would severely impact crew mobilisations in the region as well as create logistical challenges for movement of equipment and higher insurance costs," said Lauren Mayhew, head of MENA Research at Welligence Energy Analytics, adding project delays would be expected across the region.

COMPANIES FACE EARNINGS HIT

For oilfield services firms, the impact has been immediate as activity in the Middle East has declined, and producers

elsewhere are exercising caution.

US producers gathered at the CERWeek conference in Houston this week signaled a need for oil prices to remain elevated for several months before adding rigs.

Industry bellwether SLB expects first-quarter revenue below expectations and a 6.9 cent-per-share earnings hit, after suspending travel and demobilizing operations in the Middle East.

SLB, Halliburton and Baker Hughes have the highest exposure to the Middle East, but smaller rivals that invested in the region in recent years are also facing the squeeze. UK-headquartered Borr Drilling put four rigs on standby across Saudi Arabia, the UAE and Qatar, and evacuated staff from one site.

Overall, revenue generated from oilfield services provided in the Middle East could fall by 10 percent to 20 percent in the first quarter, said Richard Spears, vice president of oilfield consultancy Spears & Associates.

"If the war keeps going on, well, the second quarter is not good."

REBUILDING SEEN LAGGING

While the conflict is weighing on activity now, it is expected to support future demand.

Refineries will need repairs once export routes are restored, work that typically falls to oilfield service providers and engineering firms.

Energy infrastructure repair costs in the Middle East have reached at least \$25 billion, according to Rystad Energy.

"Damage across Gulf energy infrastructure will generate meaningful demand for oilfield services ... this would result in operators prioritising repair and maintenance of existing fields over contract awards for new development," said Rystad Energy's analyst Karan Satwani.

QatarEnergy's CEO told Reuters the Iranian attacks had knocked out a sixth of the country's LNG export capacity, worth about \$20 billion a year, with repairs expected to take three to five years.

Baker Hughes CEO Lorenzo Simonelli said the company stands ready to support, opens new tab QatarEnergy as it assesses the damage.

"Additional repair and maintenance to damaged facilities in the region will to some extent result in additional demand for OFS companies, the extent to which this occurs however will be heavily dependent on broader market conditions and firm's capital allocations," Welligence Energy's Mayhew said.

Dollar rises

REUTERS, New York

The dollar rose on Friday and was on course for its strongest monthly gain in almost a year, buoyed by safe-haven demand as the Middle East war intensifies and hopes fade for de-escalation.

The yen was particularly under pressure, falling in afternoon trading to its weakest since July 2024 and raising the possibility of currency market intervention by the Japanese authorities.

Iran is expected to respond on Friday to a US peace proposal to end the war, with US President Donald Trump and senior White House officials told by interlocutors to expect a counter-proposal.

US Secretary of State Marco Rubio said that the war was expected to last weeks, rather than months, and that US objectives could be met without ground troops.

US consumer sentiment slipped to a three-month low in March as war-driven oil price rises weighed on the economic outlook.

Safe-haven flows underpinned the dollar, which has also been lifted by rising expectations for a US rate increase this year. The dollar index rose 0.3 percent to 100.17, up 2.57 percent so far in March and on course for its best monthly showing since July 2025, when it rose 3.4 percent.

"Weekend trading is also, to a certain degree, taking hold in terms of what you might or might not want to be long or short over the weekend," said Marvin Loh, senior global market strategist at State Street in Boston. "The dollar has been pretty correlated with risk these days in the correct way."

While senior Iranian officials said diplomacy continued, the Islamic Revolutionary Guard Corps reiterated a ban on all shipping through the Strait of Hormuz that was linked to allies of the US and Israel.

Energy crisis may force Germany to run coal plants longer: Merz

AFP, Frankfurt

Chancellor Friedrich Merz said Friday that if the energy crisis sparked by the Middle East war dragged on, Germany might have to keep running coal-fired power plants longer than planned.

Germany has committed as part of its climate plans to gradually shutting down plants fired by anthracite and lignite and complete the coal phase-out by 2038 at the latest.

"If the energy crisis continues and a shortage actually occurs, we may even have to keep existing coal-fired power plants online for longer," Merz told a forum in Frankfurt organised by the FAZ newspaper.

"We have to supply this country with electricity. I am not prepared to jeopardise the core of our industry just because we have decided on phase-out plans that have become unrealistic."

Europe's biggest economy has for decades pushed an energy transition away from fossil fuels and nuclear energy by building up wind, solar and other clean and renewable energy sources.

While the Merz government has pledged to stick to national climate targets, it has prioritised boosting the stagnating economy and scrapped some green energy initiatives.

US consumer

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"Of course, even if higher gas prices don't fully offset the OBBA, they would still reduce real spending power compared to what was expected before the Mideast conflict began. Higher gas prices are also mostly felt more evenly across the income distribution."

Stocks on Wall Street extended their decline, with the S&P 500 and Nasdaq Composite indexes dropping to more than six-month lows. The dollar was steady against a basket of currencies. US Treasury yields were mixed.

The survey's measure of consumers' expectations for inflation over the next year jumped to 3.8 percent this month from 3.4 percent earlier in March and in February. Consumers' expectations for inflation over the next five years slipped to 3.2

percent from 3.3 percent last month.

The Federal Reserve left its benchmark overnight interest rate in the 3.50 percent -3.75 percent range this month. In updated projections released alongside the decision, US central bank policymakers anticipated higher inflation and only a single reduction in borrowing costs this year.

"The evidence would appear to be for now that the inflation impact of high gas prices is expected to be temporary, but it would appear that the year-ahead expectation is set to jump above 4 percent in the preliminary April report," said John Ryding, chief economic advisor at Brean Capital.

"From a Fed perspective, the majority of the (policy-setting) committee might interpret this to mean that rates should be held steady."

Fishy trades

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The Commodity Futures Trading Commission, which regulates derivatives markets, did not respond to several requests for comment.

On Thursday, a group of congressional Democrats introduced a bill that would ban bets on elections, government actions, war and sports, CNBC reported. Even some members of Trump's own party are seeking clarity on the trades.

"Someone needs to be publicly shamed for insider trading," said Republican Jeremy Munson, a candidate for the Minnesota Senate.

Mark Neuman, chief investment officer at Hero Asset Management, said it should be possible to discover the identities of those who placed the trades in question, and suggested the problem resulted more from lax oversight.

"When you make a transaction, there are details you have to provide" to the exchanges, "so there's no secret," Neuman said. "If there were stricter regulators in this country, we would find out" their identities.

"But it seems this administration favors less regulation," he said. "It's really sad, because the integrity of the markets is being torn to shreds."

Trump officials tout US energy dominance as global oil execs warn of supply crisis

REUTERS, Houston

US officials this week said the historic spike in fuel prices during the war in Iran will be short-term and trumpeted record US production at an industry conference where oil executives and government officials from Asia, the Middle East and Europe bemoaned the worst oil and gas supply disruption in decades.

The contrasting messages relayed to industry leaders at the annual CERWeek conference in Houston reflected the different political realities in the US and the rest of the world.

US cabinet members said American consumers could absorb a temporary price shock. Their effort to project calm reflected the political stakes for President Donald Trump, who has slid in the polls even as he repeatedly said the war is already won and promised the financial pain will be short-lived.

Still, Iran has continued hitting its neighbors with missile and drone strikes while keeping the Strait of Hormuz closed to shipping, halting a fifth of global oil and gas supplies. Global oil prices have spiked above \$100 a barrel.

Supply disruptions have already slowed the global economy. Some countries in Asia dependent on Middle East oil face fuel shortages and are taking steps such as work-from-home directives. Europe is bracing for shortages to hit next month.

The impact of the war on energy supplies would last much longer than the conflict itself, executives said, because of damage inflicted on oil and gas infrastructure by Iran in response to the US-Israeli attacks.

Trump's approval rating has slumped to its lowest point since he returned to the White House, a Reuters/Ipsos poll found, as many Americans have blanched at surging fuel prices and disapproved of the war on Iran. Trump's Republican Party faces a fight to retain slim majorities in the US Congress in November's midterm elections. The issue of affordability has emerged as a central theme.



A maze of crude oil pipe and equipment is seen with the American and Texas flags flying in the background during a tour by the Department of Energy at the Strategic Petroleum Reserve in Freeport, Texas, US.

PHOTO: REUTERS/FILE

"Markets do what markets do," US Energy Secretary Chris Wright said in the keynote address at the conference. "Prices went up to send signals to everyone that can produce more, please, produce more. The prices have not risen high enough yet to drive meaningful demand destruction."

Wright touted expanding US liquefied natural gas exports, efforts to keep coal power plants from retiring and plans to cut red tape for new nuclear projects.

"Every day our mission remains clear: grow energy, improve American lives, strengthen American security and strengthen the world," Wright said.

Interior Secretary Doug Burgum acknowledged the higher fuel prices were impacting Americans but said it would be short-term.

"President Donald Trump is super empathetic, as we all are, about the fact that there's been a temporary increase in

pricing," Burgum said at an event on the sidelines of the conference.

Executives and officials from other countries said the global energy system was in crisis and that high prices would not come down as quickly as Trump predicts even if the conflict ends.

Americans have not faced an immediate fuel shortage like those afflicting economies across Asia. Still, surging US gasoline pump prices have exposed American consumers to price rises on the global oil market that have priced in shortages. Higher fuel prices are also pushing up the cost of food and consumer goods.

"This is raising the cost of living for those who can least afford it and slowing economic growth everywhere. From factories to farms to families around the world, the human cost is mounting by the day," Sultan Al Jaber, CEO of Abu Dhabi's

state-run energy giant ADNOC, told attendees via videolink from the United Arab Emirates.

The UAE, like its Gulf neighbors, has been hit by Iranian missiles and drones and has had to cut oil production because it cannot export through the Strait of Hormuz.

Asian countries dependent on Middle East energy imports already face shortages of fuel and gas. Officials of Asian governments are weighing work-from-home policies and stimulus measures last enforced during the Covid pandemic.

Emergency efforts were "not enough" to ease market strain, said Takehiko Matsuo, Japan's Vice Minister for International Affairs.

Japan has asked the International Energy Agency for an additional release from strategic petroleum reserves. Tokyo also is tapping cash reserves to subsidise soaring gasoline prices and is considering intervening in oil futures markets to shore up the yen.

The Philippines declared a state of emergency. The country had just 45 days of oil supply as of March 20.

South Korea has asked people to cut shower time, charge phones during the day and run vacuums on weekends.

The fuel supply shortages would spread to Europe in April if the conflict continues, Shell CEO Wael Sawan said.

"Countries cannot have national security without energy security," Sawan said at the conference.

Consultancy Rystad Energy estimates that war damage to refineries, LNG and other facilities could cost \$25 billion to repair. Even undamaged infrastructure would take months to restart. Kuwait would take three to five months to get crude production back to pre-war levels, Kuwait Petroleum CEO Sheikh Nawaf Saud Al-Sabah said.

"It will take time to come out of this," Chevron CEO Mike Wirth said Monday, noting that the energy market's tightness from the Strait of Hormuz closure has not yet been fully reflected in forward oil prices.