

# How Oil Price Change Affects Energy Companies Listed on Stock Exchanges

Name: Igor Malewicz



## Introduction

This study analysis how oil price shocks affect energy companies listed on NYSE and LSE.

- ExxonMobil
- Chevron Corp.
- Schlumberger
- Royal Dutch Shell
- BP PLC
- BG Group

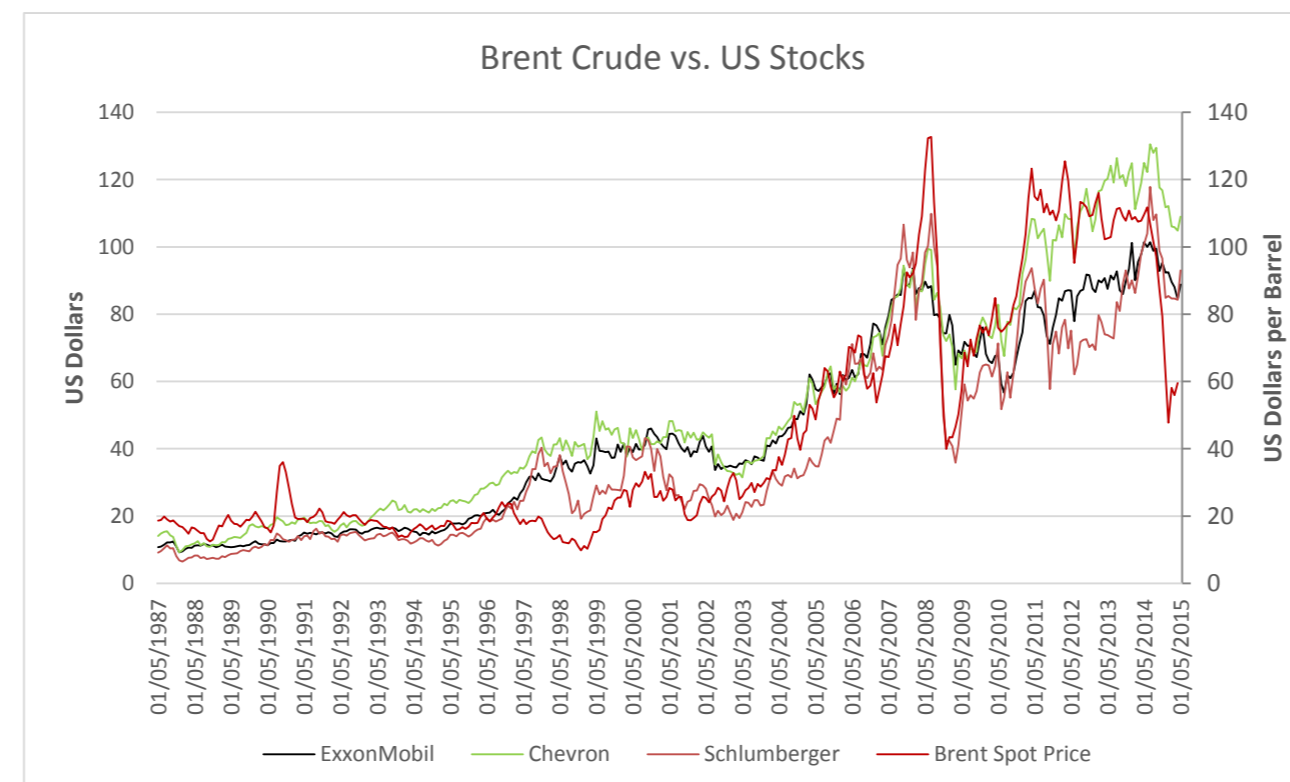
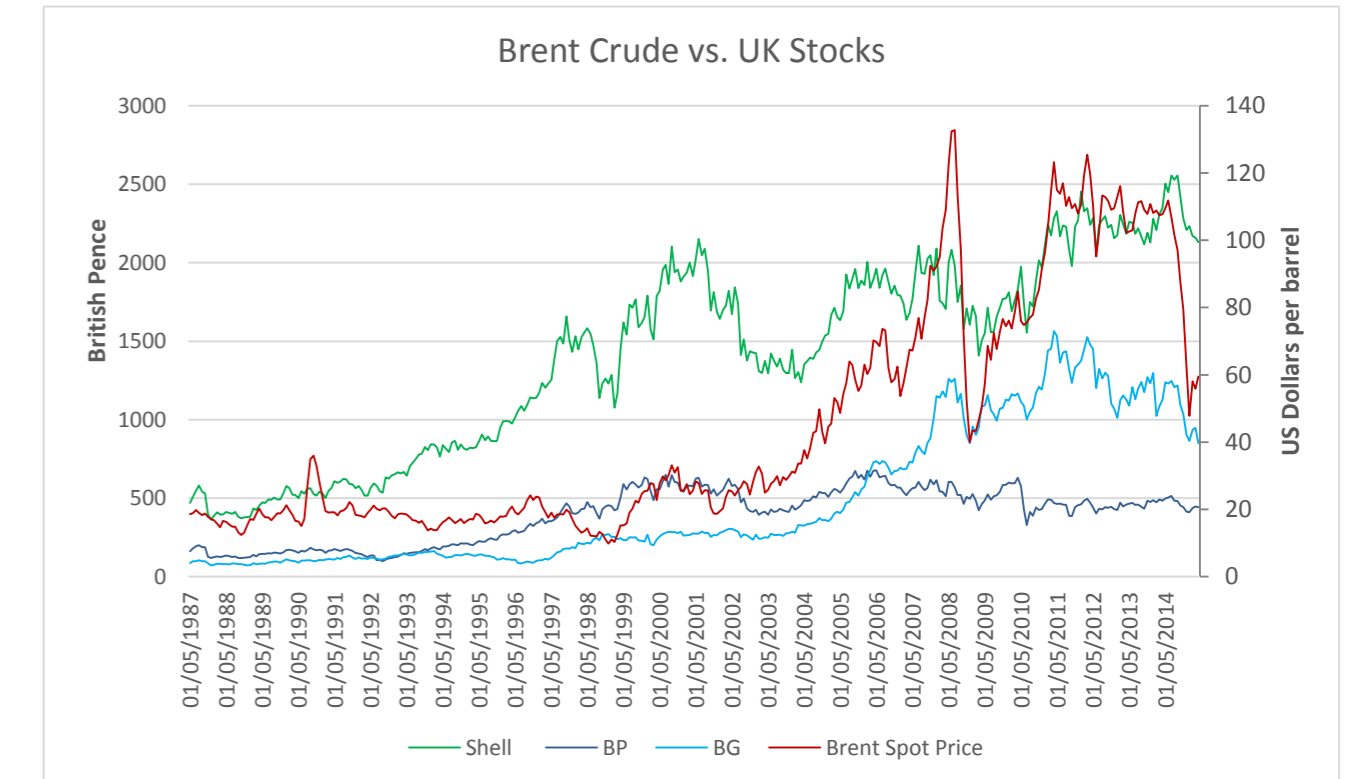
ExxonMobil, Chevron, Shell and BP are called *supermajors* and business activities apply to all segments in Oil and Gas sector such as, upstream, downstream and midstream. Two “industry-specific” firms were added to support the research; Schlumberger (oilfield service) and BG (LNG producer).

Company	Market Capitalisation*	Revenue**	Net Income**
ExxonMobil	(\$) 346	394,105	32,520
Chevron Corp.	(\$) 179	199,941	19,241
Schlumberger	(\$) 106	48,631	5,438
Royal Dutch Shell	(£)158	421,105	14,874
BP PLC	(£) 77	353,568	3,780
BG Group	(£) 35	19,289	(1,044)

\*billions (April 2015)  
\*\* millions of USD (2014)

## Research questions

1. To examine whether any changes in operating environment such as oil shocks, fluctuations in main index or changes in monetary policy, would have the same effect on all supermajors
2. To compare how those changes affect firms from different markets (US vs. UK)
3. To check whether oil price changes affect companies in the same way e.g. supermajors vs. more “industry specific” companies



## Methodology

The empirical framework to investigate how oil price change affects energy companies listed on stock exchanges is the unrestricted vector autoregression (VAR) model. Two separate VAR models are used to compare oil price shocks to the US and the UK market.

## Results

The analysis indicate that the companies respond positively to oil price shocks regardless of country incorporation or business structure. Additionally, the research shows that positive shocks to the wider index results in a positive response, whereas rising interest rates have a negative impact on energy stocks.