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ANTONIO GARCÍA-AMÁTE

University of Almería, Spain

ALICIA R. ORELLANA

University of Almería, Spain

MARÍA JOSE MUÑOZ TORRECILLAS

University of Almería, Spain

ECONOMIC-FINANCIAL IMPACT OF PEAK OIL ON THE FIVE LARGEST OIL AND GAS COMPANIES

Abstract:

The main objective of this document is to know the impact that the peak oil phenomenon has on the financial costs of the five most important oil and gas companies in the 2011-2015 period. We will analyze the economic-financial behavior of the multinationals through the financial statements in the framework of the peak of oil. The peak of oil can affect the most important financial statements (for example, investment risk, leverage) used by investors and shareholders. The methodology consists of two steps: (1) create a knowledge base based on information from the financial statements of the five major companies and (2) investigate whether the peak of oil has an economic-financial impact on the key financial ratios. All three methods contain that they are carried out in vertical analysis, horizontal analysis and financial ratios. These three methods are part of the analysis of the financial statements. The results suggest that the drop-in oil production affects investment decisions in new oil projects, dividend payment policy and stock purchases. Additionally, we study the evolution of oil prices in relation to the parts of the financial statements of the companies studied. Although oil prices were at important levels, nevertheless, companies had a decrease in net income due to the phenomenon of peak oil production. Investments in oil projects have been profitable, managers have been influenced by the peak of oil. The phenomenon of peak oil is something that has to do with the account of the investment policies of companies. The duration of the oil peak and the fluctuation of the price of oil is verified by the recipients of future investment in oil and gas.

Keywords:

Earnings, financial statement analysis, oil and gas industry, peak oil, production

JEL Classification: G15, O13, Q34