

# Russian Oil Major Scraps Dividend as Industry Reels From Oil Price Crash

**Tatneft's decision could be bellwether as industry braces for \$10 billion hit to earnings.**

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Oil prices are at their lowest level in more than 20 years. **Alexander Ryumin / TASS**

Russian energy giant Tatneft will abandon a planned dividend payout to shareholders — the first Russian producer to make such a move — as a result of oil market chaos.

The firm's board of directors has recommended canceling payouts on Tatneft's fourth quarter dividend, which would have been made in June, as the company scrambles to keep cash on the books to weather the coronavirus storm.

Tatneft's shares have more than halved in value since the start of the year as oil prices have collapsed by 70% amid a historic slump in demand for energy as a result of the coronavirus crisis.

Analysts suggest the firm, the country's fifth largest oil company whose main shareholder is Russia's republic of Tatarstan, could be a bellwether for the wider industry.

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"Similar decisions in favour of keeping cash flows within companies — and at least postpone the final 2019 dividend payments — might be made by other companies in the sector, given the lack of clarity on oil price recovery and the impact of Covid-19 on global oil demand and economic growth," said Dmitry Loukashov, equities analyst at VTB Capital in a research note.

"The state-owned companies — Rosneft, Gazprom Neft, Gazprom, Transneft — might theoretically opt to use the right to postpone the full year 2019 dividend payout for several months, he added."

The decision highlights how deep and fast the coronavirus crisis has slammed Russia's energy industry. In late January, analysts [told](#) Russia's RBC news site that Russian oil and gas companies would be the most profitable for investors in the world as the result of Kremlin-enforced supercharged dividend payments to boost the government's budget.

Now, Loukashov estimates Russia's oil and gas sector could be on track for a \$9.8 billion hit to earnings in 2020, based both on lower prices and an enforced production cut of 2.5 million barrels per day under the [terms](#) of the new OPEC+ deal.

"Unprecedented volatility on the stock market resulting from the epidemiological, political and macro developments has drawn the market's attention away from Russian oil companies' fundamentals, which have deteriorated rapidly across the board," he said.

Shipments of Russia's Urals oil traded at their lowest level since 1998 — under \$10 a barrel — in the Mediterranean on Tuesday. Global oil markets were left reeling Tuesday after a dramatic day in the U.S. that saw West Texas Intermediate (WTI) crude oil — the American benchmark — fall to minus \$40 a barrel.

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