

# Trends in Large Corporate Bankruptcy and Financial Distress (Midyear 2021 Update): Energy Sector Spotlight

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## Executive Summary

To read the full report, please click here: [Trends in Large Corporate Bankruptcy and Financial Distress](#)

The COVID-19 pandemic triggered a spike in large corporate bankruptcy filings not seen since the global financial crisis. The number of large corporate bankruptcies in 2020 was second only to 2009’s peak, and bankruptcy filings by companies with more than \$1 billion in assets were the highest since 2005.

As the economic recovery began to take hold, however, bankruptcies returned to lower levels in the first half of 2021. This pattern was consistent across most industries.

This report examines trends in Chapter 7 and Chapter 11 bankruptcy filings between January 2005 and June 2021. Unless specified otherwise, the bankruptcies analyzed in this report involve public and private companies with over \$100 million in assets.[1]

- A total of 155 companies filed for bankruptcy in 2020. This is the second-highest annual number of bankruptcy filings since 2005, only behind the 161 bankruptcy filings in 2009. (page 2)
- Of the 155 bankruptcy filings in 2020, 104 occurred in Q2 and Q3 2020. In contrast, there were only 17 such bankruptcies in Q4 2020. (page 3)
- In 1H 2021, 43 companies filed for bankruptcy, less than half of the number of bankruptcies (89) filed in 1H 2020, but slightly above the 2005–2020 annual average of 79 bankruptcy filings (i.e., 39 per half year). (page 3)

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- Bankruptcy filings by private companies constituted 79% of all bankruptcies in 1H 2021, substantially higher than the annual average of 37% for 2005–2020.
  - There were 60 “mega bankruptcies” (i.e., those filed by companies with over \$1 billion in reported assets) in 2020. More than half (31) of the mega bankruptcies in 2020 were filed in Q2 2020. (page 2)
  - Only nine Chapter 11 mega bankruptcies were filed in 1H 2021. This is considerably lower than the 2020 level, although comparable to the 2005–2020 half-year average of 11. Of the mega bankruptcies in 1H 2021, four were filed by companies in the real estate industry. (page 3)
  - The largest bankruptcies in 2020 and 1H 2021 were filed by The Hertz Corporation with \$25.84 billion in assets at the time of filing, and Seadrill Limited with \$7.29 billion in assets at the time of filing, respectively. (page 6)

## Energy Sector Spotlight

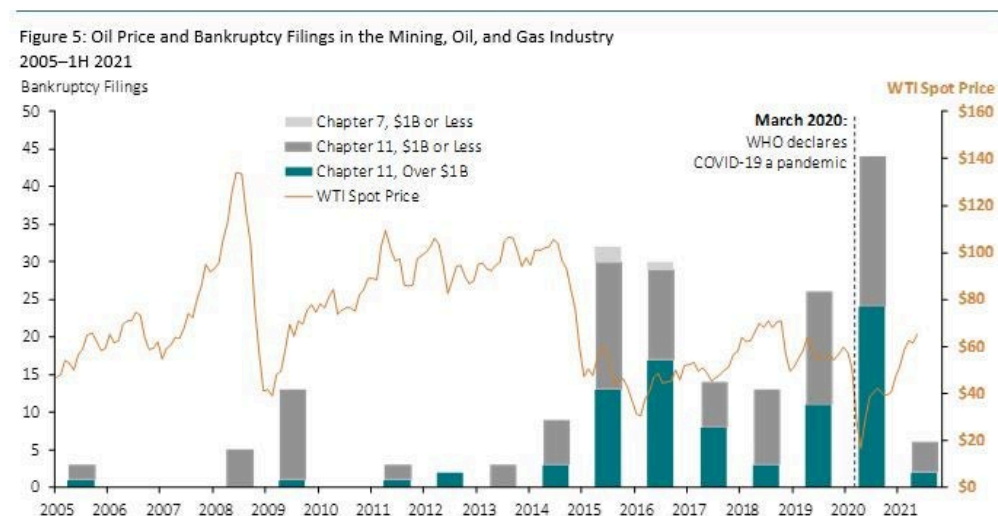
- Bankruptcies in the Mining, Oil, and Gas industry have historically been associated with low oil prices. For example, 62 Mining, Oil, and Gas companies filed for bankruptcy in 2015–2016, after oil prices dropped by over 50% in the seven months preceding January 2015.
- During March and April 2020, West Texas Intermediate (WTI) crude oil spot prices declined by almost 60%. Consistent with the historical relationship, bankruptcies filed by Mining, Oil, and Gas companies increased by nearly 70% from 26 in 2019 to 44 in 2020.
- In January 2021, the WTI crude oil spot price returned to its February 2020 level for the first time since the COVID-19 pandemic began.

**69%:** Increase in Mining, Oil, and Gas bankruptcy filings from 2019 to 2020.

- Consistent with the rebound in oil prices, there were only six bankruptcies by Mining, Oil, and Gas companies in 1H 2021, compared to 21 and 23 in 1H 2020 and 2H 2020, respectively. Five of the 2020 bankruptcies were coal mining companies.
- While higher oil and commodity prices have granted Mining, Oil, and Gas companies a reprieve, President Biden’s pledge to cut U.S. greenhouse gas emissions leaves this industry facing potential large volatility and falling demand.[2] Two coal companies—White Stallion and Lighthouse—declared bankruptcy in late 2020. Bankruptcies in this sector can be complicated by environmental remediation liabilities.
- Extreme weather and fires continue to drive electric utility bankruptcies. While PG&E has exited its 2019 bankruptcy stemming from California fire-related lawsuits, other electric utilities in drought-stricken areas may face similar risks. The February 2021 Texas storm Uri resulted in three large Electric Services bankruptcies, with Brazos being the largest. Nationwide, five large Electric Services companies declared bankruptcy in 1H 2021, compared to three in all of 2020.

Figure 5: Oil Price and Bankruptcy Filings in the Mining, Oil, and Gas Industry

2005-1H 2021



Source: BankruptcyData

Note: Only Chapter 7 and Chapter 11 bankruptcy filings by companies (both public and private) with over \$100 million in assets are included. For companies where exact asset values are not known, the lower bound of the estimated range is used. Asset values are not adjusted for inflation. The SIC Industry Division “Mining” is labeled as “Mining, Oil, and Gas” to reflect the specific industries under the Industry Division. Years are labeled at January 1.

## Endnotes

1. This report relies on data obtained from BankruptcyData on July 6, 2021. It focuses on asset values at the time of bankruptcy filings, due to the higher prevalence of missing information on liabilities in BankruptcyData.
2. [“A Proclamation on Earth Day, 2021,”](#) The White House Briefing Room, April 22, 2021.

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