SE Features

HD **Shell Exits Wheatstone, Slices Arrow**

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Royal Dutch Shell has kicked off its 2014 divestment program, netting $1.14 **billion** (A$1.3 **billion**) by exiting Australia's $29 **billion** Wheatstone LNG project in a **sale** to Kuwait Foreign Petroleum Exploration Co. (Kufpec), the **company** announced Monday (LNGI Jan.16'14).

Meanwhile, the supermajor axed around half the jobs at its proposed $20 **billion** Arrow LNG development Monday, one Shell source said, putting another Australian project in doubt as new Chief Executive Ben van Beurden looks to cut Shell's losses on a number of high-margin projects following a disastrous 2013.

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Europe's top **oil company** agreed to sell a 6.4% holding in the 8.9 **million** ton per year Wheatstone project in northwest Australia and an 8% **equity** interest in two offshore gas fields which will feed the facility. Kufpec, the international arm of Kuwait's national **oil company**, KPC, already has a 7% **stake** in the Chevron-led project and will increase its **equity** interest by 570,000 tons per annum alongside the US major, which has a 64.14% holding, Houston-based independent Apache with 13% and utility Kyushu Electric with 1.46%. The remaining 8% is owned by joint venture PE Wheatstone, comprised of Japanese quartet Mitsubishi, Tepco, NYK Line and Jogpec.

Since the Kuwait **firm** is an existing partner, Shell says the **sale** to Kufpec "ensures there will be no impact on existing commercial agreements."

Wheatstone, which is expected to achieve first production by 2016, has already agreed deals for almost its entire capacity with the world's top market in Northeast Asia. Japanese and South Korean buyers, including the countries' largest, Tepco and Kogas, have agreed 20-year offtake deals totaling 8.4 **million** tons annually (LNGI Oct.2'13).

In a crowded LNG environment in Australia's northeast, Arrow -- an 8 **million** ton/yr 50-50 joint venture with **Chinese** state-owned PetroChina -- has yet to be sanctioned and industry watchers have suggested it could be scrapped. Such rumblings received greater weight following reports that up to 600 jobs were cut there on Monday. Gladstone, where the development is based, already has four other projects either planned or under construction (LNGI Nov.13'13).

"Shell will remain a major player in Australia's **energy** industry," said van Beurden. "However, we are refocusing our investment to where we can add the most value. We are making hard choices in our world-wide portfolio to improve Shell's capital efficiency," he added.

Last year Shell indicated it had set a 2014 divestment target of some $15 **billion**.

In an unprecedented profit warning last week, Shell put the blame for poor results last year on "high-margin production including LNG" (IOD Jan.20'14). One analyst told LNGI sister publication International **Oil** Daily that Shell's latest divestment decision made sense.

"Following a path of least resistance, the **sale** to a project partner reduces any headaches, while [the supermajor] is able to concentrate on LNG projects in which it has an operating capacity," the analyst said.

In a separate statement on Monday, Shell also announced its upstream boss, Andy Brown, had stepped down with immediate effect while he "recuperates from a recent medical procedure." The supermajor's head of integrated gas, Maarten Wetselaar, formerly upstream finance head, will take over his responsibilities. Brown's absence follows the sudden departure of the **company**'s legal director, Peter Rees, on Jan. 10.

In other disappointing news for Shell, production from the giant onshore Groningen field, which accounts for around 50% of Dutch output, will be cut by more than a quarter over the next three years, the country's economics ministry said on Friday, following concern over earthquakes resulting from production. Shell operates the field in a 50-50 joint venture with Exxon Mobil.

Energy Intelligence

CO kfpeck : Kuwait Foreign Petroleum Exploration Company | rnlp : Royal Dutch Shell PLC | kpc : Kuwait Petroleum Corp

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