THE AGE
INDEPENDENT. ALWAYS.

SE Business

HD **TPG circles in $3 billion sale of Shell petrol stations**

BY Angela Macdonald-Smith James Chessell Sarah Thompson
WC 622 words
PD 8 January 2014
SN The Age
SC AGEE
ED First
PG 11
LA English
CY © 2014 Copyright John Fairfax Holdings Limited.

LP

Energy

Private equity firm TPG is in the final stages of a $3 billion auction for Royal Dutch Shell's refining and retail business in Australia, along with a consortium involving Macquarie Group.

TD

There is also speculation a third party - potentially an Asian energy business - is also vying for the Shell assets, including its refinery in Geelong, several import terminals and a network of 900 branded service stations.

BP is also thought to be mulling the sale of its downstream business in Australia as the oil majors seek to channel investment into higher-returning businesses in oil and gas production and bigger growth markets.

"Production growth, or lack thereof, is the key focus of investors in the supermajors and therefore money is always going to be ushered more and more upstream away from the downstream," Credit Suisse analyst Mark Samter said.

Both Shell and BP have declined to comment on the speculation about the potential sales. But a BP spokesman said that only last month the British parent company had sanctioned $US150 million of investment for 2014 in the Australian retail business, while maintenance work due this year at its Kwinana refinery in WA was expected to cost tens of millions of dollars.

Refineries have delivered sub-standard investment returns in Australia in the past five years but there is speculation an Asian energy business, such as Thai-owned PTT, might be interested. The 110,000-barrels-a-day Geelong refinery has previously attracted interest from Chinese interests in the sale process run by Merrill Lynch.

It is believed Shell's retail partner in Australia, Coles, is monitoring the negotiations.

Analysts said that the distribution and retailing end of the majors' Australian businesses would be of significant interest to new investors, particularly private equity, but that the refineries would be more problematic to sell.

"Now Australia is a net importer of fuel we are very attractive from the point of view of regional and international investment in the Australian market for those companies, unlike BP and Shell, which are really upstream companies rather than downstream marketers," said Nic Moulis, chief executive of the Australian Convenience and Petroleum Marketers Association.

He said Mobil had kicked off the trend several years ago for energy majors to exit the "chips and chocolate" business of fuels retailing in Australia to focus on exploration and production and it was unsurprising Shell and BP were thinking of following suit.

Mr Samter said petrol and diesel importing and retailing was a "very obvious market for private **equity** to be looking at" given "enormous synergies" on offer from parts of the business.

"There's a serious appetite for these types of assets, they are very high quality, defensive, pretty high visibility; it's a competitive market but it's a rational market," he said, noting Australia stood out among developed countries as still having growth in fuels retailing.

Australia's fuels production and retailing sector has seen massive change over the past decade, with the closure of two refineries and a third to be closed next year and significant changes in the ownership of petrol stations.

The changes have accelerated in the past 18 months with the entry of giant commodities trader Trafigura into petrol retailing in Australia through more than $800 **million** of acquisitions by its Puma arm, owned 40 per cent by Angolan state **oil company** Sonangol.

Caltex Australia, the only locally listed refiner and marketer, is in the middle of a major transformation, with its Sydney refinery to be converted to an import terminal this year and an increased focus on importing, distribution and marketing.

CO rnlp : Royal Dutch Shell PLC | tpgpar : TPG, Inc.

IN i1 : Energy | i13 : Crude Oil/Natural Gas | i1300003 : Crude Petroleum Extraction | iextra : Natural Gas/Oil Extraction | ifinal : Financial Services | iinv : Investing/Securities

RE austr : Australia | namz : North America | usa : United States | apacz : Asia Pacific | ausnz : Australia/Oceania

PUB Fairfax Media Management Pty Limited

AN Document AGEE000020140107ea180003r

 © 2018 Factiva, Inc. All rights reserved.