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HD Shell accelerating move into China, reducing Australian operations

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FRANKFURT -- Anglo-Dutch oil companyRoyal Dutch Shell is re-evaluating its strategy in the Asia-Pacific region, accelerating its shift to China while scaling back operations in Australia.

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On June 17, Shell announced a strategic partnership with China National Offshore Oil (CNOOC), one of China's three major state-owned oil producers. The two are working together on development of an offshore oil field near China's Hainan Island and on a petrochemical joint venture. They are also teaming up on development projects requiring technological might, such as large deep-sea oil fields and liquefied natural gas (LNG).

The aim of the partnership is to deepen ties in oil and natural gas exploration and development outside China. Amid a restructuring that includes the sale of $15 billion in assets during the two years ending 2015, Shell has limited capital. In contrast, CNOOC is taking the lead among China's three major oil producers in oceanic development, and the Chinese government is likely to cooperate on the financial front.

Grappling with serious air pollution, China is interested in converting electricity generation from coal to natural gas. This presents an opportunity to Shell, the world's largest LNG supplier. Although the two companies have previously been competitors in acquiring some drilling areas, their interests are aligned in LNG supply.

The flip side of this is the narrowing of Shell's Australian LNG business. The same day the CNOOC deal was signed, Shell decided it would sell most of its shares in Australian producer Woodside Petroleum. The sale, representing 19% of Woodside's shares, yields $5 billion dollars for Shell on an after-tax basis.

Within the year, Shell will withdraw from downstream operations in Australia by selling its refinery and filling station operations there to Swiss oil trading house Vitol. It will concentrate capital in the LNG business, for which demand in Asia is expected to grow.

CO chno : China National Offshore Oil Corporation | rnlp : Royal Dutch Shell PLC

IN i13 : Crude Oil/Natural Gas | i1 : Energy | i1300002 : Oil Exploration | i1300003 : Crude Petroleum Extraction | iexplo : Natural Gas/Oil Exploration | iextra : Natural Gas/Oil Extraction

RE china : China | austr : Australia | apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | bric : BRIC Countries | chinaz : Greater China | devgcoz : Emerging Market Countries | dvpcoz : Developing Economies | easiaz : Eastern Asia

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