SE Finance

HD **Shell's Wheatstone exit sets industry pattern**

BY PAUL GARVEY, **ENERGY**

WC 561 words

PD 22 January 2014

SN The Australian

SC AUSTLN

ED 1 - All-round Country

PG 18

LA English

LP

ROYAL Dutch Shell's decision to offload its interests in the $US29 **billion** ($33bn) Wheatstone liquefied natural gas project to Kuwait's state-owned **oil** producer is another example of the broader change sweeping through Australia's **oil** and gas sector, as cashed-up national **oil** companies snap up project interests from listed **oil** majors that are under increased pressure to pull back their spending.

Shell on Monday announced it would sell its 6.4 per cent interest in the Wheatstone LNG project, plus its 8 per cent **stake** in the Wheatstone and Iago gas fields, to the Kuwait Foreign Petroleum Exploration **Company** (Kufpec) for $US1.135bn.

TD

International **oil** giants such as Shell are bowing to calls from shareholders for the rationalisation of their portfolios, and newly appointed Shell chief executive Ben van Beurden has pledged to maintain a **firm** financial discipline.

The trend for **oil** and gas heavyweights to exit minority positions in non-core development projects was illustrated in a series of recent deals at the proposed Browse LNG project off northern Australia. US giant Chevron handed its 17.5 per cent **stake** in that project to Shell as part of an asset swap that included a $US450 **million** payment to Chevron, while BHP Billiton last June sold its estimated 12 per cent **stake** in Browse to **Chinese** state-owned giant PetroChina for $US1.63bn.

Wood Mackenzie analyst Chris Graham said Shell's Wheatstone exit was another example of an **oil** major tidying up its portfolio and selling off a minority position to focus on more material opportunities elsewhere.

``Shell have been looking to sell for a while. It's a non-operated position, it's a small **stake** for them, so it was a clear candidate for divestment,'' Mr Graham told The Australian.

He said shareholders were increasingly pressuring the **oil** majors to focus on more material growth opportunities.

``There is a lot of focus on portfolio restructuring at the moment, particularly among the majors,'' Mr Graham said. ``They're facing greater shareholder scrutiny and looking to prioritise projects with higher returns, perhaps offloading any interests that aren't as important to them.''

Shell has shown a preference for operating projects, meaning minority interests such as that in Wheatstone are among the first to be put up for **sale**.

In contrast, smaller minority positions can be particularly appealing to the state-owned majors looking for a smooth entry into new jurisdictions.

Keeping operator status in the hands of the international groups can appeal to the state-owned companies given the project experience and strong cost focus within the listed companies.

The **acquisition** by Kufpec will lift its **stake** in the Wheatstone LNG project to 13.4 per cent.

Mr Graham said the extra interest in Wheatstone was a ``natural move'' for Kufpec. ``They are already in the project and understand it well,'' he said. Wheatstone is operated by US giant Chevron, which owns 64.1 per cent of the project.

Shell's exit will see it focus on its other larger Australian development projects, such as its Prelude floating LNG project, the 25 per cent-owned Gorgon LNG development, the Browse gasfield and its Arrow **Energy coal**-seam gas joint venture.

Mr van Beurden said that Shell would ``remain a major player in Australia's **energy** industry''.

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

IN i13 : Crude Oil/Natural Gas | i1 : Energy | i1300003 : Crude Petroleum Extraction | i1300005 : Support Activities for Oil/Gas | iextra : Natural Gas/Oil Extraction

NS c411 : Management Moves | cslmc : Senior Level Management | c41 : Management Issues | ccat : Corporate/Industrial News | ncat : Content Types | nfact : Factiva Filters | nfcpex : FC&E Executive News Filter | nfcpin : FC&E Industry News Filter

RE austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

PUB News Ltd.

AN Document AUSTLN0020140121ea1m00024