Shell warns of $3bn impairment

The Australian

July 8, 2024 Monday

Australian Edition

Section: BUSINESS; Pg. 19

Length: 439 words

Byline: Christian Moess Laursen

Body

Shell expects to book up to $US2bn ($3bn) in post-tax impairments after delaying construction of a major biofuels plant as European energy majors grapple with weak market conditions, while trading in its core ***gas*** division is set to fall on quarter.

The British energy giant on Friday said it expected to book an impairment after tax of between $US1.5bn and $US2bn mainly due to pausing construction of its biofuels facility in Rotterdam as well as the divestment of its chemicals refinery in Singapore.

The paused construction of the Dutch biofuels plant - one of Europe's largest, set to produce 820,000 tonnes of biofuels a year - was largely due to weak European market conditions, with profit margins squeezed by a large drop in US renewable ***fuel***-credits prices.

Shares in biofuels market leader Neste have shed nearly half their value this year, with the Finnish company in May cutting its renewable-***fuel*** margin forecast. ***Shell***'s rival BP similarly paused biofuels investment at US and German ***oil*** refineries recently.

Shell expects to write down between $US600m and $US1bn on the asset, while the impairment after the sale of its Singapore refinery is expected to be $US600m-$US800m.

In addition, Europe's largest energy company expects trading results from its integrated-***gas*** segment, usually its largest profit centre, to be lower than in the first quarter, when the unit booked $US3.68bn in adjusted earnings, due to seasonality.

However, it expects the unit's results to match those of the second quarter last year, when it booked $US2.5bn in adjusted earnings - a metric that strips certain commodity price adjustments and one-time charges.

The company also narrowed the segment's liquids and natural-***gas*** production outlook slightly upward to 940,000-980,000 ***oil***-equivalent barrels a day for the quarter, from a previously guided range of 920,000- 980,000 BOE a day.

Shell, the world's largest liquefied natural ***gas*** trader, expects its quarterly LNG volumes to be between 6.8 million and 7.2 million tonnes, compared with the prior-year's 7.2 million tonnes.

This would mean a decline from the first quarter's 7.6 million tonnes. However, ***gas*** prices in Europe have rallied in recent months on strong demand in Asia amid heatwaves and outages limiting supply, potentially providing a boon to ***Shell***'s quarterly results.

On the upstream side - the extraction of crude ***oil*** and natural ***gas*** - ***Shell*** is expecting the unit to produce between 1.72 million and 1.82 million BOE a day ready for sale, versus 1.70 million a year prior and 1.87 million in the first quarter. In the first quarter, the segment garnered $US1.93bn in adjusted earnings.

Load-Date: July 7, 2024