# Objectives

* In your report, you need to update the Board with the current macroeconomic conditions and how they will affect the company.
* Summarize firm’s history with recent and current operating results
* Select 6-10 macroeconomic indicators that are of particular relevance. Explain.
* Summarize factors the firm will need to predict, plan for, and adjust to in the future.

# Royal Dutch Shell

## Firm Summary

* + - Fortune Global 500
      * Fell two spots in Global 500 rankings this year
        + Revenue took an 11% hit
        + Profits fell by more than 33% to $15.8 billion

Weaker oil and gas prices to blame.

* + - * + Global lockdowns dropped energy demand
      * Targets net-zero emissions by 2050
    - [Wiki](https://en.wikipedia.org/wiki/Royal_Dutch_Shell)
    - Oil/gas activities:
      * Exploration and production, Refining, Transportation, Distribution & Marketing, Petrochemicals, Power Generation, Trading,
      * Renewable Energy:
        + Biofuels, wind, energy-kite systems, and hydrogen
    - Produces ~3.7 million barrels of oil per day. Has 11.1 billion barrels in reserves.
    - Subsidiaries:
      * Shell Oil Company in US, 50% of Raizen in Brazil.
    - Shell has a primary listing on the London Stock Exchange and is a constituent of the FTSE 100 Index.
      * It has secondary listings on Euronext Amsterdam and the New York Stock Exchange
    - According to the CDP Carbon Majors Report 2017, when taking into account its scope 3 greenhouse gas emissions (meaning emissions caused by the public and other companies using its products), Shell was the ninth-largest corporate producer of greenhouse gas emissions in the period 1988–2015.

## Firm History

* + - Formation:
      * Formed in 1907 through the amalgamation of the Royal Dutch Petroleum Company of the Netherlands and the “Shell” Transport and Trading Company of the UK.
    - Operations:
      * First entered chemicals industry in 1929.
      * One of “[Seven Sisters](https://en.wikipedia.org/wiki/Seven_Sisters_(oil_companies))” which dominated the global petroleum industry from mid-1940s to the mid-1970s.
      * In 1964 Shell was a partner in the world's first commercial sea transportation of liquefied natural gas (LNG).
      * In recent decades gas exploration and production has become an increasingly important part of Shell's business.
    - Mergers & Acquisitions:
      * In 1970 Shell acquired the mining company Billiton, which it subsequently sold in 1994 and now forms part of BHP.
      * Shell acquired BG Group in 2016, making it the world's largest producer of LNG.
      * Purchased all shares of Shell Oil Company in US in 1984, prior to this Shell Oil Company was largely independent.

## Operations

* Four major business groupings:
  + Upstream:
    - Manages the upstream business. It searches for and recovers crude oil and natural gas and operates the upstream and midstream infrastructure necessary to deliver oil and gas to the market. Its activities are organized primarily within geographic units, although there are some activities that are managed across the business or provided through support units.
  + Integrated gas and new energies:
    - Manages liquefying natural gas, converting gas to liquids and low-carbon opportunities.
  + Downstream:
    - Manages Shell's manufacturing, distribution, and marketing activities for oil products and chemicals. Manufacturing and supply include refinery, supply, and shipping of crude oil.
    - Generates the majority of Shell’s profits worldwide (gas stations)
  + Projects and technology:
    - Manage the delivery of Shell's major projects, provides technical services and technology capability covering both upstream and downstream activities. It is also responsible for providing functional leadership across Shell in the areas of health, safety and environment, and contracting and procurement.

### Recent Operating Results

### Current Operating Results

# Macroeconomy

* + Indicators – 6-10 w/explanation of relevance
    - Macroeconomic indicators are statistics or readings that reflect the production or output of an economy, government, or sector.
      * Real GDP Growth
      * Inflation Rate
      * Unemployment Rate
      * Nominal Interest Rate
      * US Federal Government Budget Deficit
      * US Net Exports
      * Money Growth (M2)
      * US Trade-Weighted Real Exchange Rate
      * Non-farm Payrolls
      * Retails Sales
      * Industrial Production
      * Oil Price
      * Natural Gas Price
      * Consumer Spending
      * Home sales/Building
      * Construction Spending
      * Manufacturing Demand
    - Follow-up:
      * Distribution of revenues/profits among countries/continents
  + Strategy – how firm should respond to info provided with goal of maximizing revenue
  + Factors firm will need to predict, plan for, and adjust to in the future

# Oil and Gas Industry

## Main Components

* Upstream (or exploration and production)
  + Searching for potential underground or underwater crude oil and natural gas fields. Drilling exploratory wells, and subsequently drilling and operating the wells that recover and bring the crude oil or raw natural gas to the surface.
* Midstream
  + The transportation (by pipeline, rail, barge, oil tanker or truck), storage, and wholesale marketing of crude or refined petroleum products.
* Downstream
  + Refining of petroleum crude oil and the processing and purifying of raw natural gas, as well as the marketing and distribution of products derived from crude oil and natural gas.