

# Royal Dutch Shell



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- Competitor Analysis
- Strategic Alternatives
- Future Outlook
- Recommendations

# Introduction

## Vision

- To engage efficiently, responsibly and profitably in its products
- To participate in the search for and development of other sources of energy
- To meet evolving customer needs and the world's growing demand for energy

- Oil and Gas Exploration and Development
- Product Diversity
  - Petrochemicals
  - Oil Products
  - LNG (Liquefied Natural Gas)
  - Renewable Energy Sources
  - Hydrogen

- **Business Operations**
  - 140 locations with 108,000 employees
  - Explores and produces in 39 countries
  - Over 45,000 service stations
  - Environmentally conscious
  - Socially responsible
  - Encounter risks

# History

- Shell Transport and Trading Company
  - London, UK in 1897
  - First Bulk Tanker, the “Murex”
- Royal Dutch Petroleum Company
  - The Hague, the Netherlands in 1890
- Royal Dutch Shell Group
  - Merger in 1907
  - 60% / 40% interest

# Early Twentieth Century

- Global Expansion
- WW I
  - British and Allies' largest fuel supplier
  - Provided 80% of Army's TNT
  - Lost Production Properties
- Mexico and the Middle East
- New Company Introduction
  - Shell-Mex Company
  - Shell Chemicals

- Great Depression
  - Cut labor and costs
  - Cartel agreement failed
- WWII
  - Lost 87 ships
  - Lost Access to Romania
  - Government control of tankers
- Reconstruction
  - Natural gas production
  - Gulf of Mexico and Africa



# 1950s through 1970s

- Alliance with Middle East Gulf Oil
- Royal Dutch Shell and Ferrari Partnership
- Shell Chemicals developed
  - Herbicides, insecticides, and liquid detergents
- Controversy in South Africa
- OPEC raised prices
  - Diversification of its products
    - Coal, metals, and nuclear power
      - All three failed to become successful

# 1980s and 1990s

- Largest producer of petrochemicals and leading supplier of agrochemicals
- Expansion through acquisitions and mergers.
- In 1986, OPEC lost power so prices went down
- New investments
  - Solar heating, wind power, and hydrogen
  - Developed LNG gas business
- Left Global Coalition in 1998

# The Twenty-First Century

- World leader in biomass fuels.
- Continued expansion and diversification
- Oil Reserve Overstatement
  - Resulted in reorganization into one company
  - Became more Centralized
- Sales Allocation
  - Oil refining and distribution make up about 78% in sales
  - Renewable Energies make up less than 0.4% of sales

# Shell's Current Progress

- Over a billion dollar investment in renewable sources, hydrogen, and biofuels in past 5 years
- World's largest investor in both solar and wind energy
- 20% reduction in carbon dioxide since 1990
- \$20 billion in damages

# Strengths

- 2<sup>nd</sup> among top oil companies in the world
- 2006 revenues of \$318.845 billion and a net income of \$26.311 billion
- Stock price went from \$44.40 in September of 2001 to \$66.91 in March of 2007
- 97 million shares of Shell Canada
- Leader in the LNG (liquefied natural gas)
- Invested into other energy sources
  - Hydrogen, LNG, Wind, Solar

# Weaknesses

- Oil industry is very competitive industry
  - Depend on the other oil companies
- Depend on oil for success
- No control over up and coming alternative fuel companies
- Alternative energy source venture has not yet paid off

# Opportunities

- LNG becomes the main source of energy
  - Between 2005 and 2010, the demand for LNG is expected to grow by 2% to 3%
- One of Royal Dutch Shell's renewable energy sources becomes the main source of energy
  - Wind, Solar, Hydrogen
- There is a large untapped oil reserve in Brazil
  - The reserve is estimated to contain 18.1 billion barrels of crude oil
  - Largest known untapped oil reserve in the world

# Threats

- Competition
  - ExxonMobil, BP, Chevron, ConocoPhillips
- Nigeria's deepwater's
  - World's eighth largest oil exporter and fifth largest oil supplier to the US
  - Royal Dutch Shell used to be sole company working in the area, but ExxonMobil and Chevron are moving in
- Depletion of the oil reserves
- Fall in oil prices
  - Lose billions in seconds



# What is competition in oil industry?

- Tough
- Growing fast
- Quality of the product
- Service provided
- Activities of the company
- Experience

# Royal Dutch competitors are...

- Exxon Mobil
- BP ( British Petroleum)
- Chevron Corp.

# Exxon Mobil



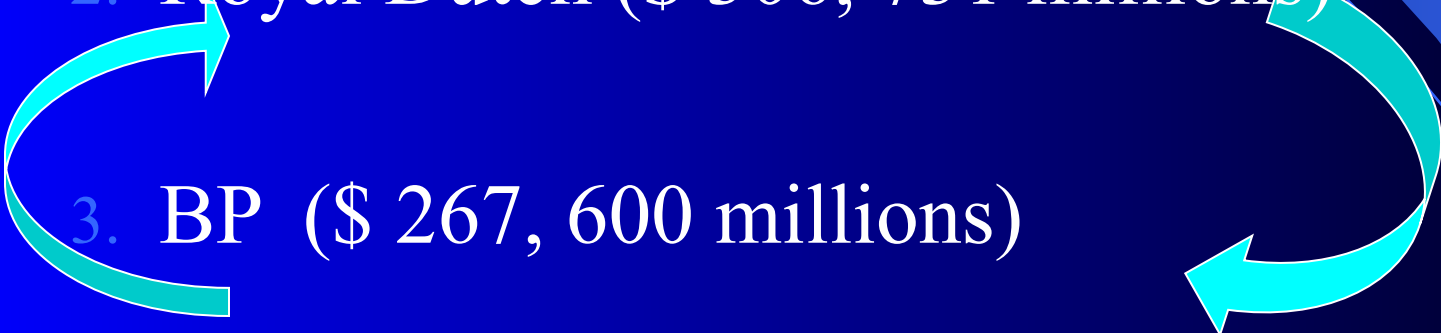
- Number 1
- Irving, Texas
- 40, 000 gas and service stations
- Reserves of 13.6 billion barrels of OE
- Daily production is 6.4 million barrels
- Major producer of petrochemicals

# BP (British Petroleum) - # 3

- Founded as Anglo Persian Oil Company
- London, UK
- 18.3 billion barrels of OE- reserves
- 2.8 million barrels of oil a day
- Wells in Prudhoe Bay Alaska
- Alternative fuel
- Green washing



# Generated revenue for 2006:

1. Exxon Mobil (\$ 339, 938 Millions)
  2. Royal Dutch (\$ 306, 731 millions)
  3. BP (\$ 267, 600 millions)
  4. Chevron (\$ 189, 481 millions)
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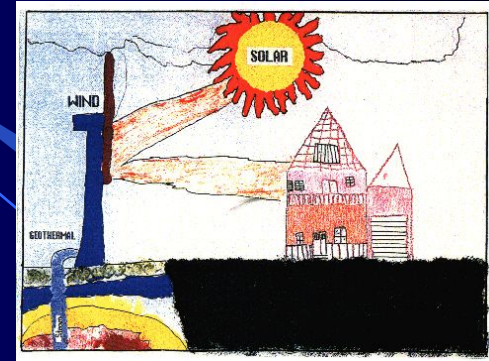
# Chevron Corporation

- Merger of Texaco Inc. and Chevron
- San Ramon, California
- 11.6 billion barrels of OE in reserves
- 2.6 million barrel of oil each day
- 26, 000 gas stations



# Strategic Alternatives

Objective: environmentally friendly and cost efficient!



## Electricity

### sources:

- Solar energy
- Wind energy

## Vehicle fuel

### sources:

- Biofuels
- Hydrogen fuel cell

# Solar power

- **Solar power** is the technology of obtaining usable energy from the light of the Sun.
- Absolutely friendly for the environment and predicted cost is 6 cents per kWh in 2010



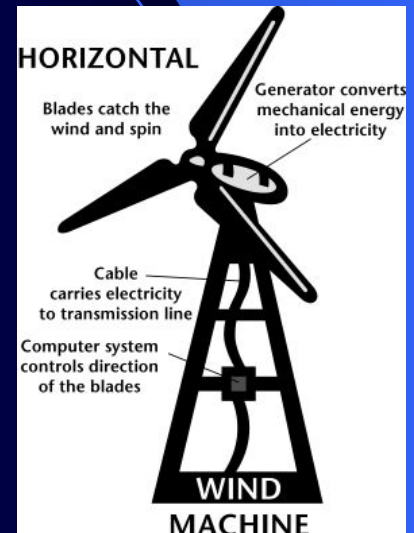


# Wind power



- Like old fashioned windmills, today's wind machines use blades to collect the wind's kinetic energy.

- **Average cost 6-7 cents/kWh!**

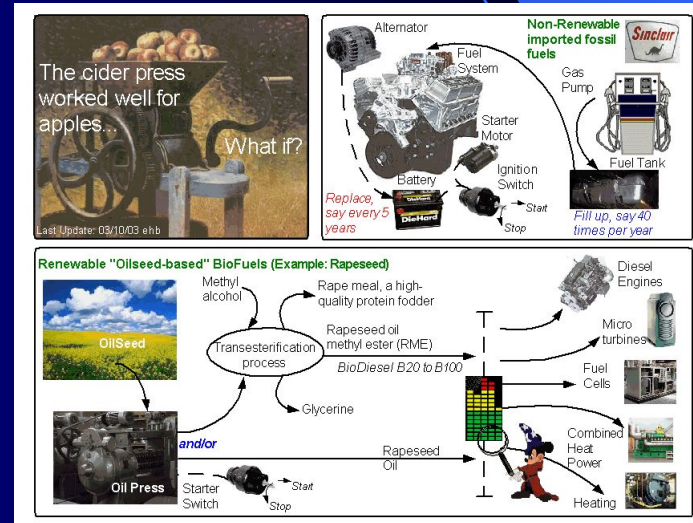


# Biofuels

- Biofuel is any fuel that is derived from biomass — recently living organisms or their metabolic byproducts, such as manure from cows
- An 80% minimum An 80% minimum content by volume of materials derived from living organisms harvested within the ten years preceding its manufacture

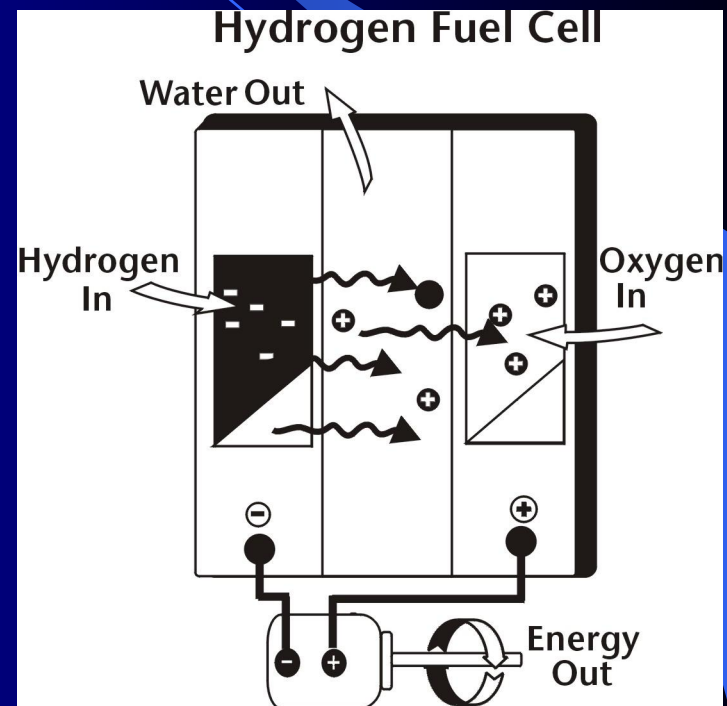


**E85 octane number is more than 100 and thus engines have more horsepower!!!**



# Hydrogen fuel cell

- Using electricity, it is easy to split water molecules to create pure hydrogen and oxygen. One big advantage of this process is that you can do it anywhere.



# Future Outlook

- Rise in global energy needs
- Oil, gas, and coal will continue to meet the majority of global energy needs
- Unconventional ways to extract oil and turn to alternative sources
- Shell will remain environmentally conscious
- Increased profits with renewable sources
- Produce products that will reduce CO<sub>2</sub> emissions

- New cheaper, more efficient technologies
- Increased demand for LNG
  - Result in Shell having higher profits due to position as world's largest provider of LNG.

# Recommendations

- Invest more money into R&D for alternative fuels
- Buying land rights in certain areas, or buying out smaller oil companies
- Combined with other oil companies
- Sell out of the oil industry and start an automobile industry
  - See how oil prices affect the everyday consumer

# Recommendations

- Continue to operate the way they are
  - Second largest oil company
  - Leader in LNG
  - Already have money invested in alternative energy sources
  - No outlook of a decline in the need for oil

# Royal Dutch Shell



**Any Questions**