

Royal Dutch Shell



Royal Dutch Shell

- Introduction
- History
- SWOT Analysis
- 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

- 2nd 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)

1. BP (\$ 267, 600 millions)

1. Chevron (\$ 189, 481 millions)

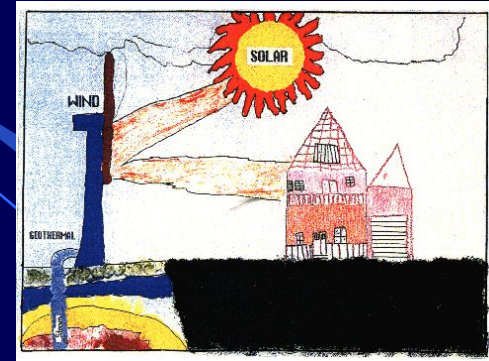
Chevron Corporation

- 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

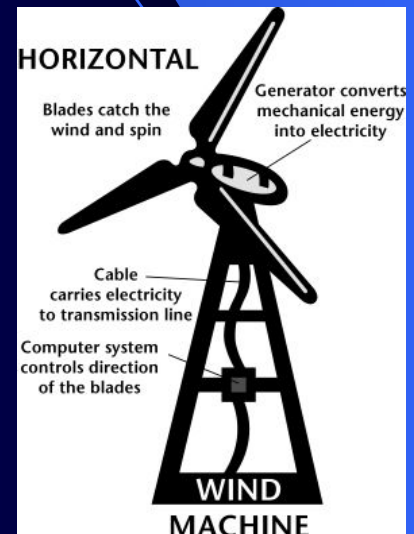


Wind power



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

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

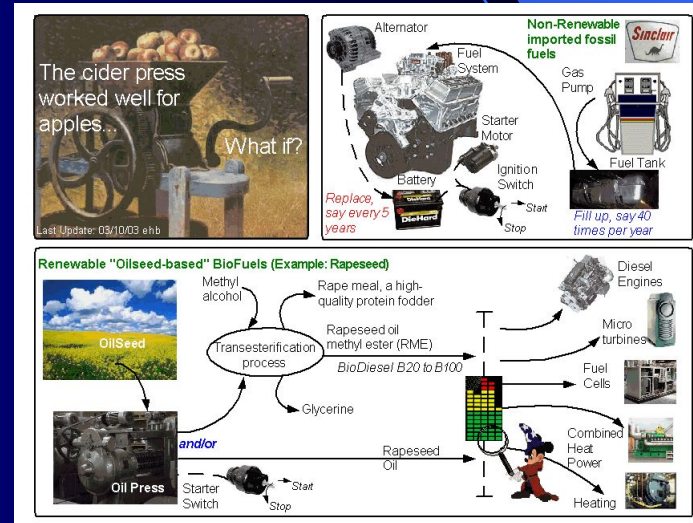


Biofuels

- 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

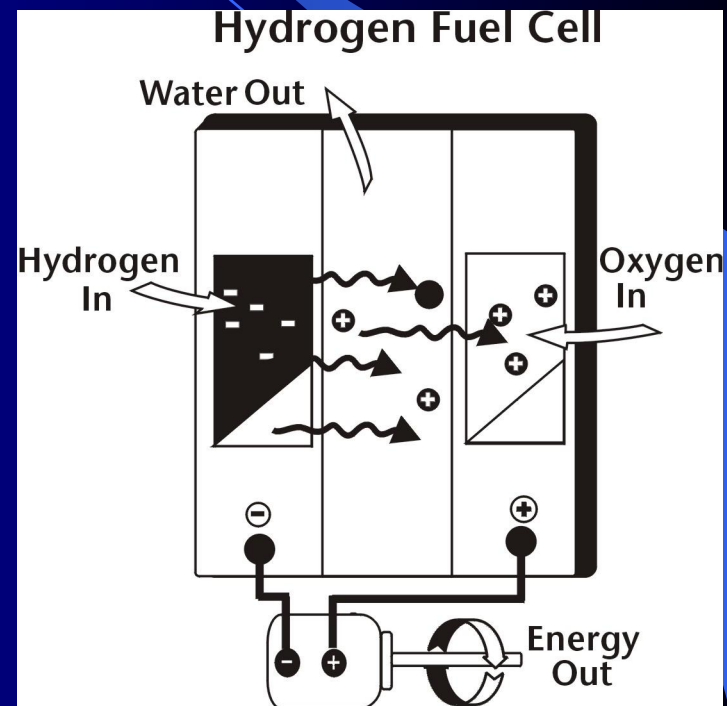


E85 octane number is more than 100 and thus engines have more horsepower!!!



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 CO₂ 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

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Any Questions