Shell to sell LPG assets to buy-out groups

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Royal Dutch Shell, the oil and gas group, is selling assets including its European liquid petroleum gas business and fields in the North Sea to help meet the cost of its $28bn capital spending programme this year, according to people involved in the proposed deals.

The company plans to raise $2bn-$3bn this year from selling assets that are not central to its growth plans, particularly downstream assets such as refining and marketing operations in mature markets such as Europe.

It is also selling some mature oil and gas fields in the North Sea and Nigeria.

Buyers have been invited to submit indicative bids, expected to go up to about €1bn, for its French-based European LPG business, which sells bottled gas to rural homes and caravans, according to one person familiar with the situation.

Axa Private Equity, Bain Capital and PAI are in the running for the business, which had earnings before interest, tax, depreciation and amortisation of about €120m last year.

CVC Capital Partners and the Carlyle Group are also rumoured to be interested. All the private equity groups declined to comment, as did Credit Suisse, which is advising on the deal.

A buy-out of Shell's LPG business would be one of the biggest private equity deals in the oil and gas sector since the financial crisis started. Indicative bids are due by March 22.

One person familiar with the auction said Shell's LPG business was attractive to private equity because of its stable sales and low competition.

"It has a captive customer base and in some areas it is a quasi monopoly," he said.

Shell abandoned the planned €2.5bn sale of its global LPG arm in 2005, claiming bids had not met its price target. Two years ago it sold parts of its LPG business in Spain, Switzerland, Germany, the Czech Republic and Bulgaria.

Aegis Logistics of India announced last December that it was buying Shell's Indian LPG operations.

Separately, Shell has put up for sale North Sea fields connected to the Anasuria floating production, storage and offloading vessel off the coast of Aberdeen, and fields in the Southern gas basin.

Shell has about 50 North Sea fields and insists that the region remains an important part of its portfolio, but is managing its assets to focus on the reserves where it can add most value.

The Guillemot, Teal and Teal South fields linked to Anasuria are operated by Shell and half-owned by.

ExxonMobil, producing about 5,000 barrels of oil a day. The Cook field, also linked to Anasuria, produces just under 7,000 barrels of oil a day, and is co-owned by companies including Hess and Sumitomo.

No buyer has yet come forward, but the assets could be valued at several hundred million pounds, depending on demand, people with knowledge of the situation said.

Shell is also in talks with Essar of India to sell refineries at Stanlow in the UK and Harburg and Heide in Germany. It is reviewing its refining operations in Sweden, New Zealand and several other countries for possible sales.

Refining margins have been squeezed by global over-capacity, and many industry executives believes the market for oil-based road fuels in the developed world will never grow again, growing, because of improved fuel economy standards and competition from alternatives such as biofuels.

The sale of Shell's downstream operations in Greece, including petrol stations and an LPG business, is under review by the European Commission.

On Tuesday BP will set out its latest thinking on strategy, with the outlook for downstream businesses expected to be a focus of investors' attention.

Fonte: Financial Times, London, Mar. 2nd 2010, Companies, online.