

Shell Targets Doubled Deepwater Production

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THE HAGUE, the Netherlands – Shell plans to apply the brakes to capital spending between now and 2020. CEO Ben van Beurden said the aim was to “re-shape Shell into a more focused and more resilient company...”

Integrated gas, previously a growth priority for the company, has reached critical mass following its recent [acquisition of BG](#), he added. “The pace of new investment will slow here, and integrated gas will now prioritize the generation of free cash flow and returns.”

Instead, Shell plans to prioritize [deepwater](#) production, in particular [offshore Brazil](#) and in the [Gulf of Mexico](#).

By 2020, the group’s global deepwater output could double to around 900,000 boe/d compared with 450,000 boe/d in 2015.

Over the next five years Shell plans capital investments in the range of \$25-\$30 billion/yr, he said, with a focus on [improved capital efficiency](#) and ensuring a more predictable development funnel for new projects.

He forecast spending this year of \$29 billion, excluding the purchase price of BG, roughly 35% lower than the pro-forma Shell-plus-BG level in 2014.

“In the prevailing low oil price environment we will continue to drive capital spending down towards the bottom end of this range, or even lower if needed. In a higher oil price future we intend to cap our spending at the top end of the range.”

Program to sustainably reduce operating costs are in place across the company, he continued, and should lead to a run-rate of \$40 billion of underlying operating costs at the end of this year, with potential for further cost reduction.

Shell’s asset sales will likely total \$30 billion during 2016-18. Van Beurden explained: “We have earmarked up to 10% of Shell’s oil and gas production, including five to 10 country exits, for disposal. We expect to make significant progress on the first \$6-8 billion of this program in 2016.”

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