

Shell writes off RM7.4 bil in refining assets

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Royal Dutch Shell Plc, Europe's biggest oil company, wrote off US\$2.3 billion (RM7.4 billion) in refining assets this year as expanded capacity in Asia reduces profits.

Most of the charge is related to the Bukom plant in Singapore, said chief financial officer Simon Henry. Net income fell 45% to US\$4.5 billion in the first-quarter from a year earlier partly because of the impairment, The Hague-based Shell said today in a statement.

The charge "reflects our updated views on future refining margins," the CFO told reporters on a conference call today. "Far too many of our competitors, mainly governments actually, continue to invest in capacity that the market doesn't need."

Indian and Chinese state-owned companies, such as Oil & Natural Gas Corp and China National Petroleum Corp, are expanding capacity to meet local demand. Reliance Industries Ltd, operator of the world's biggest refining complex, is competing in US and European markets, exploiting its ability to process cheaper crude grades into high-quality fuels.

Profit from making 95-RON gasoline in Singapore, the region's oil-trading hub, averaged US\$13.66 a barrel last year, from US\$14.45 in 2012, according to KBC Energy Economics. Declining prices threaten to erode margins for refiners from Japan to India.

In Europe, demand is declining, "but nobody will close refineries," Henry said. Demand is shifting to diesel, where Germany and the Netherlands lead output, making some refineries, built to produce gasoline, less competitive, he said.

The Anglo-Dutch company is selling refining and marketing assets in Australia, Denmark, Italy and Norway.

Shell today reported US\$7.3 billion first-quarter profit excluding one-time items that beat analyst forecasts. The shares rose the most in two-and-a-half years in London trading.

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