Shell suspends drilling in Alaska as profits plunge

January 30 2014, by Roland Jackson

Greenpeace activists stage a protest on May 10, 2012 on the roof of a Shell petrol station in Prague

Royal Dutch Shell will suspend drilling in offshore Alaska after a US court decision and as the oil major streamlines operations following a slump in annual profits, it said on Thursday.

The Anglo-Dutch group said it would halt the project this year after a federal appeals court last week ruled that the US government had improperly relied on inadequate information in the process of awarding licences for exploration in Alaska.

"The recent decision ... raises substantial obstacles to Shell's plans for drilling in offshore Alaska," Shell said in a statement accompanying the earnings release.

"As a result, Shell has decided to stop its exploration programme for Alaska in 2014."

Chief executive Ben van Beurden expressed regret at the situation.

"This is a disappointing outcome, but the lack of a clear path forward means that I am not prepared to commit further resources for drilling in Alaska in 2014," he said.

"We will look to relevant agencies and the court to resolve their open legal issues as quickly as possible."

Shell revealed the news in a poor results statement that also laid out plans to sell off $15 billion (11 billion euros) of assets over the next two years.

Capital spending will also be reduced to $37 billion in 2014, from $46 billion in 2013.

A Greenpeace activist half covers the Shell logo at a petrol station in Prague on May 10, 2012

"We are making hard choices in our worldwide portfolio to improve Shell's capital efficiency", van Beurden added.

Two weeks after a profits warning, Shell confirmed that net profits dived 39 percent to $16.371 billion in 2013, compared with $26.712 billion a year earlier.

Shell shocked investors earlier this month with its first profit warning for a decade, blaming high exploration costs, pressures across the oil industry and disruption to Nigerian output.

The group also confirmed on Thursday that profit on a current cost of supplies (CCS) basis or current-cost accounting—stripping out changes to the value of oil and gas inventories—sank to $16.7 billion from $27.2 billion.

And CCS profit plunged by 70 percent to $2.2 billion in the fourth quarter, or three months to December, compared with $7.4 billion in the same part of 2012.

"Our momentum slowed in 2013. We must improve our financial results, achieve better capital efficiency and continue to strengthen our operational performance and project delivery," said van Beurden.

Greenpeace activists stage a protest on May 10, 2012 at a Shell petrol station in Prague

"Our overall strategy remains robust, but 2014 will be a year where we are changing emphasis, to improve our returns and cash flow performance."

Shell's 2013 performance was hit also by higher depreciation, lower upstream volumes and weak industry conditions in downstream oil products.

This month's surprise profits warning and dire results mark a disappointing start to van Beurden's tenure as chief executive. The Dutch national took over from Peter Voser on January 1.

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