

Shell mines new markets for swelling gas reserves

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Bloomberg in London

Royal Dutch Shell, Europe's largest energy producer, is weighing options for rising North American natural-gas output, including exports and making liquid fuels, chief executive Peter Voser said.

Shell will double North American gas production in the next three years to the equivalent of 400,000 barrels of oil a day as output from shale deposits rises, Voser said in an interview. Shell may channel gas into chemical production, an export project in Canada, and a programme to use the fuel to power trucks, he said.

"We are getting now into production phase in a big way," Voser said at the World Petroleum Congress in Doha, Qatar. "It's about the right time to look for further options. We are really looking at the usage of gas in a much wider way in North America."

Pumping gas trapped in shale rocks has transformed the United States into the world's largest gas producer, cut prices about 75 per cent from their 2008 peak and made exports to higher-priced markets in Asia and Europe a viable option. The



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fuel will overtake crude oil to account for more than 50 per cent of Shell's global production next year, driven in part by the development of shale gas fields in Texas and Pennsylvania.

"This percentage goes up over the next years to come as most of our projects are actually gas projects," Voser said. "Given our huge gas reserves in the US we are looking at a possibility to actually build a gas-to-liquids plant."

Shell has invested about US\$19 billion in its Pearl gas-to-liquids plant in Qatar to make transport fuel. It is the company's largest project to date and it plans to build another "large scale" unit, said Andy Brown, Shell's chief in Qatar.

The company has gas reserves in North America of 1.1 trillion cubic metres, about 12 per cent of the continent's total at the end of last year, based on data from BP's Statistical Review of World Energy.

The company spent US\$4.7 billion last year to buy most of East Resources, a shale producer with fields in Texas's Eagle Ford area and Pennsylvania's Marcellus shale.

The Hague-based Shell is also working on the Green Corridor project in Canada to convert gas into 300,000 tonnes of liquefied natural gas a year to fuel long-distance trucks starting next year. The fuel will be offered to operators along western Canada's busiest truck route from Calgary to Edmonton.

Shell is looking at using the LNG-to-transport technology in China and Europe, Voser said. It will be a smaller market than using gas to fire power plants, "but it's a good usage of the gas", he said.

"There is a great appetite for this type of solution," he said. This market "will be growing".

The gap between natural gas and crude oil prices in North America is opening up the prospect of LNG exports to Asia and making chemical projects commercially viable. Today's gas price is equivalent to about US\$27 a barrel of crude, while oil is trading at about US\$100 a barrel in New York.