

**MEETING WITH ANDREW BROWN,
INTERNATIONAL UPSTREAM DIRECTOR, SHELL
TUESDAY 7 JULY**



STEER

[REDACTED]

← FoI
s 43
s 27

Shell has a significant presence in Australia and is investing in some of the major LNG projects. Its proposed takeover of BG is likely to face one of its stiffest regulatory challenges in Australia. Mr Brown met Lord Maude on Monday 6 July, where he discussed Kazakhstan, Iraq and Nigeria.

OBJECTIVES

- Signal UK support for Shell's continued operation in Brunei as a key pillar in our long bilateral relationship with Brunei.
- Explain that we are aware of Shell's discussions with the Government of Brunei [REDACTED]. Hope you are able find a way forward soon. ^ FoI s 43
- Encourage early engagement with new Bruneian Ministers once the imminent reshuffle takes place. A visit to Brunei by Shell's senior leadership could have a positive impact on the negotiations.
- Understand from Shell what they think will be the likely outcome of the Australian Competition and Consumer Commission investigation into their takeover of BG.
- Welcome Shell's existing strong presence in Australia and their involvement in some of the major LNG projects (such as Gorgon in Western Australia coming on stream later this year).

BACKGROUND

1. Andrew Brown was appointed to the Executive Committee of Royal Dutch Shell as Upstream International Director in April 2012. He is responsible for Shell's global Upstream business outside the Americas, including exploration, production and integrated gas.
2. Shell has an 85 year relationship with Brunei and they continue to view Brunei as a "heartland" operation. Shell see good opportunities for many years ahead,

[REDACTED]

FoI
← s 27
s 43

Infrastructure is aging and the cost of keeping the operation safe and functioning is increasing. [REDACTED]

[REDACTED]

[REDACTED]

FOI
s 43

3. The pace of any major negotiation with Brunei always tends to be slow. [REDACTED]

[REDACTED]

FOI
s 27
s 43

4. [REDACTED]

We have also offered official briefings to the Energy, Finance and Foreign Ministers on HMG's steps to incentivise new North Sea investment, to no avail. Our High Commissioner will renew the offer following the expected Ministerial reshuffle this summer.

5. Shell has several major investments in projects under construction in Australia including its 25% stake in the GBP34.5bn Gorgon LNG project in Western Australia which is due to begin production later this year and the Prelude floating LNG project – the world's first FLNG facility – which is due to begin production in 2016-17.

6. Shell's recent divestments in Australia include the sale of its downstream refining and marketing business to Swiss oil trader, Vitol, for GBP1.4bn early last year and its exit from Chevron's Wheatstone LNG project in Western Australia. The company also announced in January that it was shelving its GBP12.8bn Arrow LNG project with PetroChina [REDACTED]

[REDACTED]

FOI
s 43

7. Shell announced in April its GBP60.2bn proposed takeover of BG. One of the stiffest regulatory challenges will be in Australia. The Australian Competition and Consumer Commission (ACCC) launched an investigation into the takeover on 11 June. A day later, the ACCC kicked off a year-long review of competition amongst East Coast gas producers. This enquiry was prompted by complaints from domestic manufacturers that increasing exports of Australian gas were forcing up prices for them. The ACCC has promised a "statement of issues" – which could set out demands for concessions – or a "final decision" by 3 September at the latest.

[REDACTED]



Subject: 20150709 Brunei and Australia: Meeting between Minister Swire and Andrew Brown, Upstream Director Shell

1. At Shell's request, on 9 July Mr Swire met with Andrew Brown, International Upstream Director to discuss specifics of Shell's operations in Australia and Brunei. Mr Brown was accompanied by [redacted] The meeting was also attended by David Campbell, our High Commissioner in Brunei, and Nick McInnes, our Consul-General and Director of UKTI in Sydney.

foi s40

foi s43

Chevening

2. Mr Swire opened the meeting by acknowledging Shell's recent decision to provide [redacted] funding for the Chevening Scholarship Programme, commenting that it was good to see companies like Shell getting involved, and that he would be interested in feedback from Shell about how they find the experience.

BG Merger/Australia

3. Mr Brown said that they had got Brazilian consent, which would make it Shell's largest country operation. [redacted] Mr Swire said that the UK was invested in Brazil, having recently opened a new Consulate General there, and there were a high number of Ministerial visits.

foi s27 s43

4. Approval on the BG merger had also been received on by the United States, but Shell were waiting on the EU and China still. Chinese approval was expected to take around 180 days (Action: China Dept: Mr Swire asked whether this was a potential deliverable for the State visit). Mr Brown noted that it was only after all the approvals had been issued that the shareholders of BG and Shell would be able to approve the merger.

foi s27 s43

5. [redacted] He recognised that the Australian review of the merger could be one of their stiffest regulatory challenges and was aware of the parallel inquiry into competition amongst LNG producers prompted by concerns expressed by Australian manufacturers about domestic gas prices. He had spoken to Ian Macfarlane, Australia's Minister for Industry, who did not seem to have any difficulties with the merger or any issues about domestic gas prices. However, he was conscious that their proposed acquisition of Woodside had been blocked by the Australian authorities 15 years previously and asked HMG to alert Shell to any specific concerns we heard being raised about the merger. The Australian Competition and Consumer Commission (ACCC) had promised a 'statement of issues' - which could set out demands for concessions - or a 'final decision' by early September at the latest.

foi s27 s43

6. [redacted] The company had several major investments in projects under construction including Gorgon which is due to begin production later this year and the Prelude floating LNG project - the world's first such facility - which is due to begin production in 2016/17. He further noted that Ben van Beurden, Shell's CEO, was likely to visit Australia in October. He agreed to keep Nick McInnes informed about the visit and in order to coordinate High Commission involvement.

Brunei

7. Mr Swire noted that Shell's operation in Brunei was long-standing and of great importance to Brunei, but commented that he was aware that the infrastructure was now old and in need of reinvestment.

[Redacted]

↖ FOI s 43

8. [Redacted]

FOI
↙ s27
s43

9. [Redacted]

↙ FOI
s27
s43

10. Mr Brown said he was planning to travel to Brunei himself in early September, but that meanwhile they would be exploring opportunities for other high level contacts. Mr Swire said that he would be happy to see Pehin Lim when he was in London (Action: [Redacted] to check when Pehin Lim will next be in London). Pehin Lim is the chair of the BSP (Brunei Shell Petroleum) board, and frequently travels with Pehin Yasmin.

[Redacted]

FOI s27 s43 ↘

↑ FOI s43

11. [Redacted] but noted that there are concerns about the lack of diversification in the Bruneian economy – which at present is highly reliant on oil and gas revenues.

12. [Redacted]

Shale

↑ FOI
s27 s43

13. Mr Swire asked if Shell had any involvement in Shale anywhere. Mr Brown replied that the only market they were in was the US, further commenting that this was the only market where anyone was making any money in Shale. The US is in a unique position in this regard due to the horizontal drilling and fracking, coupled with a very active supply chain.

Other markets

↙ FOI s43

14. [Redacted]

[Redacted]

↑ FOI
s29(1)(a)
s43

Sent: 18 February 2015 14:42
Subject: FW: Update to Shell Briefing [REDACTED]
Attachments: Shell - 19 February 2015 - Baroness Anelay - FINALedit.doc

[REDACTED]

I should have copied you into this – we have updated the Shell briefing after some violence in Port Harcourt. Nic may want to be aware.

[REDACTED]

Nigeria Team telephone: +44 [0] 20 7008 [REDACTED] fm: 8008 [REDACTED]

From: [REDACTED] ✓
Sent: 18 February 2015 14:32
To: [REDACTED]
Cc: [REDACTED] ✓
Subject: Update to Shell Briefing [REDACTED]

[REDACTED]

As discussed, there was some violence in Port Harcourt which might be of concern to Shell, so I have updated [REDACTED] brief as we agreed.

Best regards

[REDACTED]

[REDACTED]

Nigeria Team | Africa Department (East and West) | Room EG013 | Foreign and Commonwealth Office | King Charles Street | London SW1A 2AH | telephone: +44 [0] 20 7008 [REDACTED] fm: 8008 [REDACTED] email: [REDACTED] url: www.fco.gov.uk