Shell plans UK relocation, sparking Dutch outrage

Move hailed as clear vote of confidence in British economy post Brexit

LONDON: Energy giant Shell yesterday announced plans to switch headquarters from the Netherlands to the UK and drop Royal Dutch from its name in a major shakeup that angered the Dutch government. The plan, hailed by UK Business Secretary Kwasi Kwarteng as "a clear vote of confidence in the British economy" post Brexit, will see Shell switch its tax residence and top executives to Britain. The move deprives the Netherlands of its biggest company, which has for more than 130 years been a symbol of Dutch entrepreneurial spirit and is headquartered in The Hague.

"We are unpleasantly surprised by this. The cabinet deeply regrets this intention," Dutch Economic Affairs Minister Stef Blok said on Twitter. "We are in talks with Shell about the implications of this move for jobs, critical investment decisions and sustainability. Those are hugely important," Blok added.

The Dutch business association VNO NCW said: "This is a huge bloodletting for the Netherlands."

Shell in a statement said the changes were designed to strengthen the company's "competitiveness and accelerate both shareholder distributions and the delivery of its strategy to become a net-zero emissions business". It insisted that "the simplification will have no impact on" a Dutch court ruling that the company slashes greenhouse gas emissions.

The legal decision this year was a landmark victory for climate activists, while yesterday's announcement comes after activist investor Third Point demanded Shell be broken up, bolster low-carbon investment and return more cash to shareholders.

'More competitive'

The proposals "will normalize our share structure under the tax and legal jurisdictions of a single country and make us more competitive", said Shell chair Andrew Mackenzie. "As a result, Shell will be better positioned to seize opportunities and play a leading role in the energy transition," he added. Shareholders will vote on the planned changes at a meeting in the Netherlands on December 10.

Shell said it plans to relocate to the UK its chief executive Ben van Beurden and chief financial officer Jessica Uhl. The company has been incorporated in the UK with Dutch tax residence since the 2005.

This followed the unification of Koninklijke Nederlandsche Petroleum Maatschappij and The Shell Transport and Trading Company under a single parent company.

Shell said in yesterday's statement that it "is proud of its Anglo-Dutch heritage and will continue to be a significant employer with a major presence in the Netherlands". The company said its projects and technology division, global upstream and integrated gas businesses and renewable energies hub would remain located in The Hague. Shares will continue to be listed in Amsterdam, London and New York, it added.

Activist pressure

Shell's shakeup comes as the company faces increased pressure from activists on how the company is run as the world moves to net zero emissions targets. The largest Dutch pension fund, ABP, last month said it would stop investing in all fossil fuel companies. It comes after Daniel Loeb, founder of New York-based hedge fund Third Point, took a stake in Shell to demand change.

"Third Point called for a break-up of Shell into several entities and there is no hint of such a strategy in the announcement" Monday, noted Russ Mould, investment director at AJ Bell.

"Having one legal and tax domicile can increase speed of movement by reducing legal and financial complexity when it comes to acquisitions, disposals, cash returns to investors or fundraisings," he told AFP. Shell's plans come also after consumer goods giant Unilever became a wholly British company at the end of the last year after it completed a merger of its Dutch and British corporate entities. Prime Minister Mark Rutte two years ago dropped plans to scrap a tax on dividends for big companies, an issue that was at play with Unilever. At the same time however, Amsterdam's stock exchange has gained on London's financial hub following Brexit. — AFP

PERNIS, Netherlands: The exterior of the Anglo-Dutch oil and gas company Shell's refinery in Pernis, sub-municipality of Rotterdam. - AFP

South Africa hails 'successful' coal 'phase-down' deal

CAPE TOWN: Coal-dependent South Africa yesterday welcomed the outcome of the Glasgow climate conference at which the language on fossil fuels curbs was significantly nuanced. With coal providing 80 percent of the country's power, South Africa is among the world top 12 largest greenhouse gas emitters.

Yet the African continent's most industrialized nation is battling to meet its energy needs.

The final text at the end of two weeks of tough COP26 negotiations urged nations to accelerate efforts to "phase down" unfiltered coal and "phase out" inefficient fossil fuel subsidies. South Africa's chief negotiator Maesela Kekana said the way the wording was initially "framed was not in line with the principles of... equity and common differentiated approaches as well as issues of climate justice".

Ultimately there was "consensus, and we agreed that it is important to phase down coal, while taking into account one's national circumstances and also looking at issues of support for developing countries and issues of just transition". "So in our view that issue was concluded successfully," he told AFP via a voice note.

In Glasgow, South Africa secured $8.5 billion (7.3 billion euros) in loans and grants from a group of rich nations to finance its migration away from coal. Overall, said Maesela Kekana, "We are quite happy with the outcomes ... we believe that this outcome put us in a good path for (a) successful" African COP27 to be hosted by Egypt in 2022. —AFP

PILIYANDALA, Sri Lanka: In this file photo, motorists queue to buy petrol in Colombo. — AFP

Sri Lanka shuts only oil refinery as dollar shortage bites

COLOMBO: Sri Lanka shut its only oil refinery yesterday after running out of dollars to import crude, in an escalating economic crisis that has triggered shortages of food and other staples.

The country's foreign reserves had fallen to $2.3 billion at the end of October, down from $7.5 billion when the current government came to power almost two years ago. International rating agencies have downgraded Sri Lanka's credit worthiness as the economy shrank an unprecedented 3.6 percent last year with the COVID-19 pandemic.

The island's tourism earnings and foreign worker remittances have dropped, sparking an import ban on a host of goods including vehicles, spare parts and spices since March last year. Energy Minister Udaya Gammanpila said it was the first time the Sapugaskanda refinery has been shut down since it was built by Iran in 1969.

Gammanpila said the country instead planned to import refined petrol and diesel and that the government would save an unspecified amount of money by doing so. "When we refine crude at Sapugaskanda, we get 37 percent furnace oil and 19 percent aviation fuel and only 43 percent petrol and diesel," he told reporters in Colombo. "There is no big demand for furnace oil and aviation fuel so it is better to import refined petrol and diesel which are in high demand," Gammanpila said.

Top Sri Lankan officials have warned of fuel rationing by the end of the year unless consumption is cut drastically. Sri Lanka's oil import bill was $2.32 billion last year when a barrel of crude had fallen to about $45, but 2021 imports were expected to be about $4.0 billion because of the sharp rise in oil prices in the international market, according to an official report five months ago.

Official sources said the government had been banking on huge loans from Oman and India to finance oil imports, but they had not materialIZed and negotiations appeared to be inconclusive.

The foreign exchange shortage has already led to rationing of milk powder, sugar, cooking gas and cement. In a bid to earn desperately needed foreign cash, the central bank last week announced tighter controls on exporters forcing them to convert their foreign exchange earnings within 180 days at official exchange rates. The Central Bank of Sri Lanka has pegged the dollar at 202.99 rupees, but commercial banks have run out of dollars. —AFP

Thai economy shrinks, hopes for tourism-led recovery

BANGKOK: Thailand's economy shrank in the third quarter, official data showed yesterday, but hopes for a gradual recovery are picking up after the kingdom's reopening to foreign tourists this month. The country last year suffered its worst performance since the Asian financial crisis of 1997, with a 6.1 percent economic contraction.

Gross domestic product shrank 0.3 percent year-on-year in the third quarter, the Office of the National Economic and Social Development Council (NESDC) said, blaming it on COVID restrictions.

"The measures to control the outbreak affected the economic activities," said Danucha Pichayana, secretary general of the board of the NESDC, yesterday during a news conference.

A coronavirus outbreak in April this year saw the emergence of the highly contagious Delta variant, which led to reimposing tough restrictions on services and restaurants. According to NESDC data, the food service and accommodation sector shrank 18.6 percent July-September because of "a decrease in domestic tourism and household spending".

In Bangkok-a key hotspot during the Delta wave-restrictions only started to ease in recent weeks, with the government allowing certain restaurants to reopen and serve alcohol.

The relaxation of COVID restrictions-along with a gradual return of vaccinated foreign tourists since November 1 — has officials hopeful for growth of 1.2 percent this year. The country also expects five million tourists to return next year, bringing revenues of up to 440 billion baht ($13.4 billion), said the NESDC. Pandemic travel restrictions sent Thailand's visitor numbers plummeting from 40 million in 2019 to just 73,000 in the first eight months of 2021.

Danucha said the forecast for 2022 was between 3.5 and 4.5 percent as Thailand slowly recovers from the pandemic. But with China-the source of most of Thailand's foreign travellers before the pandemic-still restricting returns, the kingdom's cash-cow industry is unlikely to fully recover before 2024, experts say.

Thailand has so far registered more than two million cases of coronavirus and more than 20,000 deaths. The bulk of the infections came after the emergence of the Delta variant. —AFP