

Shell fracking



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Royal Dutch Shell or Shell, which it is commonly called, is a global company which seeks to be the leader in the gas and oil industry. Founded in 1907, Shell's mission is to deliver the best value to its shareholders, while helping to meet energy demands all around the world. In addition to its role as an energy company, Shell strives to drive innovative ideas and to create technology solutions. One of these innovative ideas is known as “fracking”. Gaining financial information from Shell as it relates to the profits and losses due to fracking is difficult to acquire. Because of this we will need to analyze this method and consider its strengths and weaknesses along with its opportunities and threats in order to determine if it positively affects Shell's profits.

Fracking Process

Fracking, also known as hydraulic fracturing, which is defined as a “procedure of creating fractures in rocks and rock formations by injecting a mixture of sand and water into the cracks to force underground to open further. The larger fissures allow more oil and gas to flow out of the formation and into the wellbore, from where it can be extracted.” A wellbore is a hole that forms the well for the purpose of extracting natural resources from the ground and is also known as a drillhole. This hole is often encased in steel or cement. Once the natural gas is extracted out of the ground Shell does different things with it. Some of the natural gasses are used to produce electricity to power homes, buildings and more.

SWOT Analysis

Strengths: A strength of fracking is that it extracts more gas and oil than other techniques at a lower cost. Previously it was less expensive to use coal
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to generate electricity because the costs of extracting natural gas and oil were higher. Thanks to fracking, it now costs less for natural gas to generate electricity than it does for coal. Testosterone pit says that gas “ plants have lower capital costs than coal plants—\$600 to \$700 per kW versus \$1, 400 to \$2, 000 kW” This has increased the amount of electricity being produced by natural gasses. As you can see from this graph the coal produced electricity has decreased from 2001 to 2012. The Natural Gas produced electricity has increased.

Natural gas releases two to three times less carbon dioxide than coal does, making it a lot safer for the atmosphere. Because of the small amount of carbon dioxide that natural gas releases, the progression of global warming is slowed. In relation to other methods, fracking is reasonably cheap and may become the quintessential method for extraction of oil and gas. The strengths of fracking could potentially boost Shell’s profits along with entice more investors which would increase their performance in the market. However exact numbers of Shell’s profits from the fracking industry are unknown and not stated in their financial reports. We can only assume from the Gross Profit (below) that these strengths cause an increases in net profit.

Weaknesses: These fracking weaknesses contribute to creating a poor image on fracking. These images ... Tests on groundwater provide evidence that fracking creates pollution in the water source as well as in nearby wells. Also studies show that fracking has caused earthquakes, which can lead to injuries and property damage and many other problems. Some of these earthquakes, although small, can be the catalyst for larger, more dangerous earthquakes according to experts. The act of fracking consists of pumping a

mix of water, sand and a small amount of lubricant into the ground. That lubricant contains harmful chemicals and once fracking is complete, the chemicals that entered the earth, remain. This harms the environment in the area where the fracking occurs, and can lead to lawsuits. Some experts insist that the regulations for fracking are too lenient and need to be more stringent. These problems can affect the profits and revenue of Shell in a negative way by ruining the corporate image of shell.

Opportunity: Competition from other energy companies makes Shell strive for better and cheaper ways of creating energy. There is a theory which states that competition between different companies helps rather than hinders them. Since Shell has to compete for the energy market, Shell's scientists work with other institutions such as University of Texas, to develop better methods of extracting energy that is safer and cheaper. Another benefit that has resulted from the growth of the fracking industry is the creation of 1.7 million new jobs in the United States. Studies from an economic forecaster, IHS Global Insight, have shown that by 2035 the number should rise to 3.5 million jobs.

There is potential for fracking to become the main source of extracting natural gas. In the graph below the green section or shale section shows how many cubic feet of gas is being produced by fracking from 1990 to 2040. However scientists can only estimate that amount of shale gas being produced in the future. We do know that fracking has caused a dramatic boost in the natural gas production in this country. The Energy Information Administration states that the production on natural gas will rise around 44% through 2040 due to fracking. The higher production rate of natural gas is

due to the fact that the cost to extract it from the ground has gone way down. Because of the lower costs for production, the wholesale price for natural gas has dropped. Now the cost of natural gas in our country is one-fourth the cost of Europe's.

IHS Global states that by 2020, fracking, due to cheaper production prices, will generate a \$51 billion increase in annual revenue for the U. S. federal government as well as for state, and local governments. In addition, by 2020, the lower cost of producing energy will result in a 3.5% increase in manufacturing. The positive consequences that have resulted from fracking will continue to help Shell with their public image. The financial benefits plus the additional supplies of energy, along with the creation of jobs and increased manufacturing, have made some people feel less opposed to fracking. Shell oil will benefit from this attitude as they proceed with these new techniques.

External opportunities

Threats: There are several methods of producing electricity such as wind power, coal energy, solar power and nuclear energy. These alternate methods of producing electricity creates competition. Companies such as GE and SolarCity cause a lower revenue for Shell. Neighbors who live close to fracking plants are experiencing polluted water sources caused by the leaks containing chemicals and natural gas. These poison the water supply which makes it undrinkable. One man demonstrated how dangerous the water is by lighting the water from his hose on fire. There are many cases of this and the majority of the victims are suing Shell. Shell is also being affected by protests and marches occurring all over the world. Due to these issues many

people are boycotting and Shell products and even suing the company which will damage their profits. Unless Shell can overcome the negative image of fracking they will continue to experience problems around the globe. opportunity cost could be very expensive.