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Midway through U.S. station reduction, company also focused on reducing refinery downtime

HOUSTON -- Royal Dutch/Shell Group, the world's No. 2 publicly traded oil company, is halfway to its goal of reducing the number of its U.S. gasoline stations, said Reuters, citing Shell Oil Co. President Rob Routs, the company's top U.S. executive.

Last year, Shell bucked industry trends by expanding its downstream activities. It bought ChevronTexaco Corp.'s stake in two refining and marketing ventures, as well as lubricants-maker Pennzoil-Quaker State. The acquisitions prompted the Anglo-Dutch company to revamp its downstream portfolio to boost returns, Routs said in a presentation to the Oil Analysts Group of New York last week.

Shell, the biggest fuels marketer in the U.S., is reducing the 22,000 stations that use the Shell or Texaco brand names by one-third before the end of this year. The company owns about 10% of these stations, and the rest are owned by independent operators or wholesalers.

“The idea is to convert the ones we want to keep,” spokesperson Tim O'Leary said. “It's not the number of stations, it's the volumes [of product] sold.”

Also as part of the revamping of its downstream operation, Shell said in February it is selling a dozen crude oil pipelines, gathering systems and storage by the end of this year. These “inland” assets became expendable after the company sold its Wood River, Ill., refinery to Tosco Corp. in January 2000. The company said it will now focus on moving oil from offshore Gulf of Mexico fields to its Gulf Coast refineries, and from those facilities to midcontinent gasoline stations.

Shell is building a refined-products pipeline across Illinois, expanding its capacity to move gasoline from its Gulf Coast refineries to retail markets in four mid-continent states, Reuters said. Shell's Equilon Pipeline Co. is building the 2Rivers Pipeline, a 12-in. underground pipeline from Wood River to Lawrenceville, Ill. From there, Shell can supply stations in Illinois, Indiana, Ohio and southeastern Michigan, a company spokesperson said.

About 59 miles of pipeline will be new, connecting Wood River to Patoka, Ill. The rest of the 137-mile route will use existing pipelines. The new line will carry as much as 60,000 barrels per day and should be ready for service by midsummer.

Shell said 2Rivers will increase supply to the region, boost supply flexibility and reduce barge and tanker-truck traffic. The midcontinent historically has been the most volatile refined-product market due to a shortage of refineries and pipelines in the region.

Routs, who becomes Shell's global head of oil products on July 1, also said the company is reviewing refinery performance with an eye to downtime, when refineries are shut down for maintenance. Unplanned downtime has fallen to 7% during the first quarter from 9% in 2001. Shell wants to reduce downtime to 4% or lower, and so far has reached that goal at four of nine U.S. refineries.

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