

Shell Goes Big on Canadian Gas with \$22B Deal to Buy ARC Resources



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CALGARY - Shell plc has signed a \$22-billion deal to acquire ARC Resources Ltd., bringing together the lead partner in Canada's first operating liquefied natural gas project with a major producer in one of the continent's most profitable shale regions.

Wael Sawan, chief executive of the U.K.-based global energy heavyweight, said Monday that the transaction "establishes Canada as a heartland for Shell," which had divested its once hefty footprint in the oilsands.

"We are accessing uniquely positioned assets and welcoming colleagues that bring deep expertise which, combined with Shell's strong basin level performance, provides a compelling proposition for shareholders."

ARC Resources is focused on the Montney, a shale formation that stretches through parts of northeastern British Columbia and northwestern Alberta.

"Through this transaction, we will realize this tremendous value and become part of a dynamic global energy leader capable of realizing the full potential of our business and delivering on Canada's exciting energy future," ARC chief executive Terry Anderson said in a statement.

Last year, ARC produced 374,000 barrels of oil equivalent per day before royalties. Its operations are close to Montney holdings Shell has in both provinces.

"It reinforces the fact that the Montney is a world-class resource play," Tom Pavic, president of Sayer Energy Advisors in Calgary, said of the proposed takeover.

"I think you would probably see some more (merger and acquisition) activity in the Montney, for sure."

Under the proposal, ARC shareholders will receive 0.40247 of a Shell share and \$8.20 in cash in exchange for each ARC share.

The offer is valued at \$32.80 per ARC share, based on the closing price for Shell shares and exchange rates on April 24 when ARC shares closed at \$25.77.

All told, the companies value the deal at \$22 billion, including assumed debt.

Shell and four Asian companies own the LNG Canada plant in Kitimat, B.C., which began operations last summer. There, natural gas is piped from fields in the Montney and elsewhere in western Canada and then chilled into a liquid state, enabling it to be exported across the pacific in specialized tankers.

The consortium is contemplating doubling the plant's capacity through a second phase, and Pavic said Monday's deal signals a positive final investment decision is likely.

For its part, ARC is active in the LNG industry through long-term contracts it has signed as a supplier, including to LNG Canada. Two years ago, it also signed a long-term liquefaction tolling services agreement with Cedar LNG, another plant under construction in Kitimat that's a partnership between Pembina Pipeline and the Haisla Nation.

Shell was at one-time one of the biggest producers in Alberta's oilsands, but divested the last of its holdings in that sector in early 2025 through an asset-swap deal with Canadian Natural Resources Ltd. Its Canadian portfolio has since focused on

producing and exporting gas, refining oil into higher-value products and operating a chain of Shell-branded retail outlets.

Andrew Dittmar, principal analyst at Enverus Intelligence Research, wrote in a note that there's been a dearth of attractive, long-life acquisition opportunities for energy majors like Shell.

"Within a global framework, Canada represents one of the most attractive opportunities with duration of high-quality resource for both gas in the Montney and crude in the oilsands," Dittmar wrote.

"For Shell, with a large focus on an integrated global gas business, targeting the Montney makes sense and is a firm confirmation of the prolific play's competitive position in the global gas landscape."

The takeover announced Monday is the latest one focused on western Canadian shale gas recently.

In November, Denver-based Ovintiv Inc. announced plans to buy NuVista Energy Ltd. for \$3.8 billion. A month earlier, private energy company Cygnet Energy Ltd. signed an agreement to buy Kiwetinohk Energy Corp. for \$1.4 billion.

Pipeline operator Enbridge Inc. has also signalled bullishness around Canadian natural gas with a \$4-billion plan to expand its Westcoast pipeline in B.C. It received federal government approval last week to add new pipe to the system, which delivers gas from northern B.C. and Alberta south to the Canada-U.S. border.

In addition to shareholder and court approvals, the Shell-ARC deal is subject to regulatory approvals, including under the Investment Canada Act.

The transaction is expected to close in the second half of this year.

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Companies in this story: (TSX:ARX)

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