

## The Oil Merger of the Decade: Shell to Buy BG Group

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According to a statement by BG Group, Royal Dutch Shell is [considering a “super-merger”](#) with BG to expand its gas production, which would mark the biggest [merger of the year](#).

The \$70 billion merger would put Shell in a dominating position over the oil market. It would nearly close the gap with Exxon, the [world’s biggest oil company](#), worth \$360 billion. The new combined group Shell-BG would be worth [\\$334.5 billion](#), around [9% of the FTSE 100](#). The deal would also give Shell access to [BG’s multi-billion dollar projects](#) in Australia, Brazil, China, East Africa, Egypt and Kazakhstan. Finally, the new group would become the [world’s largest producer of liquefied natural gas](#) (LNG) with BG’s assets. Shell even stated that it would have [twice the size of LNG production](#) of Exxon by 2018.

The potential Shell-BG merger is the latest evidence of the [consequences](#) of last year’s [oil price drop](#). Several companies, such as BG, were hit so badly that they were [pushed to consolidation](#) deals to survive. This was to be expected considering the scope of the oil crisis.

The [\\$70 billion offer](#) from Shell to BG would be paid in cash and shares, which includes a tremendous [merger premium of 50%](#). If the deal is completed – expected in [early 2016](#) – BG’s shareholders will hold [19%](#) of the newly merged company.

To conduct this supersized deal, Shell is relying on a [consummate legal team](#): Slaughter and May primarily, Cravath, Swaine & Moore for U.S. legal issues, De Brauw Blackstone Westbroek for the Dutch aspects, and Shell’s own team of in-house lawyers, lead by its legal director Donny Ching. BG chose Freshfields as principal counsel in the merger.

Before completion of the deal, a couple of major legal procedures will have to be thoroughly followed. Considering the great size of the purported new group, this deal requires the [prior approval of some antitrust authorities](#): Australia, Brazil, China, and E.U. [Shareholders of both companies](#) will have to approve the deal as well.

This merger might spur other consolidation projects in the oil industry. Lately, rumor has it that [Exxon Mobil is contemplating BP](#) as a potential acquisition.