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Shell accused of abandoning solar power buyers in the developing world

Row over responsibility for sold-off systems has left Sri Lankan communities unable to replace faulty equipment

Terry Macalister

The Observer, Sunday 3 January 2010



Shell is at the centre of a row over warranties for solar power systems sold to the developing world. Photograph: Leon Neal/AFP/Getty Images

Shell has become embroiled in a major row with the [World Bank](#) and green [energy](#) companies after allegations that it is unfairly refusing to honour warranties on [solar power](#) systems sold to the developing world.

A widespread breakdown of its equipment in [Sri Lanka](#) and elsewhere has left the oil firm accused of abandoning a responsibility to impoverished communities while damaging the prospects of the wider renewable power sector in a world desperate to reduce carbon emissions following the Copenhagen [climate change](#) summit.

The rural electrification business under which [the Shell systems](#) were sold has now itself been passed on – as have most other parts of the group's solar business – but critics say that Shell, which made [profits of \\$31bn](#) in 2008, has a continuing role in ensuring former customers are not left vulnerable.

"Shell exited solar on a global basis, seemingly without due consideration to how after-sales service and warranty replacements would be provided, thereby damaging the very local solar industries it had earlier helped to create," said Damian Miller, a former Shell manager who now heads his own solar business, Orb Energy.

"In Sri Lanka, poor customers with average earnings of \$1,500-\$2,000 a month have

them."

The World Bank, which provides financing packages to the developing world, said it too was very worried about a situation in which about 700 solar systems appear to have failed and local suppliers risked going out of business.

Anil Cabraal, an energy specialist at the bank's Washington headquarters, has written to Shell asking for action. "I would like Shell to honour these commitments. We are not talking about millions of dollars here but hundreds of thousands," he told the Observer.

The company argues that it is being unfairly targeted and is doing all it can to sort out the problem. It points out that its Shell Solar Sri Lanka business has been transferred to a third-party purchaser, Environ Energy, along with all liabilities. The Anglo-Dutch oil group says the bulk of its former solar module manufacturing operation has also been switched to a new owner, Solar World.

"In October 2007, Shell sold Shell Solar Lanka Ltd to Environ Energy Global PTE Ltd. Specifically in order to protect customer interests, the terms of the transaction explicitly covered the management of all past, present and future liabilities, including warranty issues," said a Shell spokesman in the Hague.

"Environ Energy Global understands that resolution of this issue rests with Environ, but [its] own management team in Sri Lanka continues to approach Shell. We have asked Environ Energy Global to clarify responsibilities with [its] own management team in Sri Lanka."

The situation has been complicated by the fact that Environ claims Solar World will not replace any modules unless it has the appropriate warranty documents. Environ claims those papers were destroyed by Shell prior to the handover to Solar World, although Shell told the Observer this was not true.

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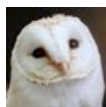
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**TBombadil**

3 Jan 2010, 1:28AM

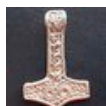
This seems extremely stupid behaviour by Shell. It will cost them a few hundred thousand to replace the solar panels but it will cost them millions if they get a reputation for failing to honour their contracts.

[Recommend?](#) (14)[Report abuse](#)[Clip](#) |[Link](#)**Gangoffour**

3 Jan 2010, 7:58AM

This is only a shock to people who are foolish enough to believe that Shell had the core competencies to run a solar company.

Hey, my British car just broke down. Where are those bastards from Burberry to fix it?

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3 Jan 2010, 8:37AM

As usual greenwash turns out to be just that - a coat of paint, no more.

As soon as the media have looked away the "green" projects are dropped and it's back to the dirty multi-billion core business.

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3 Jan 2010, 8:59AM

"In October 2007, Shell sold Shell Solar Lanka Ltd to Environ Energy Global PTE Ltd. Specifically in order to protect customer interests, the terms of the transaction explicitly covered the management of all past, present and future liabilities, including warranty issues," said a Shell spokesman in the Hague.

The liability clearly rests with Environ Energy Global PTE Ltd and not with Shell.

Please check facts before attacking an easy target

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**smugtory**

3 Jan 2010, 9:51AM

It's all in the small print
Grab the money and run

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3 Jan 2010, 9:54AM

PR, PR and more PR.

A hydrocarbon producing company wants 'green' credentials and it all went egg-shaped.

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3 Jan 2010, 10:02AM

@JedFanshaw, yes, the liability clearly rests with Environ, but ONLY as far as the relations between Shell and Environ are concerned. And NOT what the relations between Shell and its former customers concerns that are the topic of the article. You can easily transfer RIGHTS, but not DUTIES. The owner of the right, the former customer, has to agree in all civilised nations.

The relations between Shell and Solar World are another topic. Solar World did follow Shell and Environ owes Solar World the same it owed Shell if there is no special agreement. Environ has no right to blame Solar World, but former customers of Shell maybe have

[Recommend?](#) (9)[Report abuse](#)[Clip](#) |[Link](#)**cynicsareus**

3 Jan 2010, 10:59AM

When travelling in China last year, I met a German guy who worked for a German company selling solar systems. I asked him how his sales were going. He said he was not on a sales tour, but was inspecting installations done in previous years to make sure everything was in good working order.

He also said, most people were very surprised when he showed up.

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[sandra99](#)

3 Jan 2010, 11:33AM

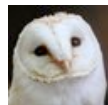
Solar power systems are inherently unreliable. That's why they're not used except as token aid packages to the poor. Gesture politics.

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[TBombadil](#)

3 Jan 2010, 12:40PM

It is not unusual for companies to try and evade their responsibilities by placing loss making activities in a separate unit and then either letting it go bust or selling it off. If the warranty documents "disappeared" before the sale of this unit it makes the whole operation look very suspicious.

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[Longrigg](#)

3 Jan 2010, 2:47PM

The same people who supported the Nigerian govt's legalised murder of non-violent activist Ken Sara Wiwa (and friends) in Nigeria...quel surprise!

Never forget - its all about the profits!

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[Christarris](#)

3 Jan 2010, 3:55PM

The story of Shell walking away from both wind and solar projects is well known. At least they are brutally honest about not being able to make adequate returns on these renewable energy projects relative to their core business.

However the reason for them and other oil majors wanting to stick with oil is that the production of hydrocarbons offers above average returns, as relatively few companies have the money to enter the market. The reason they hate renewables is that anyone can enter, depriving them of long term above average profits.

Many of these companies will stick with oil until it runs out, then they will go out of business. That is what they are there to do.

It is like expecting a tiger to suddenly turn vegetarian, it won't happen. Greenwash and PR yes, fundamental strategic shift...no.

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[Joe Bauwens](#)

3 Jan 2010, 4:18PM

Unfortunately selling a product with a warrantee, then selling of the management of that warrantee to a shell company (no pun intended) once sales of the product fall has become such an established business practice that it is unlikely to haem Shell's reputation.

What's really interesting here is that people with incomes of \$1500-\$2000 a month count as poor in Sri Lanka. That's £11,160-£14,880 in UK terms, an income bracket that includes quite a lot of the population (if this seems unlikely to any high earners reading this, take a look at some job websites); and in the UK nobody earning this little could dream of affording solar equipment, let alone property to stick it on.

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[Novelist](#)

3 Jan 2010, 7:36PM

(Shell) points out that its Shell Solar Sri Lanka business has been transferred to a third-party purchaser, Environ Energy, along with all liabilities.

- This, as we know, is the standard way that companies use to wriggle out of their customer liabilities. You don't fool us for a moment, Shell. How disgraceful.

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[nickgriffin](#)

3 Jan 2010, 8:47PM

Some posters seem to be under the illusion that Shell is anti-environmental. Well it's made a mess of the Niger delta and such places, Royal Dutch Shell has also from the very beginning funded the building blocks of the man-made global warming thesis, and it's a world leader in carbon capture technology (that's the stuff that is supposed to take the most important natural fertiliser on the planet out of the atmosphere and turn it into useless rock.)

That's not to say it's a responsible and benign operation - far from it.

How to square such inconvenient truths? Well here's a clue: Three men known as environmental champions - David Bellamy, Jonathan Porritt and Al Gore.

One is the first carbon panic billionaire. Another makes 'independent' documentaries for the BBC about how good the Severn Barrage would be - without revealing his links to the giant construction companies which are vying for the contract. The third has had his career as a much-loved nature broadcaster cut short by the BBC because his views don't fit.

Go figure!

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[doesnotexist](#)

3 Jan 2010, 9:34PM

nickgriffin

The third has had his career as a much-loved nature broadcaster cut short by the BBC because his views don't fit.

That's an outright falsehood, as the most elementary fact-checking reveals. And yet you repeat it.

Go figure indeed!

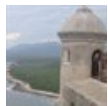
(Oh and Shell were trying for a while to play PR catch-up with BP Solar, but by window-dressing rather than actual serious work, and - yet again - have not been able to walk innocently away from the consequences of their behaviour.)

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[LogicLover](#)

3 Jan 2010, 11:02PM

"In October 2007, Shell sold Shell Solar Lanka Ltd to Environ Energy Global PTE Ltd. Specifically in order to protect customer interests, the terms of the transaction explicitly covered the management of all past, present and future liabilities, including warranty issues".

I don't understand why people aren't upset with Environ for purchasing a business they can't run, and in doing so stuffing the Sri Lankan customers. THEY bought the business and the responsibilities involved.

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**oosdadaddy**

3 Jan 2010, 11:38PM

TBombadil

3 Jan 2010, 1:28AM

This seems extremely stupid behaviour by Shell. It will cost them a few hundred thousand to replace the solar panels but it will cost them millions if they get a reputation for failing to honour their contracts.

Whats a few million. When their profits are 10's of billions?
like they will care!!!

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4 Jan 2010, 3:16AM

@ Joe Bauwens

What's really interesting here is that people with incomes of \$1500-\$2000 a month count as poor in Sri Lanka.

I was surprised to read this figures in the article:

1500/2000 \$ is a very high salary in SL, it should be read per year or 120/150 monthly.

Basic minimum salary is in the range of 50/60 \$ per month

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4 Jan 2010, 10:50PM

As Cristobal says the salary figures are strange.

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