Launch of Shell’s New Lens Scenarios in the EU

Shell’s recommendations for a more competitive EU energy policy by 2030

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Ben van Beurden
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On July 9, 2013, the Board of Royal Dutch Shell plc announced that Ben van Beurden will succeed Peter Voser as Chief Executive Officer, effective 1 January 2014.

Ben van Beurden became Downstream Director and a member of the Executive Committee of Royal Dutch Shell in January 2013. He joined Shell in 1983, after graduating with a Masters Degree in Chemical Engineering from Delft University of Technology in the Netherlands.

In his first 15 years with the Group, Ben was appointed to a series of technical and commercial management roles in both the Upstream and Downstream businesses. From 2002 to 2004, he served as Private Assistant to the Chairman of Royal Dutch Shell.

In January 2005, Ben became Vice President, Manufacturing Excellence, based in Houston, USA. In this role he was responsible for standards in operational excellence and pace-setting initiatives in refining and chemicals manufacturing.

In December 2006, he was appointed Executive Vice President, Chemicals, based in London.

During his tenure in the role, Ben was appointed to the boards of a number of leading industry associations including the International Council of Chemicals Associations (ICCA) and the European Chemical Industry Council (Cefic).

A Dutch citizen, Ben was born in 1958. He is married to Stacey and has four children – a son and three daughters. He enjoys reading, running and travelling with his family.
In a speech to the European Parliament on the EU launch of Shell’s New Lens Scenarios, Ben van Beurden outlines the scenarios’ possible implications for EU policy makers, and sets out Shell’s views and recommendations for a more competitive European energy and climate policy by 2030.

Good evening everyone. Thanks for joining the discussion here today.

I would like to begin by thanking Peter Liese for hosting this event. It is an honour to present our latest scenarios in the house of the European Parliament. We hope this research offers useful insights as the EU Institutions formulate the new policy framework to 2030. I would also like to thank CEPS for co-hosting this event and steering the debate, and to this distinguished panel. I look forward to a lively debate.

Today we will explore the latest Shell scenarios, which look forward to 2060 for the energy system and further out to 2100 for climate and renewable energy developments.

The scenarios are not and are not intended to be predictions, but instead explore multiple ways the future might unfold drawing on a broad set of drivers and trends in economics, geopolitics, social change and environmental stresses on water and the climate.

The two scenarios, Mountains and Oceans, differ in a number of key areas and Jeremy Bentham will go into this in more detail in a moment.

Both scenarios are very challenging from an energy and climate perspective. In the Mountains scenario, which sees natural gas use grow to become the backbone of the world energy supply, the politics of the day allow CCS to start serious deployment in the 2030s and rapidly increase to peak deployment in the 2060s. By 2100, emissions are effectively zero, cumulative emissions are capped and the amounts of warming is limited, albeit not at 2°C.

The Oceans scenario tells a different story. The underlying politics and social trends see more focus on renewable energy early on, with CCS not seriously deployed until 20 to 30 years later than Mountains and never growing to the same level. Although solar PV becomes very substantial in the energy mix, the time it takes to win the day allows cumulative carbon emissions to grow well past the Mountains scenario, adding to the potential warming effect during this century.

In line with what both industry and governments believe today, both scenarios demonstrate a continuing, significant role for fossil fuels to the middle of the century. This emphasises the urgent requirement to progress demonstration of CCS.

The scenarios underscore the enormity of the world’s challenge: Meeting growing energy demand, while addressing climate change.

Before handing over to Jeremy, I would like to make a few brief comments on how governments and policy makers here in Europe could consider the impacts and implications of these scenarios – in particular as they face the challenging task of proposing, and ultimately agreeing on, a 2030 climate and energy framework in the near future.

The EU has set itself ambitious climate and energy goals which will require nothing short of a transformation of the energy system. This will inevitably require difficult discussions and trade-offs, if the EU is to continue on a sustainable and cost effective path.

The EU has made progress towards meeting its objectives – greenhouse gas emissions are falling and renewables are growing. However, a combination of policy and

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market conditions, including the availability of cheap coal, and the low carbon price are leading to some unintended outcomes: The carbon reductions delivered by significant investments in renewable energy are being cancelled out by growing coal-based power generation. And at the same time, gas, a low-carbon energy source, is being squeezed out of the European power market. This is not the most cost-effective way to decarbonise.

Today we are in danger of locking this expensive “coal plus renewables” trajectory into our longer-term energy system. The outcome of such a scenario will be a carbon footprint with ongoing high CO₂ emissions that will cost us more to decarbonise in the long run. We need urgent policy action. The status quo is not an option.

Let me be clear: At Shell, we recognise the vision the EU has set out for a sustainable, globally competitive, low-carbon economy. The issue is not whether the EU should aim for such a future. It is about how to achieve that goal. We would like to contribute with some policy recommendations:

- We would welcome a political decision on a new binding greenhouse gas-reduction target to 2030 as soon as possible. Setting the framework conditions is critical for investment. We would suggest the target should be the only target, letting member states and industry choose the optimal energy and technology mix.

- Secondly, we need a strong and well-functioning EU Emissions Trading System (ETS) that mobilises low-carbon investments and enables energy technologies to compete on the basis of a meaningful carbon price. The ETS offers the most cost-effective way to reduce emissions, but it needs to be strengthened so it can do its job, while maintaining necessary protections for sectors exposed to international competition. Last week’s parliamentary vote in support backloading is an important first step in this direction, but we also need longer-term structural reforms.

- Decisive policy support and funding is required for the industrial demonstration of emerging low-carbon technologies such as carbon capture and storage, and renewables that will be needed to meet the EU’s climate and energy objectives. An extension of the NER300 mechanism beyond 2015 can contribute to this goal, while helping the EU attract investments in low-carbon industrial projects that contribute to sustainable growth and jobs.

- Carbon capture and storage is critical to addressing climate change. It is the only technology that addresses the absolute levels of CO₂. Without this technology, the overall costs of reducing greenhouse gas emissions could be far higher. A clear commitment to CCS, including policy measures to deliver a demonstration programme, should form an integral part of the 2030 framework.

- And, in parallel, we need solutions for road transport, where a higher carbon price is needed to trigger change and, therefore, a sectoral approach is required. In the long term, sustainable mobility is likely to be delivered through a diverse range of fuel and vehicle options, where fuels will include hydrocarbons, biofuels, hydrogen, electricity and natural gas. Over the next 20 years, sustainable biofuels, and in particular advanced biofuels, in combination with improved vehicle efficiency, represent the most realistic solution. To make progress, we need a stable and longer-term policy approach which sets a greenhouse gas emissions-reduction goal for road transport on a well-to-wheel basis, and policy support to brings key technologies, such as advanced biofuels to commercial deployment.

I would like to conclude by underlying the urgency of political decisions. Extending the policy framework and setting targets to 2030 makes sense from a business perspective and I would like to urge
EU decision-makers to come forward with proposals before the end of the legislative cycle. Investments are not easy against a framework set to expire in 2020.

We should also take the opportunity to reform the rules in order to encourage a more cost-effective decarbonisation pathway which plays in favour of the EU’s renewed efforts to deliver sustainable growth and protect industrial competitiveness.
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