



Future of the Petrochemicals Industry

China Petrochemicals and Chemicals Industry
Federation Conference
Shanghai, China

Graham van't Hoff

Executive Vice President, Shell Chemicals
18th September 2015

CHECK AGAINST DELIVERY



Graham van't Hoff joined Shell in 1984 after obtaining a degree in Chemistry from Oxford. His first role was in London as a Customer Services Assistant, followed by time as a polypropylene sales representative in the UK.

Between 1988 and 1992 he worked as Product Manager for Shell's Higher Olefins and Detergents business, initially in the UK and then in Houston. During this time he also obtained a Masters in Business Management, with Distinction, from Manchester Business School.

After a spell in Corporate Planning in Shell Oil Company in the US he returned to Europe in 1995 as European Marketing Manager for Chemical Solvents and then as Global Vice President, Polystyrene. Subsequently, Shell took the decision to divest this business, and Graham led the divestment projects through to completion in early 2000.

Graham then briefly took over the role of Director – Customer Fulfilment Centre of Excellence before becoming Chief Information Officer for Shell Chemicals. In this role he oversaw the globalisation of IT, including the implementation of the first global SAP system in Shell. He then became Shell International's Director of IT Strategy and Applications Development where he developed and led the IT Vision project to restructure IT across the Shell Group.

Graham took up the assignment as Vice President Base Chemicals Europe and member of the Chemicals Leadership Team on 1 February 2005, adding the role of General Manager Shell Chemicals Europe BV on 1 March 2006, based in The Netherlands. In mid-2008, Graham was appointed Global Vice President Base Chemicals, returning to the UK at the beginning of 2009, before being appointed as Chairman Shell UK on 1 May 2011 and later that year Executive Vice President, CO₂ and Alternative Energies.

Graham is on the CBI Climate Change Board and the boards of the Cambridge Programme for Sustainability Leadership, the Oxford Smith School of Enterprise and the Environment, Race for Opportunity and Youth at Risk.

Distinguished Guests, Ladies and Gentlemen, good morning. I am delighted to be here with you. Well, what can I tell you about the future?

Well, the first thing to say is that we in Shell believe that the chemical industry's growth story at a global level will continue. This is because the key drivers of global chemicals demand growth will continue; increased population, standards of living and urbanisation.

Plus, as you know well here in China, consumers and societies are looking for smart solutions to reduce emissions, energy consumption, waste and water consumption. And chemicals play a key part in the response...whether providing lighter, stronger materials for vehicle fuel efficiency, insulation for energy conservation in buildings or smart packaging for food.

So, despite current concerns about the world economy, we have high confidence in long-term growth for the global chemical industry. Going forward, we see demand for chemicals growing at about GDP growth rate – resulting in the doubling of global demand before 2040.

So, what about China specifically? Well, I think everyone is in fierce agreement that demand for chemicals in China is going to be very big indeed. But what I find perhaps more interesting is that this demand is expected to come increasingly from domestic consumption, rather than from export-oriented industries. In short, that puts a different angle on the chemicals products that will be required in the future.

And things are adjusting on the supply side too. Imports of natural gas and crude oil feedstock, as well as petrochemical imports, will continue - from the Middle East, and increasingly from the United States. But, of course, you are progressing your own feedstock opportunities here in China too, for example by utilising coal-to-chemicals technology. New feedstocks bring new options, but also new cost and environmental dimensions.

We think what all this means is that future investment in chemicals manufacturing in China will need to be more focused to be successful. Not all value chains are going to be equally attractive. And discipline in making competitive investment choices will be important for the industry.

But, of course, these investment choices mean very little if we don't build and operate chemicals manufacturing plants well. In fact, I would assert that the industry's ability to do just that is the most important factor for a successful future.

Strong performance in health, safety and environment is vital. We all have the responsibility to make sure no one gets hurt in the course of work, and that we minimise our impact on the environment we operate in. I was encouraged to see the themes of environmental protection and increased safety standards in the draft 13th Five-Year Plan.

In Shell, our mantra is that we can operate with no harm to people and no leaks. We call this "Goal Zero". We have introduced 12 rules that we stick by. And I am proud to say that these are now used in many of our joint ventures.

An example here in China is our joint venture with CNOOC in Huizhou. The CNOOC Shell Petrochemical Company (CSPC), known as the Nanhai complex, was the largest foreign direct investment of its kind in China when it started up in 2006. The 2.6 square kilometre complex had 25,000 workers on site during commissioning, and achieved a strong safety record. Today, I am proud that the plant continues that focus.

And the focus on safety does not apply only to operations. It comes into our interactions with customers and service providers too. Here in China, for example, we are training distributors - to help them assure product integrity, avoid contamination and ensure records are maintained for traceability in the supply chain. We also try to engage the 'hearts and minds' of our customers, through sharing best practice and improving understanding of product hazards.

Another success factor is good community relations. We need to invest in the communities around us and to support local development. We should not underestimate the need to be in tune with the societies in which we operate.

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This is a commitment we apply across Shell. We call it 'Social Performance'. And it is our way of creating a positive presence and legacy by managing the potential impacts we have – both positive and negative. All our projects include environmental and social impact assessments, and programmes to address the needs or well-being of communities.

And I can use the Nanhai complex as an example here too. 8,000 people were resettled due to the project, into newly-built villages. The joint venture sponsored training programmes to equip affected families with new skills for employment. And encouraged contractors to employ resettled villagers. We continue this support today.

This leads me to a quick mention of the Responsible Care Charter. Our industry's premier performance initiative in the areas of safety, environment, community and more. I am delighted to be speaking on this charter this afternoon. And I commend the CPCIF and many of you here for signing up and committing.

The final thing I would like to highlight this morning, as critical for the future of the chemical industry, is partnerships. At Shell we have a long tradition of successfully partnering with other companies and resource holders. We bring a compelling proposition – with our expertise, technology and network. And the ability to execute and deliver mega projects. We rely on resource holders to provide the access to market and competitive raw materials.

In this respect, we appreciate very much how our partners in China are working with us.

Working in strong partnerships will also drive technology innovation – in many corners of our industry. As they say, 'If you want to go far, go together'.

And straightforward, transparent regulations will aid partnerships, investment and innovation. China is a great example of how, through predictable regulatory systems – without barriers to trade – a country stands to benefit immensely from the connection of a dynamic population and a thriving chemicals industry.

So...Exciting times ahead...for the chemical industry globally and in China. New opportunities, new challenges and new choices. And we must keep safety, environment and community at the heart of what we do. I look forward to being on that future journey with you and to hearing the views of my fellow panel members.

Thank you.

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