



# Changing in a time of change

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## Ben van Beurden

Chief Executive Officer of Shell  
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Ben van Beurden became Chief Executive Officer (CEO) with effect from January 1, 2014.

Ben joined Shell in 1983, after graduating with a Master's Degree in Chemical Engineering from Delft University of Technology in the Netherlands.

Ben's career in Shell spans both Upstream and Downstream activities. He has held a number of operational and commercial roles, including some 10 years in the LNG business, and a variety of positions in Downstream.

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 high-performance initiatives in refining and chemicals manufacturing.

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

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 and the European Chemical Industry Council.

From January to September 2013, Ben was Downstream Director and had regional responsibility for Europe and Turkey. He has been a member of the Executive Committee since January 2013.

Ben, a Dutch citizen, is married to Stacey and has three daughters and a son. He enjoys reading, running and travelling with his family.

The oil and gas industry is facing many questions but none of them is greater than climate change. In this speech, Ben van Beurden details how Shell is planning to change in changing times and how the company's strategy is set up to help it succeed, whatever the future holds.

Ladies and gentlemen,

Time flies. It seems like only yesterday that I was on this stage. But it is good to be back here, to see Dan again, to see all of you again – even if that does mean I am another year older.

As time flies, some things change and some things stay the same. Today, I would like to mention three things. Something that has changed since I was last with you, something that will always stay the same and something I hope that will never change.

### Questions

They touch on Shell's answers to the big questions I believe we are all facing. And in that sense, I hope they offer a helpful perspective on the future of our industry.

There are plenty of questions facing our industry. The ongoing impact of shales. OPEC. The debate on LNG supplies. Geopolitical shifts. Plenty of questions. But I believe the biggest of them is climate change.

There may not be total unity behind the Paris Agreement any longer, but there is no other issue with the potential to disrupt our industry on such a deep and fundamental level.

In response, I think we have to change, and that is what Shell is going to do.

In November Shell announced an emissions ambition. In a nutshell, it comes down to this.

If society is to meet the aims of Paris, we believe it will have to stop adding greenhouse gases to the atmosphere by 2070.

That path is likely to require society to roughly halve the amount of greenhouse gases produced for each unit of energy

used by 2050. Shell's net carbon footprint ambition is aimed at keeping the company in step with society's progress towards Paris.

This means Shell will aim to bring down the net carbon footprint of our energy products by around half by 2050. In other words, about 50% fewer greenhouse gases per unit of energy when used by our customers, and around 20% less by 2035.

This covers not just emissions from our own operations but also those produced by our customers when they use the energy products we sell. And we will do so in step with society, reviewing and reporting on our progress every five years.

### Products

The crucial thing is this: the ambition is about the products we sell, not just the facilities we operate. We do still need to address our operational emissions but the ambition goes far beyond improving our own energy efficiency.

Focusing on the use of the products does make the challenge bigger for us. Because, of all the greenhouse gases associated with each unit of energy, less than 15% comes from bringing it to the market. The rest come from customers using the products.

So, it is through our products that we can make the biggest difference on emissions – what we actually sell within society. Because what matters is the effect we have on the world and most of that is down to the products our customers rely on to live their lives.

Of course, our customers, like your customers, rely on oil and gas, and oil and gas will continue to be core to Shell for many decades. If that wasn't the case we wouldn't be investing in oil and gas, such as the new petrochemical facilities we are building in Pennsylvania and Louisiana.

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But, over time, this net carbon footprint ambition will transform the company's product mix. I cannot tell exactly how, but I can give you an idea of the scale.

### Transformation

Meeting the ambition could mean switching the company's product mix of oil and natural gas from 50% gas to 75%. It could mean selling the energy from 200 large offshore wind farms. That is equivalent to more than nine times the amount of offshore wind in the world today.

Just to emphasise, I am not talking about building 200 windfarms. Shell doesn't have to own the kit to sell the electrons to customers, we can buy them and sell them on, just like Shell doesn't have to own the oil well to sell the gasoline, we can buy the crude in.

The ambition could also mean selling some 50 billion litres of biofuel a year, which is enough to fill up every vehicle in the US about three times over.

It could mean selling enough electricity on Shell's forecourts to meet the power demands of Australia and Argentina combined; storing over 20 million tonnes of CO<sub>2</sub> each year using carbon capture; and the planting of forests that, if you put them together, would cover the whole of New Mexico and Oklahoma.

That's not a shopping list, it is an illustration. But I do not just mean one of these, I mean Shell doing all of them by 2050.

### Opportunity

Maybe that sounds like a lot of change, and it is. But change is opportunity too. And it is also the scale of the change needed across the world to meet the aims of Paris. That is the reality, and the reality is change.

But this is not the only question facing our industry. We are businesses, not charities. For me, the second big question is how our industry can succeed through all this change.

And that is why I also want to mention one thing that will always stay the same. It is the

vital importance of financial strength and resilience.

At Shell we express it as our drive to be a world-class investment case. That means financial discipline of the sort that delivered our strong results last year, the end of the scrip dividend and is bringing us close to a share buy-back programme.

But how does this drive to financial success sit alongside the drive to a lower-carbon future? In my view, they are inseparable.

### Discipline

Becoming a world-class investment case is the first of Shell's three strategic ambitions.

That has meant, and continues to mean, discipline in operational expenditure and in capital expenditure, as well as a successful programme of divestments and the ramping up of new projects.

It means ensuring a continual pipeline of opportunity for the company, which we manage through our seven strategic themes. They are designed to address the energy system of today, the energy system that is coming soon and the energy system of the future.

First there are the three cash engines of conventional oil and gas, integrated gas and oil products. These provide strong and reliable returns and free cash flow today and well into the next decade.

Then there are the two growth priorities of deep water and chemicals. These should become cash engines in the next decade. They should provide improving returns and cash flow as the investment made now flows through into production.

And finally, the two emerging opportunities of shale oil and gas and new energies which should become significant growth areas for Shell.

Being a world-class investment means strong free cash flow, high returns on investment and lower debt. All of these add up to a financial strength which maximises distributions to shareholders. And achieving

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the best total shareholder return in the sector is what Shell is aiming for.

Sustaining that over time should result in Shell becoming and remaining the most valuable company in the sector.

Shell's next strategic ambition is to thrive through the coming changes to the energy system. If we cannot do this, the company will not be a world-class investment over the long-term.

### Thriving

The net carbon footprint ambition is about exactly this: thriving as the world's energy system changes by being both financially and environmentally sound.

Not by abandoning oil and gas, the world will still need it, but by finding business opportunity in the changes taking place. It is about making excellent returns by doing the right thing, selling the right things; by being in step with society, by being in step with our customers.

And this brings me to the third big question facing our industry. How can we secure society's support for what we do?

Having a strong societal licence to operate is Shell's third, and final, strategic goal: being valued for making a real contribution to people's lives.

Achieving it means dealing with the challenges that drag our reputation down, such as those connected to Nigeria. Not just managing the impact on our reputation but dealing with them in a way that brings them to resolution. It means getting into a position which allows us to put these challenges behind the company for good.

This is complex. I am not pretending it will be easy. But we have to build up trust. And to do this I think we must also refocus on our products.

I feel that we, as an industry, have let this point slip. I confess, it is true of Shell. As engineers, we love speaking about our achievements in deep water, our sub-surface modelling skills, our ability to drill sideways.

But most customers don't care how clever we are.

Instead, we have to remember that we enable modern life, we bring together families and friends, we help people improve their living standards. We have to remember this, and to remind people of it. Because if we do not, nobody else will do it for us.

And we also have to be known for the care we take with our products. Unless, for example, we ensure action on the overall methane emissions of the entire natural gas system, the argument that natural gas is a lower-carbon fuel is undermined.

### Valued

Finally, being valued by society means being a good neighbour. Paying billions in tax, providing jobs and training for thousands, enabling supply chains that spread economic well-being.

Yes. All that, and more. Providing more energy with less carbon. Contributing to the communities in which we operate.

Creating viable business models that provide access to cleaner, affordable, reliable energy for those who do not have it. Access to energy.

And by that, I do not just mean providing energy wholesale in the expectation it will reach those who need it. That is not wrong but it is not enough. It is about access for individual families who need the energy. It is about establishing businesses that deliver energy to them. It is about customers.

Is this? All of this? The future of our industry? Thriving from a position of financial and social strength? I hope so. I believe it should be.

And this brings me to the final thing I mentioned right at the start. Something that I hope will never change.

It is the pride I feel, and I hope we all feel, for what we do as an industry. Quite simply, our products improve people's lives.

But the energy landscape is changing fast.

**"We have to remember that we enable modern life, we bring together families and friends, we help people improve their living standards."**

So we must change, where change is what the world needs.

We must stay financially strong so we can make that change.

And we must walk in step with society, and make a real contribution to people's lives, so that the pride we feel in what we do is pride we have every right to feel.

Thank you.

**"We must walk in step with society and make a real contribution to people's lives."**

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