



The road to decarbonisation

The Shell Energy Summit
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Ben van Beurden

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

He 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. He has been based in The Hague, Sudan, Malaysia, London and Houston.

In January 2005, he 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.

He is a visiting Professor of the International Studies Institute, the Party School of the Central Committee of the Chinese Communist Party, and a member of the Advisory Board of the School of Economics and Management Tsinghua University in Beijing (both since 2015).

From January to September 2013, he 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 and has three daughters and a son.

The British government has set itself a legally-binding target of hitting net zero emissions by 2050. In this speech, Ben van Beurden says this is the right aim for the UK, and sets out how he believes coalitions of businesses can take action today to help decarbonise the global economy, sector by sector.

Ladies and gentlemen,

I want to start by thanking you for joining us today. A quick glance through the list of people in the room is all it takes to understand that this is a gathering dedicated to innovation, creativity and determination to make a difference.

I share that dedication with you. And I would like to talk to you today, just a little bit, about what that actually means in practice for Shell.

This time last year I was also speaking in London. I spoke, in part, about the British government's ambition to end the sale of conventionally-powered vehicles by 2040. I supported it and I suggested they could, in fact, move more quickly.

I surprised a few people by taking that stance at the time. But it still holds true today.

Indeed, the UK will have to move more quickly on vehicles if it is to meet the commitment the government made last month. Because achieving net zero emissions by 2050, even for a country with the resources, talent and technology of the UK, is going to be an enormous challenge.

Support

But it is a challenge that is consistent with the goal of the Paris Agreement: restricting the rise in global temperatures to well-under 2C. And it is a challenge that also comes laden with opportunities. It is an ambition I wholeheartedly support.

Because reducing emissions to net zero – lowering them to the point at which the world is no longer adding to the stock of greenhouse gases in the atmosphere – is the only way to go. The world has to get to that point.

Some say the whole world must get there by 2070, others 2050. Whichever timeframe you pick, I believe getting to net zero will require unprecedented, co-ordinated action. And whichever timeframe you pick, I believe governments will need a lot of help to get there.

Of course, a lot is already happening. The Energy Transitions Commission does great work enabling practical action on climate change. The Oil and Gas Climate Initiative as well. Just yesterday, Shell was part of a group of companies from the transport industry at a meeting hosted by the Prime Minister.

And some of you will know about the UN Secretary General's Climate Action Summit, which is coming in September. It is striking in the way it is focused on getting business to step up its decarbonisation ambitions.

But despite these, and other, initiatives, the world is not moving fast enough to tackle climate change. But I do believe that action taken by business, working together, can help change that.

Thrive

And I truly believe acting together now is in our interests, as business people. My business, and your business, must find ways to thrive in this energy transition. Many of us are already trying. It is by making sure our businesses, together, are in harmony with the Paris Agreement that we can best succeed. It is an essential investment.

So what is Shell doing?

We are seeking to deepen an approach we all know very well. It is why most, if not all of you, are here today. That approach is working together.

Shell wants to help establish a coalition of businesses which work together, within

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sectors, to enable decarbonisation of those sectors. We already work together, but I am talking about an entirely different level of ambition. A form of action that all business sectors can take. A difference that we, in this room, can make or contribute to.

Of course, climate change is, in large part, about the use of energy.

The use of energy products, like oil and gas and coal – for power, heating, cooling, industry, transport – causes the majority of the world's greenhouse gas emissions. So changing the mix of energy products in the energy system is essential to address climate change.

But any attempt to address climate change on those grounds alone will not succeed. Because making that shift, changing the energy system, is not just a question of supply, but of demand too.

A large part of demand comes down to individual consumer choices and consumption patterns. And it is here that governments have an essential role. Regulation. Consumer signals, like well-designed, well-balanced taxes. Incentives, like electric car grants. Government-led carbon-pricing mechanisms to encourage low-carbon choices.

Help

But governments need help. Paris needs help.

That is why I believe companies that supply energy, including the power sector, should work with the sectors that use energy. We should work together, supply and demand, with a new approach to progressively decarbonise the energy use sectors.

The basic process would have to start with the major businesses within specific energy-use sectors, coming together with the energy supply industry. Coming together to work out how their sector needs to change to be fully in line with Paris.

Each sector is different, and some are highly fragmented, so the action needed will vary. An office-based industry like accounting can largely decarbonise by switching to a

renewable electricity supply and heat pumps. That is not an answer for steel or cement.

But all energy-use sectors need to be clear-sighted. They must get to net zero emissions. Every part must act to progressively lower its net carbon intensity until it hits zero. And this single carbon intensity measure can be used to track the progress of companies and energy-use sectors across the entire global economy.

And how will this work?

Realistically, this will have to start with a handful of big players in any given sector joining with energy supply companies with the determination to act towards net zero in that sector and establishing a pathway to reaching it.

Pathway

Whatever the pathway, there are three ways to make progress along it.

First, improve energy efficiency. Second, turn to lower-carbon energy products. Third, offset or store away emissions that cannot be avoided.

How these would be balanced and combined would be different for each sector, and all sectors would need all three. But, of course, that is not the end of the story. There is a fourth way forward, and I have touched on it already when I mentioned consumer choice.

The world must address consumption patterns.

The theme of today's event is energy empowerment and the decentralisation and digitalisation of energy can play a role in addressing that consumption. Appliances that draw power only at times of low demand, home-installed solar-battery systems, electric cars on stand-by to meet power demand surges while sitting on the driveway. All of this and many other opportunities that we can barely even imagine now.

Great progress is being made towards that future. But there are also things that can be

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changed today: different choices we can make. Some of my children, for example, are passionate about both climate change and clothes. I like to point out to them, having something new for every season four times a year is creating quite a significant ecological footprint.

And it is not just consumer choices either. There are industries where the default could be recycling products, not making from scratch.

Carbon intensity

An energy company cannot set consumption patterns on a national or global scale – it simply cannot – it can only offer lower-carbon products to try to help make the carbon intensity of consumption as low as possible.

On the energy supply side, a company like Shell can mainly help by selling a mix of energy products with a lower carbon intensity. Oil, yes, the world needs it, and will need it for decades to come. But also, and increasingly, natural gas, renewable power, hydrogen, biofuels.

And selling a mix of energy products with a progressively lower carbon intensity is exactly what Shell aims to do.

Some of you may know that Shell has an ambition to cut the net carbon intensity of the energy products we sell by around 50% by 2050. This is a rate of reduction consistent with Paris. It is what we call our Net Carbon Footprint ambition.

But Shell can only sell what people and companies are willing to buy. We will only succeed in reaching our ambition – in moving fast enough to meet Paris – if our customers, as part of broader society, move at that pace too. So the work to achieve our ambition to change the mix of our energy products does not, and cannot, end there.

If Shell is serious about its ambition, and we are, we must do what we can to help society make progress in the right direction and at the right speed.

Companies that supply energy, like Shell, cannot control demand for that energy. But

what we can do is work with energy use sectors to optimise the decarbonisation of that demand.

So, working on what fuels can be used. Working on how efficiently they are used. In powering transport for example. A hydrogen fuel dispenser, obviously, needs hydrogen-powered vehicles. And how light is the vehicle? How efficient the motor?

Or take shipping. If we, as society, want to have a net zero shipping sector, we had better work together. Shipping companies, ports, fuel suppliers, ship builders, governments: all of us.

Together

I believe it is by co-operating, through transformative collaboration, by bringing together the supply side with the demand side. That we can hope to bring the low-carbon advances that the world needs to consumers as quickly and cheaply as possible.

Do I expect it to be easy? No. There will be many challenges. Market distortions, regulatory frameworks, the need to allow countries to develop as others already have.

And on that last point, I hope we can all agree that a way must be found to ensure the developing world has the energy on which to build a better future, free of poverty, even as work continues to enable Paris.

So, no, I do not expect it to be easy. But the British government is right to target net zero. It is showing leadership to a world that must, itself, ultimately, reach net zero. Leadership which will be crucial when the world gathers in the UK next year for COP 26.

And while I do not stand here offering the answers on how to get there, I am determined to help find them. What I would like is for Shell to be a part, just a one part, of a much bigger global climate coalition of business. A coalition dedicated to Paris.

Perhaps it could be called the Coalition of Industry-Determined Contributions.

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But, whatever it is called, we – Shell – want to help make this happen. We have the strong desire to work with others, with you, to try to find the answers.

We are reaching out. Please join us.

Because the world must achieve the goal of the Paris Agreement. And if energy

providers and energy users, supply and demand, do not take co-ordinated action I have no doubt time will run out.

Let us instead act, together, today, and find a way.

Thank you.

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