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01 Growing recognition of the role of gas and LNG as the world tackles poor air quality and climate change

02 Asian LNG imports exceed expectations again in 2018 absorbing continued supply growth

03 Near term supply growth expected to be absorbed by Europe and Asia – continued need for investment in supply to meet long-term demand growth
Growing recognition of the role of gas and LNG as the world tackles poor air quality and climate change
The energy challenge

Growing population
According to United Nations estimates, the current world population of 7.6 billion is expected to reach 8.6 billion in 2030, 9.7 billion in 2050 and 11.2 billion in 2100. Nearly a billion people still live without electricity while another billion struggle with unreliable supplies of electricity.

Rising demand
By 2070 the world is likely to be using at least 50% more energy than it does today as population grows and people seek to improve their quality of life.

Need for energy solutions
According to the International Energy Agency (IEA), renewable generation is expected to underpin the growth of electricity from 18% to 50% of energy supply by 2050. The remaining energy demand that is difficult to electrify will still require cleaner solutions.

Mitigating climate change
The world currently emits 33 billion tonnes of energy-related CO₂ each year. To limit the rise in global temperature to 2°C, the IEA has calculated that energy related CO₂ emissions need to fall to around 18 billion tonnes a year by 2040. The challenge is not just to reduce emissions, but to do this while providing more reliable energy supplies.

Improving air quality
Updated World Health Organization (WHO) estimates reveal an alarming death toll of 7 million people every year caused by outdoor and household air pollution. According to WHO, global air pollution is linked to inefficient energy use in every sector of human activity including coal-fired power plants, industry, agriculture and transport.
Gas and renewables to play a critical role in meeting the energy challenge

Global energy demand growth by fuel type

Energy demand 1% CAGR

Source: Shell interpretation of Wood Mackenzie Q4 2018 data

CAGR - Compound annual growth rate

Gas growth in the energy mix 2018-2035

Global

India

China

Europe

North America

2018 2035

Gas share % in the energy mix

0% 10% 20% 30% 40%
Government policies being implemented encouraging a cleaner energy mix

South Korean taxes to favour gas over coal

Chinese Government policies target

EU carbon pricing supported by policy changes

Source: Shell interpretation of IHS Markit and ICE Q4 2018 data and announced public policy
Gas demand growth not reliant on the power sector

Global gas demand growth by sector 2016 - 2018

Source: Shell interpretation of Wood Mackenzie Q4 2018 data
Gas provides required flexibility for power generation

LNG complements wind and solar
Spain (Dec-2017)

New power generation needed to replace ageing plants
Nuclear capacity online by start date

Source: Shell interpretation ENTSOG, REE, World Nuclear Association 2017 and 2018
Coal-to-gas switching in China achieves blue skies and reduces CO₂ emissions

Air quality improvements in Beijing

176 MT CO₂ saving from China’s air quality programme in 2018

Source: Shell interpretation of IHS Markit, Beijing Gas Group and US Embassy Beijing (US State Department) 2018 data
LNG flexibility mitigates demand shocks and meets seasonal needs

Meeting heating demand in UK in 2018

Meeting seasonal cooling demand in Kuwait

Source: Shell interpretation of National Grid, IHS Markit, Weather Channel 2018 data
New countries choosing LNG for various benefits

- Natural gas meets over half of total energy demand
- Declining domestic gas production
- LNG meeting existing and new gas demand
- Replacing oil-fired power generation
- Complement renewable power generation
- Strategic location of Panama Canal offers opportunities for LNG bunkering
- Replacing oil-fired power generation
- Innovative small-scale LNG solution
- Increases diversity of supply

Source: Shell interpretation of Woodmac Q4 2018 Data
Economic and environmental benefits increasing the use of LNG in road transport

**China LNG fuelled heavy-duty transport**

- **Number of LNG trucks and buses in 1000**
- **LNG HD trucks**
- **LNG buses**

![Chart showing the increase in LNG fuelled heavy-duty transport in China from 2012 to 2018.](chart.png)

**Europe moving to LNG fuelled heavy-duty transport**

- **Number of LNG trucks**

![Chart showing the increase in LNG fuelled heavy-duty transport in Europe from 2016 to 2018.](chart.png)

Source: Shell analysis of Woodmac, SCI, and NGVA data

- **6.7 MT of LNG consumed in China for road transport in 2018**
- **2,552 LNG fuel stations in 2018**
- **280,000 LNG trucks expected by 2030**
- **155 LNG fuel stations in 2018**
- **Co-financed by EU, BioLNG**
  - EuroNet is building 39 LNG stations, 2000 LNG trucks and a BioLNG production plant
**LNG continues to be the fastest-growing gas supply source**

**Global gas supply by source**

- Gas demand 2% CAGR

**LNG imports by region**

- LNG demand 4% CAGR

**LNG imports in Asia**

- Asia LNG demand 3% CAGR

Source: Shell interpretation of Wood Mackenzie Q4 2018 data
Asian LNG imports exceed expectations again in 2018 absorbing continued supply growth
More than 70% of the current wave of LNG capacity additions online

LNG trade volume

LNG liquefaction capacity additions

Source: Shell interpretation of IHS Markit Q4 2018 data
Asian LNG demand continues to exceed expectations

Source: Shell interpretation of IHS Markit, Wood Mackenzie and Poten & Partners 2017 and Q4 2018 data

YoY: Year on Year
LNG imports increased by 27 MT in 2018

Source: Shell interpretation of IHS Markit, Wood Mackenzie and Poten & Partners 2017 and Q4 2018 data
LNG imports continued to enable China to meet its growing need for cleaner energy

![China energy demand growth by fuel](chart1)

![China gas demand growth by sector](chart2)

![China gas supply growth by source](chart3)

Source: Shell interpretation of IHS Markit Q4 2018 data
LNG provides energy security for India

India gas demand growth by sector

<table>
<thead>
<tr>
<th>Year</th>
<th>Power</th>
<th>Industry</th>
<th>Res &amp; comm</th>
<th>2018</th>
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<tbody>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td>50</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td>55</td>
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</table>

India gas supply growth by source

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic</th>
<th>LNG Imports</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td>50</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
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India city gas distribution areas

<table>
<thead>
<tr>
<th>Area</th>
<th>2017</th>
<th>2018</th>
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<tbody>
<tr>
<td>Domestic</td>
<td>30</td>
<td>35</td>
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<tr>
<td>LNG Imports</td>
<td>40</td>
<td>45</td>
</tr>
<tr>
<td>To be awarded in 2019</td>
<td>50</td>
<td>55</td>
</tr>
</tbody>
</table>

Source: Shell interpretation of PPAC and PNGRB Q4 2018 data
Marine LNG poised for growth

Source: Shell interpretation of DNV-GL & Woodmac  *Other vessels includes fishing vessels, dredgers, etc.

2018

**QUARTER 1**
- Mitsui OSK order LNG bunker barge to serve Total-CMA-CGM deal
- World’s first LNG-fuelled bulk carrier charter delivered
- Carnival orders 9th LNG fuelled Cruise ship

**QUARTER 2**
- Shell agrees to charter two LNG powered tankers from AET
- MPA awards grants for two LNG bunker barges for Singapore

**QUARTER 3**
- Hapag Lloyd announces it will convert a container vessel to operate on LNG

**QUARTER 4**
- Crowley takes delivery of second LNG-powered container/roll on-roll off (ConRo) ship
- Bunkering of the first LNG fuelled Aframax tanker by Shell Cardissa
- World’s first LNG powered cruise ship sets sail
- Kairos, the 7,500 m³ bunker vessel started operations
- Adnoc and Inpex sign agreement to explore LNG bunkering opportunities in UAE
- Public Gas Corp of Greece signed a grant agreement with EU for construction of the first LNG bunkering vessel
Resurgence of longer term contracts supports new supply projects

Source: Shell interpretation of IHS Markit Q4 2018 data

Average contract length

Total LNG contract volumes by seller type

Portfolio
Project
Spot prices remained robust

Source: Shell interpretation of Japanese customs data (Japan LNG import), S&P Global Platts (JKM), ICE (NBP, Brent, ARA coal), NYMEX (Henry Hub)
Spot market gains momentum with volume growth

Source: Shell interpretation of IHS Markit Q4 2018, S&P Global Platts and the ICE data
An evolving global LNG market

Source: Shell interpretation of S&P Global Platts data and IHS Markit Q4 2018 data

- JKM price versus freight rate
- LNG demand growth by region

Royal Dutch Shell
Near term supply growth expected to be absorbed by Europe and Asia – continued need for investment in supply to meet long-term demand growth
New supply expected to be absorbed by Asia as well as Europe in 2019

Source: Shell interpretation of IHS Markit, Wood Mackenzie, Poten & Partners Q4 2018 data
Europe needs more imports to offset declining domestic gas production

Source: Shell interpretation of IHS Markit Q4 2018 data
European power sector is also capable of absorbing more LNG

Coal and gas-fired generation capacity and utilisation

European power switching economics

Source: Shell interpretation of IHS Markit Q4 2018 data
Asia has significant potential to take more LNG volumes

Source: Shell interpretation of IHS Markit and Wood Mackenzie Q4 2018 data
China and India can double import infrastructure in 5 years

Source: Shell interpretation of IHS Markit Q4 2018 data
Supply investment still needed to meet continued LNG demand growth

Emerging LNG supply-demand gap

Investment in liquefaction capacity

Source: Shell interpretation of IHS Markit, Wood Mackenzie, FGE and Poten & Partners Q4 2018 data
Growing recognition of the role of gas and LNG as the world tackles poor air quality and climate change

- Gas to supply the largest share of energy demand growth, supplying over 40% of additional demand by 2035
- Coal-to-gas switching led to 78% improvement in Beijing winter air quality over the last five years

Asian LNG imports exceed expectations again in 2018 absorbing continued supply growth

- China became the world’s largest gas importer, with LNG imports doubling over two years
- JKM futures trading volume increased ten-fold since 2016

Near term supply growth expected to be absorbed by Europe and Asia – continued need for investment in supply to meet long-term demand growth

- 35 MT additional supply expected in 2019
- 2018 saw final investment decisions on 21 MT of new capacity compared to a total of 7 MT in the last two years combined