Introduction

The world needs urgent action to achieve net-zero emissions and the more ambitious goal of the Paris Agreement: to limit the rise in average global temperature to 1.5°C Celsius.

Shell’s target is to become a net-zero emissions energy business by 2050, in step with society’s progress in achieving the goal of the Paris Agreement. We are transforming our business to meet our target, providing more low-carbon energy, and working with our customers and others as they make changes, sector by sector. This includes supporting government policies that will help the world to achieve net-zero emissions by 2050.

We have updated our global policy positions on climate and energy transition to be in line with our Powering Progress strategy. By advocating these positions as we transform our business, we believe we are supporting the energy transition and the Paris Agreement.

Our policy positions on climate and energy transition serve as a global framework for Shell’s advocacy with governments, international organisations, industry associations, coalitions, and other stakeholders globally, regionally and within countries. They are an important part of our drive to provide greater transparency around our climate advocacy, and to meet expectations of institutional investors, non-governmental organisations and wider society.

We will also use these policy positions as the basis of future assessments of our memberships of industry associations.

Our policy positions reflect our belief that the world needs to rapidly decarbonise each of the key sectors that contribute to global emissions. This will take ambitious action at all levels of government, and by industry and consumers around the world. Our positions also reflect the need to ensure that the economic and social benefits of the energy transition are inclusive and distributed in a fair way.

Where there are clear, commercial pathways to decarbonisation, we are calling for policies that drive urgent investment by the public and private sectors. For example, we advocate government policies that accelerate renewable power generation, and end unabated coal-fired power generation by 2040 where feasible.

In sectors that are harder to decarbonise, such as aviation, shipping, heavy industry and commercial road transport, governments need to help drive the transition to low- and zero-carbon energy. In these sectors we are calling for policies that create commercial markets for fuels such as sustainable aviation fuel, hydrogen and advanced biofuels.

We recognise that the pace of change will be different around the world. For example, we believe that in the majority of developed countries, with the right policy frameworks in place, the transition to the widespread adoption of zero-emission vehicles, and the phase out of sales of new internal combustion engine vehicles, should happen in the 2030s.
Policy framework I

We are calling on governments and policymakers to:

- **Set binding targets to reach economy-wide net-zero emissions by 2050 or sooner** and include interim targets for 2030 and 2040. These targets must be supported by strategies and plans to accelerate decarbonisation of key sectors of the economy.
  
  Read more about Shell’s support for net-zero targets

- **Agree on a definition of Paris alignment** and agree globally consistent Paris-aligned frameworks for each sector.

- **Put a direct price on carbon emissions** as part of a broader policy framework to achieve net-zero emissions. The carbon price, whether through taxation, cap-and-trade or a hybrid system, should apply to as many sectors of the economy as possible and increase over time. Policies should be based on robust and transparent modelling of the impacts of carbon pricing on consumers and industry.
  
  Read more about the work of the Carbon Pricing Leadership Coalition and International Emissions Trading Association, of which Shell is a member

- **Promote greater international cooperation through systems that transfer carbon credits** between countries. Ensure that international carbon credit transactions have environmental integrity by avoiding double counting across national inventories.
  
  Read more about Shell’s support for international cooperation

- **Ensure the economic and social benefits of moving towards a net-zero emissions economy are inclusive and distributed in a fair way** including through national plans for a just transition that support workers, communities and economies affected by the energy transition.

- **Expand access to low-carbon energy and mitigate the impact of any increase in energy costs on vulnerable communities**, for example through financial support for energy bills and improvements in home efficiency.
Policy framework II

- **Improve energy efficiency** through standards and regulatory instruments covering key sectors of the economy. 
  
  Read more about Shell’s actions to improve energy efficiency.

- **Set policies that enable different ways to produce decarbonised hydrogen**, including hydrogen produced by electrolysis and natural gas reforming with carbon capture and storage (CCS), and hydrogen-based fuels, based on life-cycle analysis greenhouse gas (GHG) intensity measures.
  
  Read more about Shell’s hydrogen policy positions and our actions to support the development of decarbonised hydrogen.

- **Promote capital investment in low-carbon projects**, working in collaboration with banks to better assess the value of the risks and opportunities of the energy transition.

- **Support common standards and benchmarks to allow comparison of environmental social and governance (ESG) reporting** metrics and to improve transparency. Support the creation of a single framework of globally accepted standards for sustainability reporting based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Develop sustainable finance taxonomies that balance transitional and low-carbon projects to advance the energy transition.

- **Encourage public and private investment to protect and expand natural ecosystems** that store carbon. Support projects that have a net positive impact on biodiversity and deliver socio-economic benefits to local communities. Ensure that nature-based solutions complement and do not displace efforts to avoid and reduce GHG emissions.
We are calling on governments and policymakers to:

- End approval of investments in new unabated coal power generation and phase out unabated coal power generation by 2040, where feasible. 

  Read more about Shell’s work with the B7 to call for the phasing out of unabated coal power generation.

- Accelerate electrification using renewable and low-carbon power sources by unlocking both demand and supply. Demand-side policies should increase the ability for companies to sign power purchase agreements, support competitive markets for generation and supply, and increase demand including through incentives and standards. Supply-side policies should include carbon pricing, time-limited incentives to reduce the cost of new technologies, and transparent and timely environmental planning, permitting and grid connection regimes.

  Read more about Shell’s actions to support the decarbonisation of the power sector.

- Recognise natural gas and other low-carbon gases\(^1\) as partners for renewable sources to offer reliable and flexible access to more and cleaner energy. Set natural gas policies that require abatement of carbon emissions, such as through carbon capture and storage and management of methane emissions.

- Reduce methane emissions throughout the natural gas supply chain through direct regulations such as performance standards based on robust monitoring, reporting and verification frameworks. End routine flaring by 2025 to help achieve such standards.

  Read more about Shell’s actions to reduce methane emissions.

\(^1\) Low-carbon gases refers to biogas, biomethane, hydrogen made from renewable sources, hydrogen sourced from natural gas, and synthetic methane.
Transport

We are calling on governments and policymakers to act in the following areas:

- **Road transport – passenger cars and vans:** Set clear timelines for the widespread adoption of zero-emission vehicles and the phase-out of sales of new internal combustion engine vehicles. Although markets will vary in pace, the promotion of investment in infrastructure for electric vehicles, incentives to purchase low- and zero-carbon vehicles, the generation of adequate amounts of green power, and incentives to produce alternative and low- and zero-carbon fuels are needed to achieve these outcomes. Shell believes that in the majority of developed countries, this transition should happen in the 2030s.

  Read more about Shell’s actions to support the decarbonisation of passenger cars and vans.

- **Road transport – heavy duty vehicles:** Establish regional policy frameworks for heavy duty vehicles. Set vehicle standards that provide a clear path to net-zero emissions. Set fuels policy to encourage use of advanced biofuels and biogas. Transition public sector fleets and commercial road transport to zero-emission vehicles and base road tolls on vehicle carbon dioxide (CO₂) emissions and distances driven.

  Read more about Shell’s actions to support the decarbonisation of road freight.

- **Aviation:** Encourage the International Civil Aviation Organization to adopt a net-zero emissions target for 2050. Introduce mandates or incentives for sustainable aviation fuels (SAF). If a country or region is considering taxing aviation fuel, then it should be based on CO₂ with an exemption for SAF. Manufacturers of SAF should be eligible for capital grants, tax credits and loan guarantees.

  Read more about Shell’s policy positions for sustainable aviation fuel (SAF).

  Read more about Shell’s actions to support the decarbonisation of aviation.

- **Shipping:** Encourage the International Maritime Organisation to adopt a clear path to net-zero emissions by 2050. Set carbon-intensity target for fuels across the full life cycle, from the production of the fuels to their use by ships, and implement a market-based mechanism such as a carbon price.

  Read more about Shell’s actions to support the decarbonisation of shipping.
Heavy Industry

We are calling on governments and policymakers to:

- **Promote the use of low-carbon products** through policies that create demand and encourage supply of low-carbon energy in industry such as fiscal support, government mandates, public procurement and green certificates. Accelerate policies to encourage the development of carbon capture, utilisation and storage (CCUS) for industry.

  Read more about Shell’s policy positions for carbon capture, utilisation and storage

  Read more about Shell’s carbon capture and storage projects

- **Scale up energies and innovative technologies that will be key to decarbonising sectors that are hard to electrify**, including decarbonised hydrogen, advanced biofuels and carbon capture, utilisation and storage (CCUS). Mitigate market risks through technology-neutral and time-limited support mechanisms such as carbon contracts-for-difference, capital grants, investment tax credits and loan guarantees.

- **Drive investment in infrastructure**, including the development and re-purposing of infrastructure for the transport and storage of hydrogen and CO₂.

  Read more about Shell’s policy positions for hydrogen and our actions to decarbonise hydrogen

  Read more about Shell’s policy positions for carbon capture, utilisation and storage

  Read more about Shell’s carbon capture and storage projects

2 Industries such as cement, steel, aluminium production
risk of doing business in developing countries and countries subject to international sanctions; (e) reserves estimates; (f) loss of market share and industry competition; (g) environmental and physical risks; (h) risks associated with the identification of suitable potential acquisition properties and targets, and successful negotiation and completion of such transactions; (i) the risk of doing business in developing countries and countries subject to international sanctions; (j) legislative, fiscal and regulatory developments including regulatory measures addressing climate change; (k) economic and financial market conditions in various countries and regions; (l) political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities, delays or advancements in the approval of projects and delays in the reimbursement for shared costs; (m) risks associated with the impact of pandemics, such as the COVID-19 (coronavirus) outbreak; and (n) changes in trading conditions. No assurance is provided that future dividend payments will match or exceed previous dividend payments. All forward-looking statements contained in this content are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers should not place undue reliance on forward-looking statements. Additional risk factors that may affect future results are contained in Royal Dutch Shell’s Form 20-F for the year ended December 31, 2020 (available at www.shell.com/investors and www.sec.gov). These risk factors also expressly qualify all forward-looking statements contained in this content and should be considered by the reader. Each forward-looking statement speaks only as of the date of this content, October 28, 2021. Neither Royal Dutch Shell plc nor any of its subsidiaries undertake any obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this content. We may have used certain terms, such as resources, in this content that the United States Securities and Exchange Commission (SEC) strictly prohibits us from including in our filings with the SEC. Investors are urged to consider closely the disclosure in our Form 20-F, File No 1-32575, available on the SEC website www.sec.gov.

Shell’s operating plan, outlook and budgets are forecasted for a ten-year period and are updated every year. They reflect the current economic environment and what we can reasonably expect to see over the next ten years. Accordingly, Shell’s operating plans, outlooks, budgets and pricing assumptions do not reflect our net-zero emissions target. In the future, as society moves towards net-zero emissions, we expect Shell’s operating plans, outlooks, budgets and pricing assumptions to reflect this movement.