Low Carbon Future Fuels –
Delivering on the Fuels Quality Directive

Low Carbon Vehicle Partnership
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The Fuel Quality Directive

Current inclusions

- Mandatory target of 6% CO2 reduction by 2020
- Non-mandated additional 4%
- Via bio-fuel and refinery related CO2 measures such as efficiency

Timeline

- EU Commission interpretive guidance end-2010

The Energy Challenge

Three hard truths

1. Energy growth

From 6.7 billion people today to ~9 billion mid century using twice as much energy

2. Supply challenges

The world is finding itself forced to tap less conventional sources of oil – like oil sands and oil shale – that require even more technology, energy, money and patience

3. More CO_2

More energy use means more CO_2 emissions – at a time when the climate can ill-afford it.

Three key requirements

1. Cheap

Competitive with fossil hydrocarbon

2. Clean

Less greenhouse gas emissions

3. Convenient

Easy to use and readily available

Scope for harmonisation

UK

Energy Act, 2004

- Renewable Transport Fuels Obligation (RTFO)
- Targets 2.5% by volume 2008/9 increasing to 5.0% volume by 2010/11

Road Transport Fuel Fuel Obligation, 2009

- Commenced 15thApril 2008 - 'Gallagher' review reported June 2008
- Targets revised to 3.5% by volume by 2010/11& 5.0% by 2013/14

Influence

Influence

EU

Biofuels Directive, 2003

- Indicative target of 5.75% by energy (~7.5% by volume) by 2010

Renewable Energy Directive, 2008

- Target 10% by energy (~13% volume) by 2020, with review 2014.

Fuel Quality Directive, 2008/9

- Target 6% CO2 reduction by 2020, plus non-mandated additional 4%.
- EU Commission interpretive guidance end-2010

Influence

US

Energy Independence & security Act, 2007

- Increased volume of renewable fuel (36bn G)

California AB32 and LCFS, 2006/7

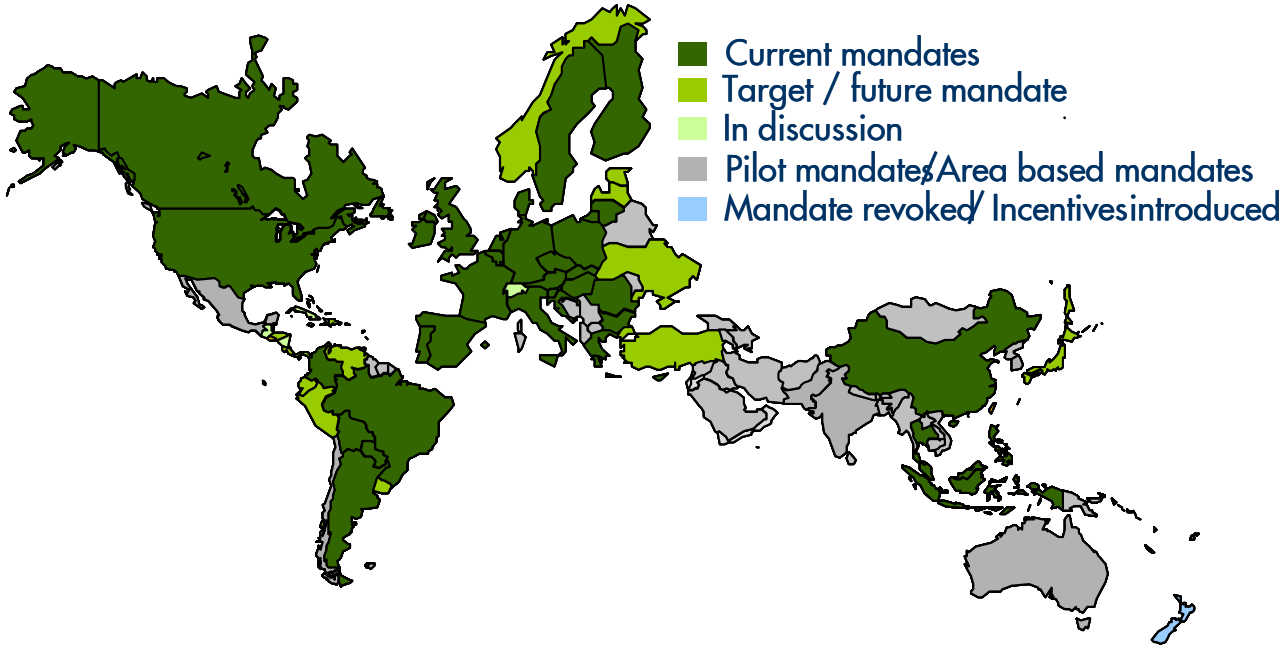
- Carbon caps and supply chain quantification by Mega-Joule

Clean Energy & Security Act, 2009

- Renewable energy, CCS, fuel and vehicle measures, and energy efficiency.

Shell is compliant

- More than 40 countries have or are considering renewable fuels mandates
- Shell now markets fuel that contains bio-components in many markets, including the USA, Brazil, Germany, France, Netherlands, UK, Sweden, Italy, Thailand, the Philippines and Australia
- In the UK, Shell:
  - met the UK biofuel volume obligation in the last period, 15 April 2008 to 14 January 2009
  - exceeded the target of 40% biofuel GHG savings in this period
  - exceeded the target of 50% of data reporting of renewable characteristics of the fuel
  - delivered performance on sustainability (83%) reflecting commitment to accurate reporting
  - reported on the previous land use for 79% of the fuel supplied.



Key policy principles

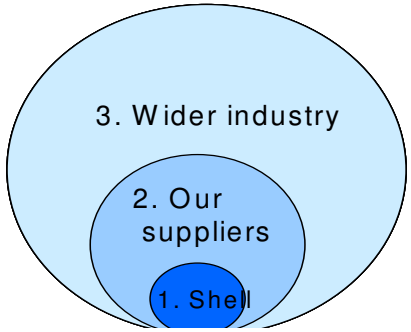
1. **Reduce significantly WtW CO_2e production per unit of distance travelled.**
2. **Reward better GHG performance**
3. **Protect social and environmental needs**

- Reward GHG performance of fuel – by having financial return that reflects the higher cost of production, and accurate pathway assessments that reflect the true lifecycle emissions
- Protect social and environmental needs – e.g. internationally agreed sustainability standards for biofuels
- Stimulate action by energy and auto companies – by having integrated policies targeting lowest-cost solutions, such as energy efficiency
- Flexible, performance based standards – setting the required standard and letting innovation drive the solution
- Influence driver behaviour and mobility choices – demand pull and consumer behaviour need to be stimulated
- Regulatory certainty, consistency and alignment across borders – longer planning horizon and cross-border trade
- Challenging but achievable goals – reflecting key trade-offs with sustainability and economics
- Stimulating technology in all main phases – Discover, Develop, Demonstrate, Deploy

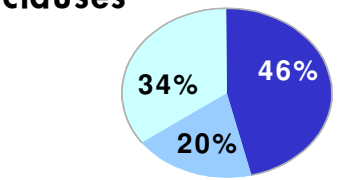
Shell investment in sustainability

- **Renewable and sustainable energy development**
  - The world's largest bio-fuel distributor
  - Next generation technologies
  - Developing CCS and Hydrogen
- **Internal Governance**
  - Rules and practices to help assess risks in biofuels supply chain, implement controls, monitor compliance and report our progress
- **Our suppliers**
  - Sustainability clauses into new and renewed contracts
- **Wider industry**
  - Encouraging sustainability standards in the biofuels supply chain

Our approach and sphere of influence



Volume of biofuel components covered by Shell sustainability clauses



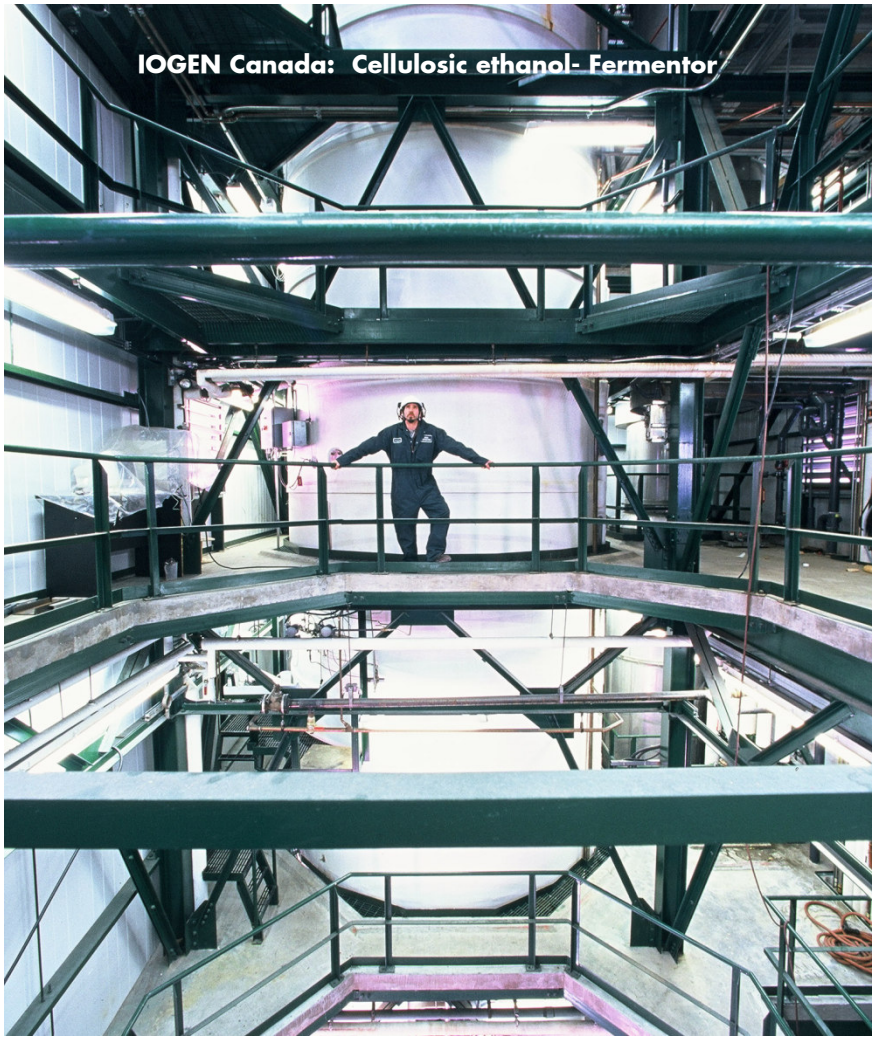
Supplier signed up in full
Supplier signed up in part
To be signed up

Data Sept 2008.
Source: Shell internal records

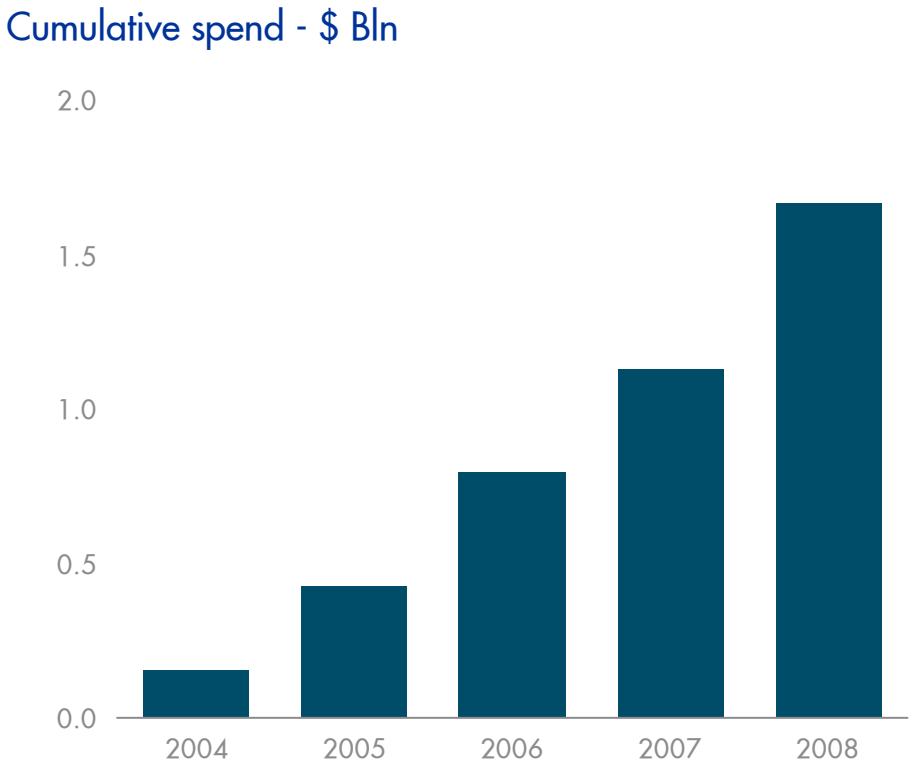
LowCVP low carbon vehicle partnership | RTRS Round Table on Responsible Soy | RSPO Roundtable on Sustainable Palm Oil | cen | IUCN | EPFL ÉCOLE POLYTECHNIQUE FÉDÉRALE DE LAUSANNE

Shell is investing heavily in Alternative Energy & CO_2

Biofuels Research



Alternative Energy and CO_2



Refocusing the Shell portfolio

- Increasing priority on Biofuels
- CCS technologies and Hydrogen
- No new Wind and Solar

Shell investment in advanced biofuels pathways

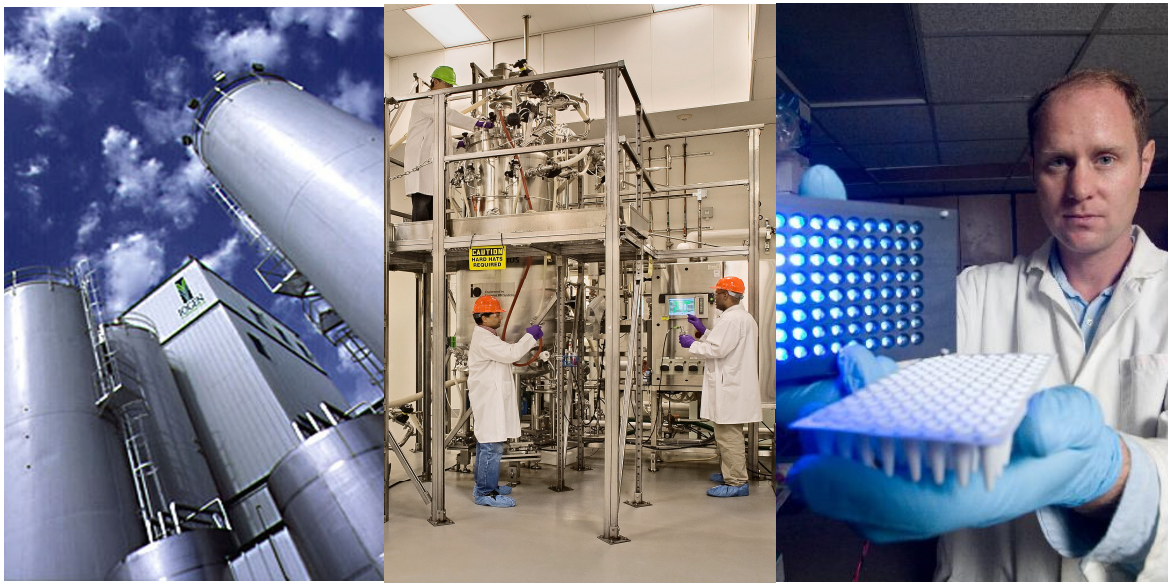
Cellulosic Ethanol

Optimised Enzymes

Biomass-to-Liquid

Marine Algae

Advanced Catalysts



Shell investment in Carbon Capture and Storage

Shell is also a member of multiple CCS research partnerships.

- Demonstration / research projects
- Industrial scale (>100 KTPA) projects under development

Shell investment in Hydrogen

Reykjavik, Iceland

Washington DC, USA

Tokyo, Japan

New York, USA

Shanghai, China

West LA, USA

Conclusion

- **More energy, less CO_2**
- **Consistent policy frameworks internationally**
  – to minimise cost and allow trade
- **Linking economic reward to lower greenhouse gases**
  – to cover increased cost and encourage innovation
- **Sustainability requirements built-in**
  – to protect the planet and provide a level playing field for competition