

Energy Volatility - The Place of Oil

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ECONOMIC CRISIS IMPACT ON ENERGY DEMAND & PRICES

Reduced energy demand vs 1 yr ago

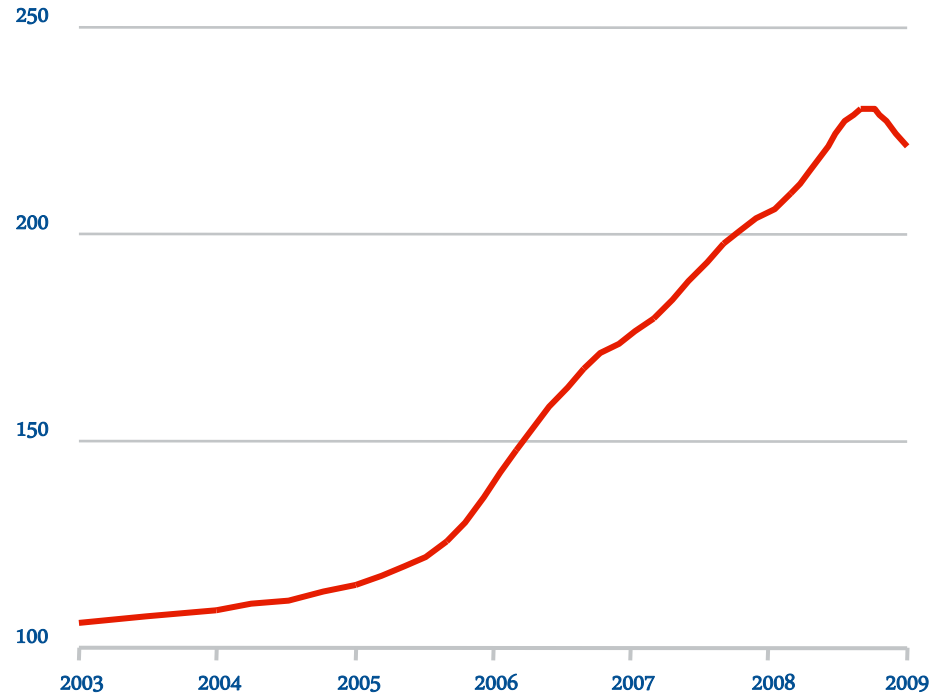
World: oil demand down 3%

World: aviation fuel down 5.5%

USA: gasoline down 3.5%

Japan: natural gas down 6%

Oil & gas sector costs, indexed to 2000

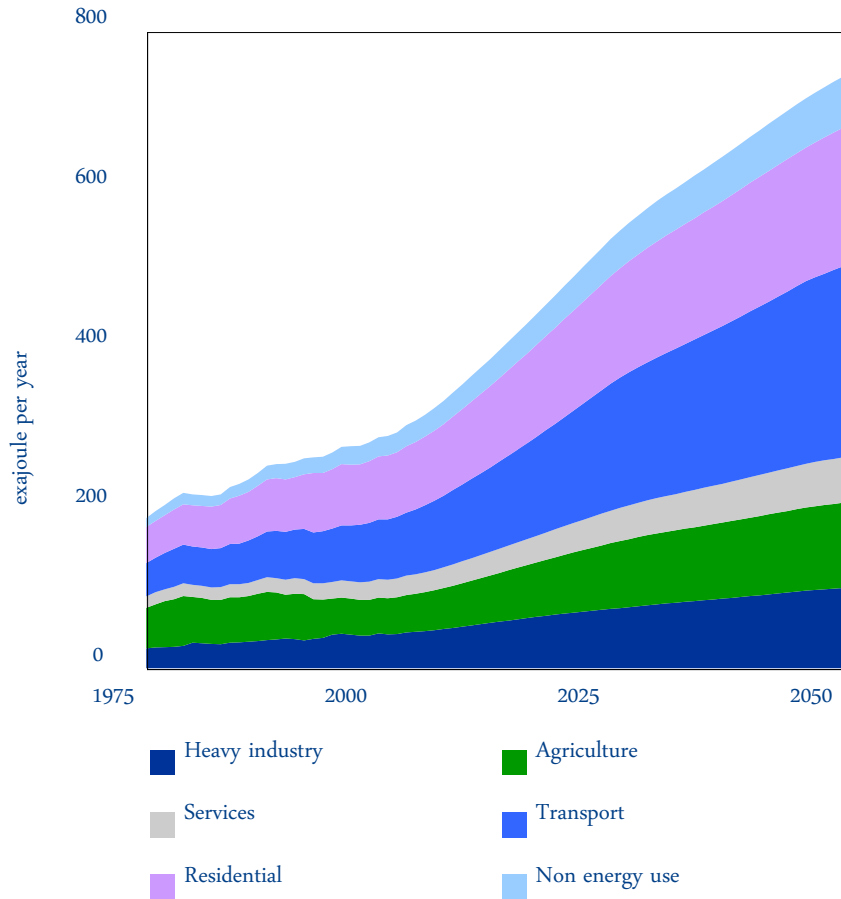


IHS-CERA Upstream Capital Cost Index (2000=100)



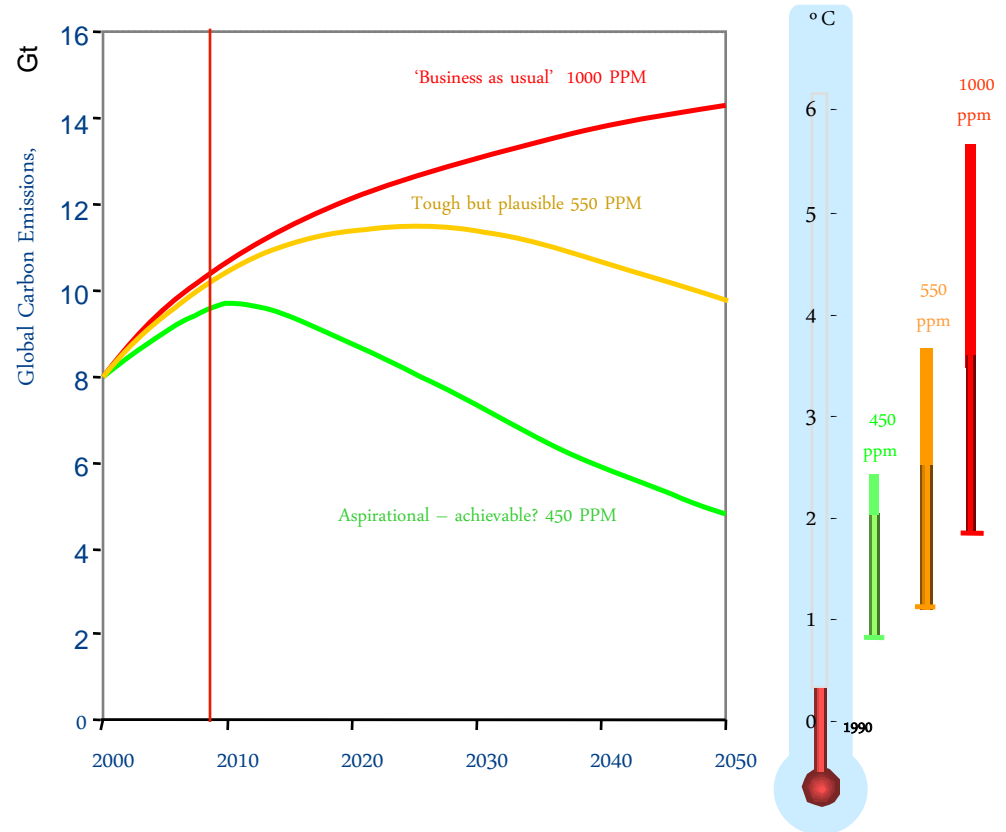
LONG-TERM UNCERTAINTY: ENERGY NEEDS VS CLIMATE ISSUES

“Business as usual” energy consumption



Source: Shell International BV /OECD-IEA 2006

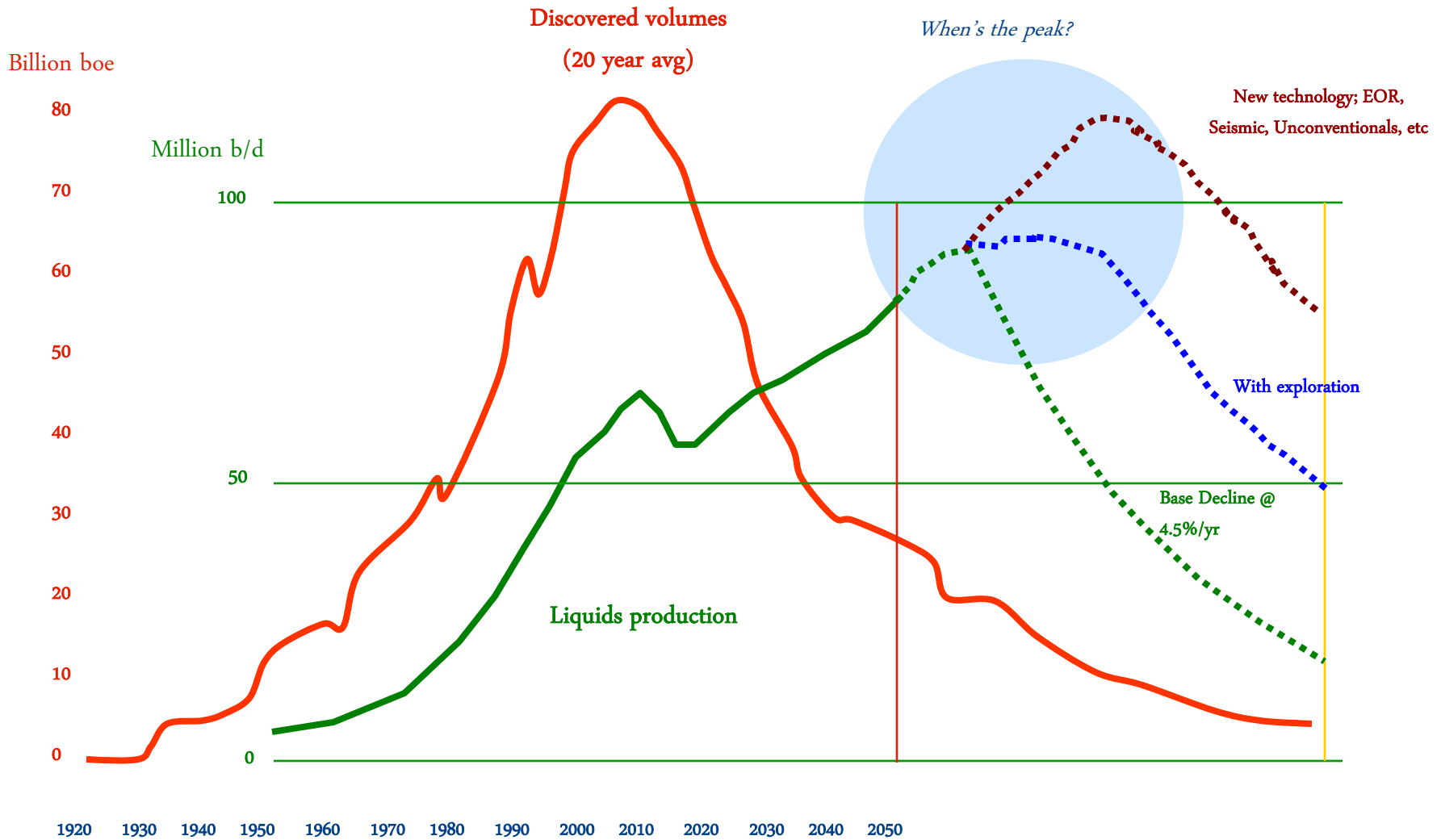
Possible CO₂ pathways



Source: IPCC



HOW MUCH IS LEFT ?



DELIVERING PROJECTS IN PARTNERSHIP- 1

PEARL GTL, QATAR



HARWEEL ENHANCED OIL RECOVERY PROJECT, OMAN



DELIVERING PROJECTS IN PARTNERSHIP- 2

SAKHALIN II, RUSSIA



PORT ARTHUR REFINERY EXPANSION, USA



To reduce short-term volatility, we need:

- More predictable tax regimes
- Clarity over CO2 policy frameworks
- Enduring Value-driven NOC-IOC partnerships

**AND... THE RECESSION
RAISES QUESTIONS OVER FUTURE SUPPLIES**

