



# Climate change



For us, as a company, the debate about whether man-made climate change is happening is over. The debate now is about what we can do about it. Businesses, like ours, need to turn CO<sub>2</sub> management into a business opportunity by leading the search for responsible ways to manage CO<sub>2</sub>, and use energy more efficiently. But that also requires concerted action by governments to create the long-term, market-based policies needed to make it worthwhile for companies to invest. With fossil fuel use and CO<sub>2</sub> levels continuing to grow fast, there is no time to lose.



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In 2006, concern about man-made climate change reached new heights (and a possible tipping point) in many countries. An influential report for the UK Government by Sir Nicholas Stern, former chief economist at the World Bank, highlighted the financial risks for the global economy of failing to address the climate change threat. Calling climate change “the greatest market failure the world has ever seen”, it appealed for strong, international and co-ordinated government policies to encourage GHG reductions. In early 2007, the scientists of the United Nations’ Intergovernmental Panel on Climate Change re-confirmed the scientific consensus – now with more than 90% certainty – that man-made climate change is underway.

Shell was one of the first energy companies to acknowledge the threat of climate change; to call for action by governments, our industry and energy users; and to take action ourselves.

In 1998, we set ourselves voluntary targets for reducing GHG emissions from our operations. Since then Shell Renewables has built one of the broadest alternative energy portfolios of any major energy company. We have increased the supply of natural gas – the lowest carbon fossil fuel – and of the lower sulphur transport fuels needed by more fuel-efficient modern engines. The expected future costs of emitting CO<sub>2</sub> have been included in our investment decisions since 2000. This helps us design new projects so that they remain profitable in the carbon-constrained world that is now emerging.

Partnerships are being pursued to develop lower carbon technologies. Large-scale demonstration projects to capture and store CO<sub>2</sub> are being given careful consideration. Our retail business runs a series of public campaigns to encourage innovation and promote energy conservation.

We stepped up our appeal to governments in 2006, to lead on this issue and introduce effective policies to combat climate change. The importance of government leadership has become clear. Without policies that reward lower CO<sub>2</sub> technologies and create a predictable, long-term cost for emitting GHGs, individual companies will have no incentive to make the massive investments needed.

Our appeal to governments is fourfold: firstly, to involve all major emitting countries and all sectors – not just industry – to avoid distorting competition; secondly, to develop stable, long-term GHG targets to allow companies to plan and invest; thirdly, to use emissions trading systems more widely as a cost-effective way to manage GHGs from industry and to include reductions from CO<sub>2</sub> capture and storage in these schemes; and finally, to design better-targeted support for alternative energy sources, to help them reach the point where they can compete without further subsidies.

## We are helping by:

- Reducing emissions from our operations.
- Improving technology to capture and store CO<sub>2</sub> from fossil fuels.
- Providing more natural gas, clean coal technology and advanced transport fuels.
- Working to build a substantial business in at least one alternative energy source.
- Calling on governments to introduce the policies needed to manage GHG emissions reductions.