

# People, planet & profits



## A summary of The Shell Report



# The objectives of the Royal Dutch/Shell Group of Companies are to engage efficiently, responsibly and profitably in the oil, gas, chemicals and other selected businesses and participate in the research and development of other sources of energy.

## Exploration and Production

Searching for oil and gas fields by means of seismic surveys and exploration wells; developing economically viable fields by drilling wells and building the infrastructure of pipelines and treatment facilities necessary for delivering the hydrocarbons to market.

## Downstream Gas and Power

Commercialising natural gas through investments in processing and transportation infrastructure, including liquefied natural gas (LNG), pipelines and Gas to Liquids; marketing and trading of natural gas and electricity to industrial and domestic customers; developing and operating independent power plants.

## Oil Products

Sales and marketing of transportation fuels, lubricants, speciality products and technical services. Refining, supply, trading and shipping of crude oil and petroleum products. Oil Products serves over 20 million customers a day through some 46,000 service stations, and more than one million industrial and commercial customers.

## Chemicals

Producing and selling base chemicals, petrochemicals and polyolefins globally. Products are widely used in plastics, coatings and detergents.

## Renewables

A generator of green electricity and provider of renewable energy solutions. Develops and operates wind farms and biomass power plants; manufactures and markets solar energy systems and grows forests to supply markets with sustainably managed wood products.

## Other businesses

The portfolio includes a range of other businesses such as:  
Shell Hydrogen  
Shell Internet Works  
Shell Capital

# Shell companies are committed to contribute to sustainable development.

## Contributing to sustainable development – at a glance

### Economic

- Exceptional profits in a year of high oil prices
- Cost improvements of \$4 billion
- Return on average capital employed (ROACE) of 19.5%
- Motorists once again rank Shell top brand

### Environmental

- Greenhouse gas emissions 11% below 1990 levels
- Volume of oil spills halved
- Cost of carbon included in major project decisions
- Global biodiversity expectations set

### Social

- Unacceptable rise in fatalities
- Stress arising from work identified as a serious issue
- Nigeria – focus on engagement and community needs

### Managing our business

- Incompatibility with Shell's Business Principles – 106 contracts terminated and two joint ventures divested
- Over 90% of major installations certified to ISO14001
- Four incidents of bribery resulting in seven dismissals
- Steady progress in integrating sustainable development thinking

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# Message from the Chairman



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Message from the Chairman

During 2000, we made progress in fulfilling our commitments and met most performance targets. Excellent returns reflect considerable business achievements, as well as exceptionally high oil prices.

We must deliver – and be seen to deliver – in two ways. We need the profitability that provides competitive returns and funds investment. Profits are an important part of our ability to contribute to society. Shell companies also accept their responsibility to help deliver the economic, social and environmental requirements of sustainable development. Being trusted to meet societal expectations is essential for long-term profitability. We are committed to transparency, and to developing and integrating our reporting.

Our success rests on the quality and commitment of Shell people, who inspire our confidence. I thank them most sincerely, as well as all the others who have worked with us.

Exceptionally high oil prices and cost improvements helped deliver adjusted earnings\* of \$13.1 billion, 85% up on 1999.

Shell companies contributed to local economies in over 135 countries. In addition, we endowed the non-profit Shell Foundation with \$250 million to support social and environmental projects.

A rise in fatal accidents – mostly on the road in developing and emerging countries – is unacceptable. We must embed a culture of safety in the hearts and minds of all who work for us.

\*On a current cost of supplies basis and excluding special items.

**Jeroen van der Veer**  
Group Managing Director

***“In my view the successful companies of the future will be those that integrate business and employees’ personal values. The best people want to do work that contributes to society with a company whose values they share, where their actions count and their views matter.”***

**Harry Roels**  
Group Managing Director

***“We’ve taken the ideas of transparency and openness fully on board – even when it is difficult. I’m not sure how this will play out but a lot of people in Shell – particularly our younger people – are very pleased with it.”***

In our latest global staff survey nearly two thirds of Shell people reported often feeling under intense pressure. We are working hard to create a workplace where people feel respected. The survey confirmed that over 80% of Shell people believe we act responsibly in the communities where we operate, and in relation to the environment.

Compared to last year, our environmental performance has been mixed. Our greenhouse gas emissions were up slightly but remain on line to meet our 2002 target. We halved the volume of oil spilled. Safeguarding the diversity of biological life (biodiversity) is also vital. We have set expectations for how Shell companies will address biodiversity.

Sustainable development underlies our strategy and is being integrated into everything Shell companies do – in oil and gas as much as renewables. How we succeed is as important as what we achieve. We are committed to delivering excellent returns and building value for the future – for the planet and its people, for our customers, employees and shareholders.



**Sir Mark Moody-Stuart**  
Chairman of the Committee of  
Managing Directors

**Phil Watts**  
Group Managing Director

**“The challenge is no longer to operate better – but to help change the way the world meets its energy needs. My interest in sustainable development is severely practical – philosophy is one thing but it is action that will make the difference.”**

**Paul Skinner**  
Group Managing Director

**“We have learned much over the last decade about engaging with stakeholders to help us develop business approaches that secure economic benefits for shareholders and society while limiting negative environmental and social impacts.”**

# Economic Winning with principles?

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Contributing to sustainable development – Economic

**Financially, 2000 was an exceptional year resulting in exceptional profits. A high crude oil price and cost improvements boosted earnings and helped Shell make a significant contribution to the global economy.**

Our objective is to create and increase value – providing competitive returns to investors, meeting customers' needs, generating prosperity and contributing to overall economic development. We have made a strong contribution in these areas in 2000.

Compared with 1999, adjusted earnings\* in 2000 increased 85% to \$13.1 billion – mainly due to high crude oil prices and cost savings. We met the target to achieve \$4 billion cost improvements annually one year early (in 2000 instead of 2001) and our return on average capital employed (ROACE) was 19.5%.

Capital investment for 2000 totalled \$8.5 billion. Significant actions included investments in China, Russia, Malaysia and Africa, and divestments in the USA, UK and Australia. The Group's coal activities were sold. In 2000 the Group announced a worldwide employee share purchase scheme to encourage a sense of unity and affiliation.

## You told Shell USA

**“It is very clear to me that Shell is committed to preserving the environment, while protecting shareholder's profits. You are to be commended – we can only help support you as customers. You have 100% of my family's business from this day forward. Keep up the great work!”**

We listen to our customers and in response have developed a range of specially tailored fuels offering performance and environmental benefits. For the fourth year running, in our Brand Tracker survey, motorists globally ranked Shell as their top brand.

In line with our Business Principles, we seek to compete fairly and ethically – and do not tolerate breaches of competition law. In 95 countries Shell companies operate a procedure to ensure their operations do not compromise such laws.

We contribute to local economies where we operate through employment and the use of local companies. We spend billions of dollars a year on materials and services and although global procurement and e-commerce play an increasing role, we still spend over a third locally. In 106 countries Shell companies spent more than 50% of the total spend on goods and services inside the country in which they operate.

Through our economic activity in 2000 Shell companies generated more than \$51 billion of taxes – a significant contribution to the global economy.

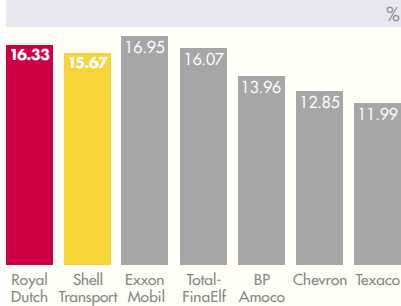
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## Total shareholder return\* 1991 to 2000



\*Total shareholder return is a recognised measure of long-term financial performance. It combines changes in share price with dividends. An investment 10 years ago in shares of the companies shown, with all dividends reinvested, would have yielded the indicated annualised returns as at the end of 2000. The calculation is based on quarterly reinvestment of gross dividends expressed in dollars. Source: Bloomberg (TotalFinaElf data not available for 1991)



Offering customers a choice of fuels with environmental and performance benefits as here in Argentina.



An LNG tanker loading at the new Oman LNG plant.

### Case Study Shell Haven

**Shell UK made a determined effort to find a sustainable solution when closing the Shell Haven refinery in 1998 with the loss of 300 jobs. An agreement has been signed with P&O, the international logistics and transport company, who will regenerate the 1500-acre site as a major container port, distribution and**

**commercial centre creating up to 10,000 jobs. We have helped secure new jobs for the majority of staff – supporting them during this difficult time has been our priority.**

### You told Shell Unknown

**“As a shareholder I must say don't get so caught up in the liberal, leftist social agenda that you shortchange your shareholders.”**



The acquisition of Agip's oil products operations in five key countries demonstrates Shell's continuing commitment to long-term business in Africa.

# Environmental

## Clearing the air?

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Contributing to sustainable development – Environmental

**Reducing emissions to air, water and land is critical to our business success and our contribution to sustainable development. We set ourselves tough improvement targets but did not meet all of them in 2000.**

Our environmental expectations set minimum standards worldwide, which form the platform for further improvement. We have made good progress in achieving external certification of over 90% of our major installations to internationally recognised environmental standards. All our manufacturing plants have reduced emissions, which can contribute to local air pollution and acid rain, to within ranges permitted by OECD\* countries.

Climate change remains one of the most important environmental issues of our time and as an energy business we have an important role to play in finding solutions. Despite the failure of the United Nations negotiations in 2000, we remain committed to reducing our greenhouse gas emissions (GHGs) – these are now 11% below 1990 levels in line with our reduction target.

Our GHGs increased slightly in 2000, mainly as a result of higher production in Nigeria which meant that more gas was burnt off (flared). We now include the possible financial cost of GHGs in major project decisions. Our experimental internal carbon trading system is also helping us prepare for a time when there may be a financial penalty associated with carbon use.

**You told Shell** Shell employee

**“We’re still emitting too much CO<sub>2</sub> into the atmosphere. Why? Because ‘our priority is to get the plant running and make some money. Then we can afford disposal’. Not good enough in my opinion. What this company needs is a good Greenpeace scare and we’ll find the money.”**

In 2000, Shell companies paid a total of \$3.1 million in fines and settlements. At the end of the year, the Group was carrying total liabilities of \$3 billion relating to environmental clean-up, decommissioning and site restoration.

We met our aggressive target to reduce oil spills with volumes down by nearly 50% on last year.

We have set expectations for how Shell companies will address biodiversity (diversity of biological life). A healthy debate on operating in protected environments continues with our conservation partners.

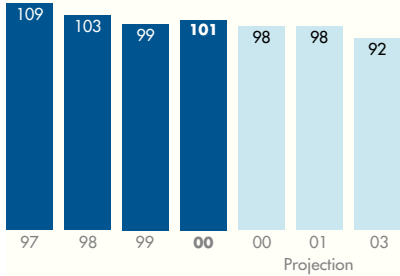
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## Global warming potential

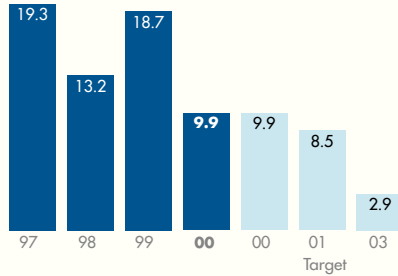
Million tonnes CO<sub>2</sub> equivalent



Projection

## Total spills

Thousand tonnes



Target



Climate change – one of the most important environmental issues of our time.



Shell Bitumen's low temperature asphalt saves energy and reduces CO<sub>2</sub> emissions during manufacture and application.

## Case Study Shell Sustainable Energy Programme (SEP)

**Over 30 projects are so far being supported by SEP, a Shell Foundation initiative to promote sustainable energy worldwide. Projects include: helping Mexican villages in environmentally protected areas use renewable energy to reduce dependence on firewood; spreading biogas technology in rural**

**China for cooking, lighting and heating greenhouses; helping set up an emissions advice website; spreading good practice in managing urban air quality; raising energy awareness in primary schools.**

## You told Shell Zambia

**“I commend you on exceeding requirements for the emissions allowed by companies. What you do will be noticed by other major corporations and they will hopefully follow suit.”**



In Oman reed-growing is being trialled as a way of processing waste produced water from oil and gas wells in an environmentally sound way.

# Social

## Respect for people?

### You told Shell Unknown

**“ Safety seems to be one of your big stumbling blocks. Your managers seem more interested in their personal options in Shell shares than in your goal to prevent the loss of lives. The financial results have been made their number one goal. ”**

**Honesty, integrity and respect for people are our three core values. We want to be responsible members of society, contributing to the welfare of our staff and the communities in which we live and work.**

We deeply regret that in 2000, 60 people lost their lives while working with Shell companies, mainly in road traffic accidents in developing and emerging countries. This is unacceptable. It is frustrating for us that the enormous energy invested to prevent such accidents is not showing returns. Controls and procedures are simply not enough. These serious accidents can only be eliminated when a culture of safety is embedded in the hearts and minds of all who work with us.

Work-related stress has also been identified as a serious issue. In our global staff survey we found that 59% of the 65,500 respondents said they often feel under intense pressure in their current job. This is much worse than external norms. We are identifying and seeking to reduce causes of workplace pressures, with the focus on 'hot spots' highlighted by the survey.

We believe in respecting people and ensuring equal opportunities for all. In the staff survey 73% of people said 'where I work, we are treated with respect'. This is higher than high performance benchmarks.

Protecting our people sometimes means employing security personnel. If armed

security has to be used it must comply with our guidelines on the use of force, which conform to United Nations (UN) standards. The guidelines emphasise that in all situations guards must respect the human rights and dignity of all people.

The protection of human rights is explicit in our Business Principles. We make sure that human rights are considered before approving investment decisions and talk closely with human rights organisations. We incorporate learning from experience in countries such as China, Nigeria, Oman, Peru and the Philippines.

We support the Global Sullivan Principles that provide a guide to businesses of all sizes on corporate responsibility and Kofi Annan's initiative of a Global Compact between the UN and business to support the core values of the UN declarations.

In December 2000, to increase our contribution to communities, we endowed the Shell Foundation with \$250 million to secure its future charitable works.

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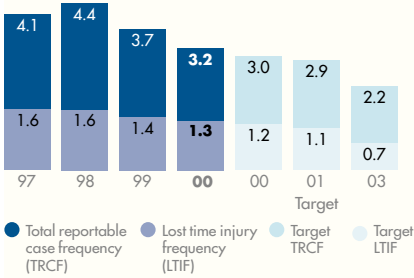
@ [www.shell.com/nigeria](http://www.shell.com/nigeria)

@ [www.shellfoundation.org](http://www.shellfoundation.org)

## Safety statistics

Company employees and contractors

per million exposure hours



The unacceptable tragedy of another road accident.

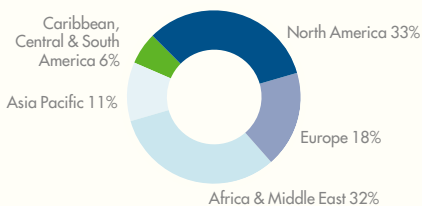
## Case study Update on Nigeria

The new government continues to work to improve Nigeria's economy and deal with corruption and human rights abuses. But the expectations of the seven million people living in the oil-rich Niger Delta remain high. They understandably feel that they have yet to benefit in a significant way from the oil wealth generated from their land. Community unrest and general crime remains widespread. But in 2000 there was a 40% decrease (compared to 1999) in the volume of oil 'shut-in' due to community disruption/sabotage and also a big decrease in hostage taking incidents. The government has set up the Niger Delta Development Commission to oversee socio-economic development and government funds from oil income have begun to flow to the oil producing states.

The challenge is to use the funds in a transparent and co-ordinated way. As a start, the Shell Petroleum Development Company of Nigeria (SPDC) co-hosted a donors workshop in 2000 with the United Nations Development Programme. Separately SPDC spent \$55 million on its own community development programme. Through local community and NGO engagement, SPDC boosted the number of partnership programmes to 30.

## Social investment (Shell share\*) in 2000 by region

total social investment \$85 million



\*In companies where we do not have 100% equity share, the figure has been adjusted to represent only the 'Shell share'.



Managing Director Phil Watts with Kofi Annan at the launch of the United Nations Global Compact, July 2000.

# Managing our business

## Living our values?

### You told Shell Nigeria

**“ It has never been possible for any organisation to roundly satisfy all segments of society. This is ever more so for a global outfit such as yours. I still have reasons to hold the view that your Business Principles are second to none in most countries where you operate. ”**

**We operate in more than 135 countries and employ some 90,000 people in thousands of diverse locations and communities. Our Business Principles set the same standards for all our operations everywhere.**

Our nine Business Principles, which are based on our core values of honesty, integrity and respect for people, apply to all our business affairs and describe the behaviour expected of every Shell employee.

The Principles reflect our responsibilities to our stakeholders and our commitment to contribute to sustainable development. They make our commitments to human rights and the environment clear for employees and business partners. They also express our determination to abide by the highest levels of business integrity – no bribes, no political payments and fair competition.

All Shell companies and employees are expected to comply with the Principles as a matter of course. We also expect our contractors and business partners to work in ways that are compatible with our Principles. If we are unable to convince them of the importance of this, we will terminate contracts and divest from joint ventures. In 2000, 106 contracts were terminated and two joint ventures divested because they were not working in ways compatible with our Principles.

As part of our minimum environmental expectations, over 90% of our major installations have been externally certified to international environmental management standards.

We are making steady progress in embedding sustainable development into decision-making – integrating economic, environmental and social considerations and balancing short-term priorities with long-term needs. We have well established targets in the areas of finance, health, safety and the environment. We are exploring ways to define meaningful targets and measure our progress in social performance.

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@ [www.shell.com/tellshell](http://www.shell.com/tellshell)



We engage to understand the needs and concerns of communities where we operate such as here in Nigeria.

### You told Shell Unknown

**“The geopolitics of oil and gas is not simple and simplistic, hysterical solutions do not help. We do not live in a post-petroleum world. We have to work with energy companies – and they have to work with us. Congratulations to Shell for trying to sort out their responsibilities in such a complicated world.”**

### You told Shell UK

**“I am afraid that Shell’s commitment to human rights comes too late. Blood will always, always be on your hands and no Business Principles will ever change that.”**



Training local contractors in the Philippines.

### Reported cases of bribery

	numbers of bribes and total value \$			
	1997	1998	1999	2000
Bribes offered and/or paid by Shell company employees directly or indirectly to 3rd parties	0	1 (\$300)	1 (\$300)	0
Bribes offered and/or paid by intermediaries, contractor employees directly or indirectly to 3rd parties	*	*	0**	1 (\$4,562)
Bribes solicited and/or accepted by Shell company employees	23 (small)	4 (\$75,000)	3 (\$153,000)	4 (\$89,000)
Bribes solicited and/or accepted by intermediaries, contractor employees or others	*	*	1 (unknown)	1 (zero)***

\* Data not available. \*\* One case in which a Shell employee used an intermediary to make payments of \$300 has been included in the cases concerning company employees. \*\*\* Bribe refused and reported by Shell company employee.



**Shell companies need to be profitable to deliver returns for shareholders and fund investment. But to thrive we must respond to a range of non-financial issues, such as transparency, respect for human rights and tougher environmental standards. Being trusted to meet societal expectations is key to long-term success.**

Demand for fossil fuels remains strong and will grow as populations and living standards particularly in developing countries increase – there can be no development without energy. Concerns about the environment and health are leading to a gradual move to cleaner fuels. Hydrocarbons will remain the main source of energy for at least the next 30 years, with gas playing an ever-increasing role. Renewables will begin to contribute and hydrogen has great potential as a fuel longer-term.

### **The way forward**

We will continue to lead in the development of the energy market and set a world-class standard for operating excellence and value growth. We will do this within a clear, transparent financial framework and embed sustainable development into our strategy and operations. This means integrating economic, environmental and social considerations into decision-making and balancing short-term priorities with longer-term needs.

It also means engaging widely with those who are affected by our activities at the community and other levels.

Using this approach, our extensive portfolio of opportunities, technology, strong brand and global reach, we will be able to deliver strong growth and competitive shareholder returns – even at oil prices lower than those seen recently.

Our strategy is structured around three themes:

- making the most of what we have – continuously improving our existing business
- gaining new business – expanding into new areas
- breaking new ground – creating new types of business.

In pursuing these themes we will:

- use our global spread to grow in developing economies
- provide customers with integrated solutions
- align our people and resources around major customer groups
- drive innovation in technology, products, services and e-business.

In the medium-term we will remain highly competitive in the hydrocarbons business, with an increasing emphasis on gas. We will use money, materials and resources evermore efficiently by:

- lowering the capital and material intensity of our businesses by adding more services
- decreasing the carbon content of our products and finding new ways to 'fix' or capture carbon to reduce the amount in the atmosphere
- growing our hydrogen and renewables businesses.

We are committed to a strategy that delivers excellent returns while contributing to the planet and its people. We see no alternative.

### **Sir Mark Moody-Stuart**

Chairman of the Committee of Managing Directors

***“ We believe a major challenge facing society today is posed by three inextricably linked issues:***

- ***the world's increasing demand for energy***
- ***the need for economic and social development of a growing population***
- ***the need to assure a viable world for future generations.***

***This threefold challenge has serious implications for the energy businesses, and concerns over climate change are at the heart of it. ”***

# Making the most of what we have

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Strategy in action

**We have developed advanced technologies, built up expertise, strong market positions and a powerful brand. We are making the most of what we have – improving financial performance, reducing environmental impact and contributing to the communities we operate in.**

Our 'smart' wells, for example, are further **improving the way oil fields are managed**. They combine sensors and automated control down the borehole with computer models of what is happening in the reservoir. These wells manage the oil field automatically and re-inject produced water before it is brought to the surface.

Smart wells lower costs and help us reduce our environmental impact, as does **recycling**. For example, more than 98% of an oil platform operated by a Shell-Exxon joint venture, has been recycled or the parts re-used. Only 1.6% of the material was sent to landfill. The platform, which used to stand off the Dutch coast, was transported to the UK for recycling.

Our revolutionary gas processing technology, called Twister, will lead to cheaper, more efficient and **emission-free natural gas processing**. Unwanted water and hydrocarbons have to be removed from natural gas before distribution. Twister is a physical process that has no emissions or moving parts. It needs little maintenance and could reduce conditioning costs by 25%.

Licensing it will spread the benefits and generate revenue.

**Finding markets for previously unwanted natural gas**, currently flared (burnt off), is a constant goal. Flaring is not only economically wasteful but the resulting carbon dioxide (CO<sub>2</sub>) is a greenhouse gas associated with climate change. A third phase of the liquefied natural gas (LNG) plant on Bonny Island, Nigeria scheduled for completion in 2002 will further reduce the amount of gas flared in the region. Shell has a 25.6% interest in the venture, which started production of LNG in 1999. The project provides many jobs during construction – over 6,500 people will work on building the third phase – and has an extensive community programme to improve living conditions and the local environment.

Environmental gains should also flow from **Shell's 'Super Site' strategy** of siting many of our chemical plants alongside refineries. The close proximity of the sites creates greater efficiencies (lower cost, reliable feedstock supply, energy saving and **less waste**) and reduces the environmental and safety risks of transporting hazardous materials long distances by ship, road and pipeline.



More than 98% of the K11 offshore platform was recycled.

Applying the latest e-business techniques such as global e-procurement is important in ensuring our portfolio performs profitably. So is the selling, acquiring and swapping of assets. For example, swapping retail interests in the UK for sites in Greece and buying sites in Africa provide opportunities for **growth**. We have set up a global network to enhance the value of Shell's trading activities in crude oil, refined products, gas, electrical power and chemicals.

We are offering customers innovative solutions in the form of combinations of products and services often featuring environmental benefits. Komatsu, a leading maker of heavy mining and construction equipment, has chosen Shell for a global lubricants supply agreement, including **biodegradable oils**.

**As the demand for lower-carbon energy sources and cleaner products grows we see many opportunities to combine our technical and commercial experience with innovative technologies, to satisfy this need and gain new business.**

Across the world we are participating in fast-liberalising energy markets and pursuing gas, power and other **trading opportunities**.

We are developing new electronic channels to our customers, such as Ocean-connect – an internet-based trading site for the shipping industry. We are looking to begin operations in areas of the world new to us – as we have in China and Iran – and expand in countries such as Saudi Arabia and Brazil.

We are extending the number of countries where we market specially **tailored automotive fuels**, such as Shell Pura and Optimax that offer environmental benefits.

Part of our attraction as a business partner are our advanced technologies that help us provide **energy solutions**, including the production of cleaner fossil fuels. This is especially useful in many regions where coal and gas are in abundant supply and are often the only viable fossil fuels much needed for development.

When hydrocarbons are burnt in conventional ways emissions of carbon dioxide (CO<sub>2</sub>) and sulphur dioxide (SO<sub>2</sub>) are given off. We have the necessary technology to dramatically reduce these impacts, particularly for coal, centred on gasification. This involves partial combustion and is the key to a range of exciting technologies that make it possible to use gas, coal and other hydrocarbons to produce **ultra-clean fuels and electricity**.

Shell **gasification technology** partially oxidises coal, gas (and even oil and biomass) to make syngas. Syngas is as clean burning as natural gas and when used in combined electricity generation it produces 90% less SO<sub>2</sub> and 15% less CO<sub>2</sub> than conventional coal-fired plants.

Syngas can also be processed to produce chemical feedstock, ultra-clean fuels or electricity using the **Shell Middle Distillate Synthesis (SMDS)** process. SMDS fuels are completely free from aromatic and sulphur components, leading to greatly reduced exhaust emissions. Shell's first SMDS plant has been operating in Bintulu, Malaysia for eight years. Major advances in our catalyst technology have dramatically improved the process and larger-scale plants are proposed for Egypt, Indonesia, Iran and Trinidad. The potential benefits of the by-product water in desert regions particularly hold great promise.



Shell Middle Distillate Synthesis plant Bintulu, Malaysia.

Alternatively, the carbon monoxide in the syngas can be removed as carbon dioxide on reaction with water and stored underground in depleted oil or gas reservoirs. The resulting **hydrogen** can then be used in fuel cells in vehicles, homes and power stations. Many predict that hydrogen could be the fuel that provides the basis for a future 'hydrogen economy'.

Shell already has a growing renewables business that does not rely on traditional hydrocarbons. We have established a network of **Solar Centres** across Germany to meet the needs of local consumers for solar electricity. Solar Centres are also being opened in Sri Lanka to provide consumers

in rural communities with access to electricity for the first time. We have set up a joint venture with a Swedish utility company to operate a combined heat and power plant, using wood-wastes, to supply domestic heat. The use of this renewable **bio-fuel** is carbon-neutral.

# Breaking new ground

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Strategy in action

**In response to evolving energy markets and increased demand for quality service from a trustworthy brand we are commercialising technology, developing strategic alliances, getting closer to the consumer and preparing the way for the emerging hydrogen economy.**

While new technologies hold much promise, a lot can be done now to create value by **commercialising our non-strategic technologies** and providing **consultancy services** to industry. These include solutions for improving the efficiency, reliability and health, safety and environmental performance of, for example, refineries. This improves our own performance and that of others while generating income.

We are using expertise from across our businesses to provide solutions to governments helping them meet their energy needs and grow their economies. We have signed a **strategic alliance** with Sinopec\* in China to develop jointly opportunities in exploration and production, oil products and gas marketing, and coal gasification.

In well-established markets we are **extending the use of our brand** getting closer to the consumer and developing new business opportunities without the need for high capital expenditure. We recognise the vital importance of the internet in growing new e-related businesses. Products and services range from **financial services** (venture

capital to car insurance) to providing pick-up points at our service stations for goods ordered on the internet. We are aiming to expand our consumer marketing activity by, for instance, supplying gas, electricity and energy advice.

Shell – a major supplier of raw materials for detergents – is an investor in **CleanWave**, an overnight pick-up and delivery laundry service in the USA. Home laundry consumes energy, water and chemicals with limited scope to improve efficiency. This venture gives us the means to evaluate ways to reduce water, energy and detergent use, with benefits to the environment.

We are broadening our investment in alternative energy sources. We are a joint-venturer in the North Sea's first **offshore wind farm** and in Germany we have also installed two wind turbines on our refinery. The electricity generated is sold to domestic consumers.

Geothermal energy can be tapped as a sustainable source of energy. Our new **hot fractured rock technology** involves drilling into rock, pumping water in and extracting steam for heat and power. The condensed water is re-injected.



Shell is a joint-venturer in the North Sea's first offshore wind farm generating electricity off the UK coast.

**Hydrogen** is expected to be the prime energy carrier of the future with the potential to replace carbon longer-term. The gas can be converted into electricity in fuel cells that emit only water. **Fuel cells** can be used in vehicles to power electric engines and on a larger scale to generate electricity for buildings and the grid.

Hydrogen is currently expensive to make and difficult to store. There are as yet no large-scale distribution systems for it, such as filling stations. We are working with International Fuel Cell, to develop and sell **fuel processors**. These convert fossil fuels to hydrogen emitting CO<sub>2</sub> and water. They provide a bridge to emerging technologies, encouraging new fuel cell applications and paving the way for **future investment in hydrogen** storage and distribution systems.

Fuel cells could also produce **electricity from natural gas without the release of CO<sub>2</sub>**. Shell is a partner with Siemens Westinghouse trialing a solid oxide fuel cell power plant in Norway. The plant burns natural gas producing CO<sub>2</sub> and steam. The CO<sub>2</sub> can be stored underground without release to the atmosphere.

# Transparency

## Transparent and credible?

### You told Shell UK

**“ I admire your transparency in all your dealings. I think it is a good way of rebuilding the trust of the public in your company. ”**

**We recognise the importance of building trust and credibility with stakeholders and are learning to be more open, through more dialogue and transparent communication.**

An important part of building confidence is the publication of reliable information that gives a fair picture of our performance. Without verification by respected independent organisations neither you nor we can be sure that real progress is being made in critical areas covered by this report.

Group auditors have verified some of the economic, environmental and social information in the full Shell Report in line with emerging best practices.

Proving the reliability of data is only half the story, and it will take more than this to convince sceptics of our progress. We need to provide independent views of whether our performance is good or bad and compare ourselves with others. We have asked independent experts to comment on our performance and you can see their views in the full report and on the website.

These moves reflect our broad programme of stakeholder dialogue and communications. In this way we aim to earn the trust and respect of our stakeholders.

### You told Shell Germany

**“ Just count the postings on the forum: there are far more ones critical of Shell and the human rights aspects of their operation than in support of it. That’s not what I would do if I wanted to merely improve my image. ”**

### You told Shell Unknown

**“ This is the most obvious Greenwash I have yet to see – well done Shell, you’ve sunk to new levels. It appears your PR agency have successfully managed to convince you that the bulk of the population are morons. ”**

## “Tell Shell”

**We need your feedback – no matter how critical – to help us improve. We really do want to hear your views on Shell or The Shell Report, about the issues we covered and anything we didn’t. Please tell us what you think.**

You can contact us via:

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- e-mail at [tell-shell@si.shell.com](mailto:tell-shell@si.shell.com)
- post to  
‘The Profits and Principles Debate’  
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If you want to share your views with a wider audience please tell us and we will post them on your behalf on our uncensored website forum.

You can find more information and download the full Shell Report at our website or request a paper version at the address above.

**Thank you.**

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## **The global dialogue continues**

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