UNDERSTANDING RESOURCE SCARCITY: THE STRESS NEXUS

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Shell's Energy Course for Whitehall: 20 July 2012

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The companies in which Royal Dutch Shell plc directly and indirectly owns investments are separate entities. In this presentation "Shell", "Shell group" and "Royal Dutch Shell" are sometimes used for convenience where references are made to Royal Dutch Shell plc and its subsidiaries in general. Likewise, the words "we", "us" and "our" are also used to refer to subsidiaries in general or to those who work for them. These expressions are also used where no useful purpose is served by identifying the particular company or companies. "Subsidiaries", "Shell subsidiaries" and "Shell companies" as used in this presentation refer to companies in which Royal Dutch Shell either directly or indirectly has control, by having either a majority of the voting rights or the right to exercise a controlling influence. The companies in which Shell has significant influence but not control are referred to as "associated companies" or "associates" and companies in which Shell has joint control are referred to as "jointly controlled entities". In this presentation, associates and jointly controlled entities are also referred to as "equity-accounted investments". The term "Shell interest" is used for convenience to indicate the direct and/or indirect (for example, through our 24% shareholding in Woodside Petroleum Ltd.) ownership interest held by Shell in a venture, partnership or company, after exclusion of all third-party interest.

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Signals & Signposts - A SNAPSHOT

Intensified economic cycles and an end to 'The Great Moderation'

Heightened political instability

We have entered an

'era of volatile transitions'

Significant demographic transition – urbanisation

New political relationship building – a *mini-lateral* world

Defined and challenging planetary boundaries

Energy drivers and the zone of uncertainty

2050

Underlying demand potential

Ordinary demand moderation

Zone of extraordinary opportunity or misery

2000

Energy supply/ demand balance

Ordinary supply developments

WATER-ENERGY-FOOD NEXUS

WATER
+30% DEMAND

ENERGY is needed to clean and transport water

FOOD transports (virtual) water

WATER is needed to generate energy

WATER is needed to grow food

ENERGY
+40% DEMAND

ENERGY is needed to produce food

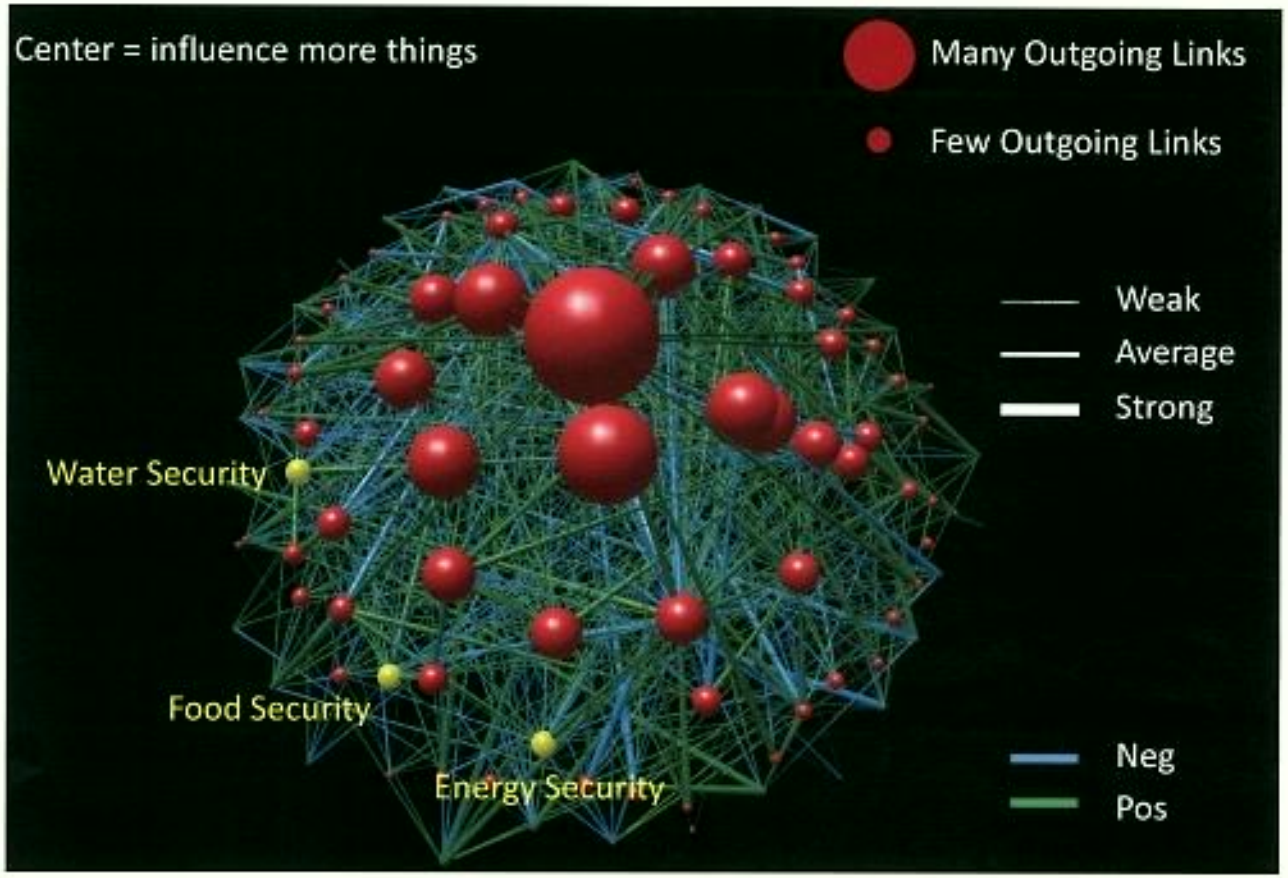
FOOD can be used to produce energy

FOOD
+50% DEMAND

% Increase in demand by 2030

MAPPING THE NEXUS

- Network analysis to map the Nexus
- Identified subset of critical issues/hotspots
- Two strongest levers:
  - **Sustainable Urban Design**
  - **Emissions regulation/carbon pricing**



New models of partnership needed to address the Nexus

GLOBAL AND LOCAL

WETLANDS INTERNATIONAL

The Nature Conservancy
Protecting nature. Preserving life.

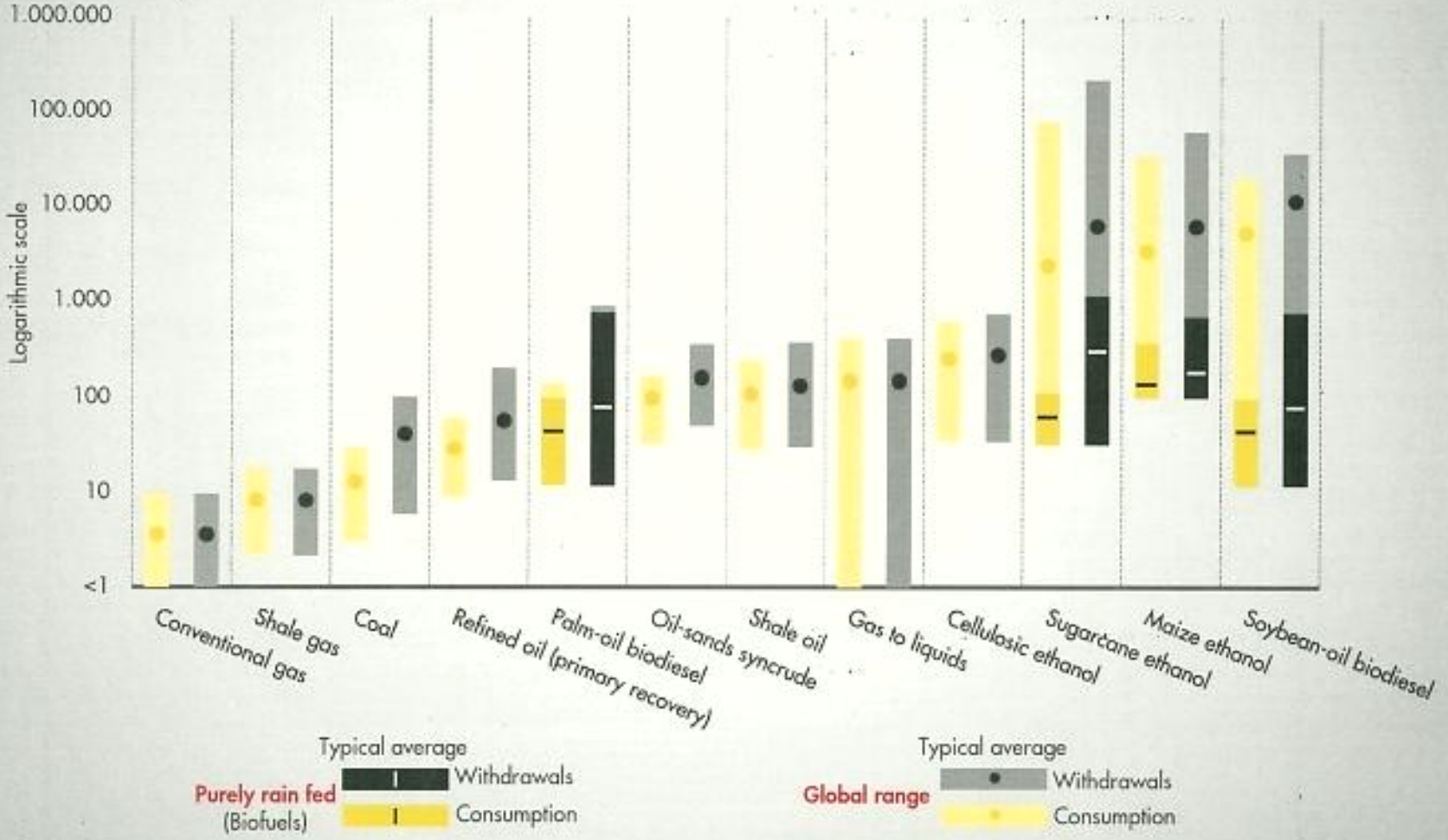
IUCN

EARTHWATCH INSTITUTE

WATER USE FOR ENERGY

SHELL ANALYSIS OF WATER USE IN ENERGY PRODUCTION

Freshwater intensity (litres/GJ Low heating value)



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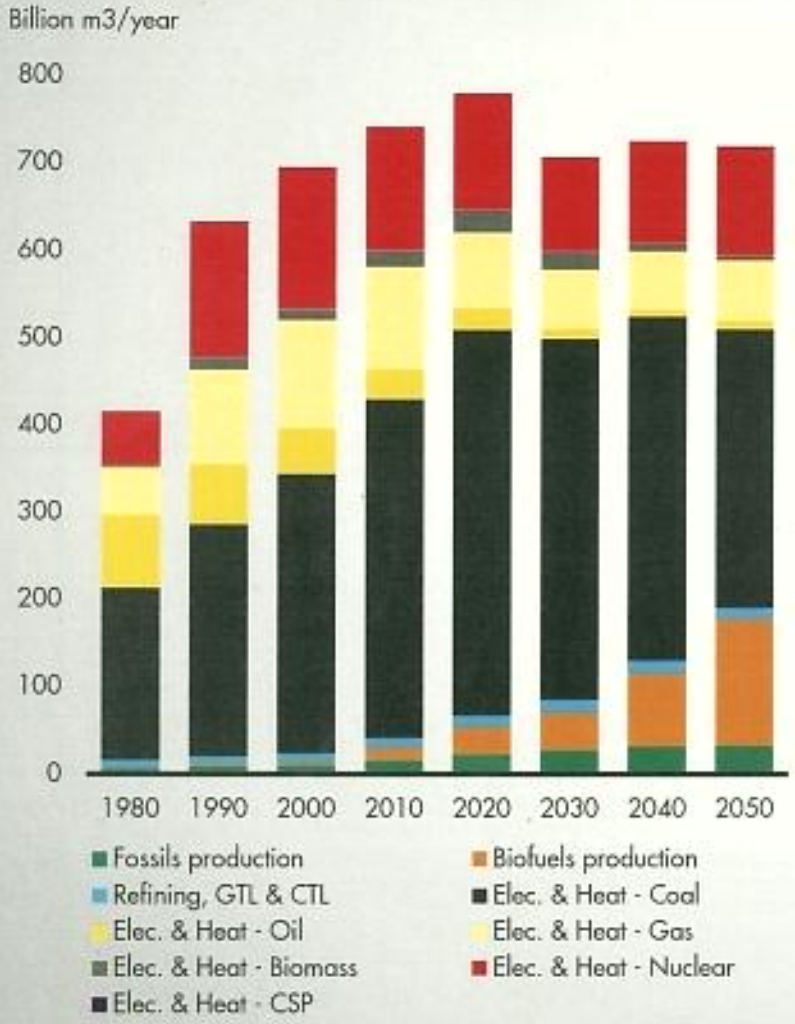
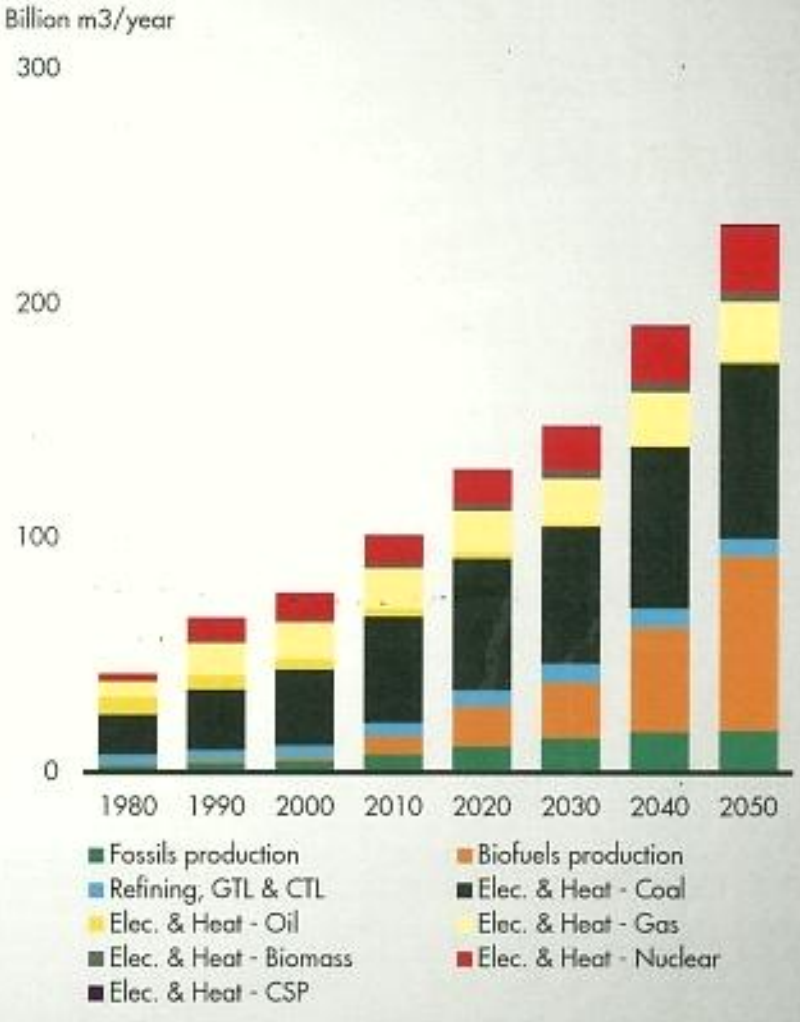
WATER USE FOR ENERGY

FRESH WATER WITHDRAWAL FOR ENERGY



FRESH WATER CONSUMPTION FOR ENERGY



 | 18 April, 2012 Shell estimates