

Message

From: Watkins, Gretchen H SERC-UP [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=40DF89A63613493BB9AEA81AFD1F8A38-USGWBD]
Sent: 3/30/2020 3:57:21 PM
To: Klein, Jason SHLOIL-UPU [REDACTED@shell.com]; McMahon, Kevin M SEPCO-UPU [REDACTED@shell.com]; Johnson, Krista SHLOIL-GRA [REDACTED@shell.com]
CC: Tyler, Kate P SEPCO-UPU [REDACTED@shell.com] [REDACTED@shell.com]
Subject: FW: Methane Steering Group - EU Methane Policy follow up notes

PLEASE DO NOT FORWARD

All, I have a call with Wael and Helen on Thursday morning and then my call with Maarten an hour after that. Would appreciate a balanced view of all the issues (Shales and US) raised below. Jason has been synthesizing this for me and can continue in this role, but wanted to ask you all to support each other. Hopefully a short list of key points. I will also send the document Helen sent. Let me know if questions. Thanks.

Best Regards,

Gretchen

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From: Sawan, Wael RDS-EC [REDACTED@shell.com]>
Sent: Sunday, March 29, 2020 5:46 AM
To: Forde, Helen M SI-UP [REDACTED@shell.com]; Watkins, Gretchen H SERC-UP [REDACTED@shell.com]; Riekerk, Yvette SI-UP [REDACTED@shell.com]>
Subject: RE: Methane Steering Group - EU Methane Policy follow up notes

Helen,

Thanks for this. Read the document and must say I struggled with our hesitation around supporting the wording as it is sufficiently high level, and very aligned with the external advocacy we have already taken on the topic so difficult for me to see how we could not support it (putting aside the impact it will have on our business which is a reality we have anyway irrespective of what happens with this given the position we have taken over the past years, but also the fact that the EU will do what it believes need to be done anyway irrespective of what this group proposes).

To avoid further email traffic on it, suggest you, Gretchen and I find a quick 30mins to connect this week if possible to at least make sure the 3 of us are on the same page and have an aligned voice on this.

Yvette – appreciate if you can set up.

Thanks.

Wael

From: Forde, Helen M SI-UP [REDACTED@shell.com]>
Sent: Sunday, March 29, 2020 11:52

To: Sawan, Wael RDS-EC <[REDACTED]@shell.com>; Watkins, Gretchen H SERC-UP <[REDACTED]@shell.com>
Subject: RE: Methane Steering Group - EU Methane Policy follow up notes

Comments below

From: Sawan, Wael RDS-EC <[REDACTED]@shell.com>

Sent: Sunday, March 29, 2020 9:42

To: Forde, Helen M SI-UP <[REDACTED]@shell.com>; Watkins, Gretchen H SERC-UP <[REDACTED]@shell.com>

Subject: RE: Methane Steering Group - EU Methane Policy follow up notes

Importance: High

Thanks for the richness of the response Helen.

- Where are we now in understanding the impacts of what is being proposed?

We have not really started yet – and in the Methane Steering Group this week it was recognized that this will take time – likely months away. Mike in my team will be the lead from Upstream with folks in each of the LoBs, we do need to recognize that the people he needs to involve are busy keeping the business going. We sit down with Group Carbon and IG this coming Friday.

I still think we can review the high level words while also doing the homework, so gain some space to really review the impacts. IG should lead this, but in their absence we will.

- Is there a paper I can review that outlines what is being proposed? I understood it to be definitive around prohibiting access to EU of gas > 0.2% CH4 but not clear to be how tightly that will need to be measured, the period within which that check needs to apply (e.g. if asset had operational upsets or lower volumes) etc. Does it just apply to gas sales or also oil sales?

I attach the paper – the appendix contains the actual proposal to the EU. It is deliberately high level at this stage – the intent is that if the EU Commission shows interest in exploring the recommendations further, the working group can develop greater detail on specific criteria.

Your questions are all great – and frankly we don't have answers to all of them. This is part of the problem – we just don't know.

As an example - the paper states that Shell's assets that produce gas exported to the EU will need to meet the Shell methane intensity target on an individual basis rather than on aggregated company level. Although the actual wording to the EU don't specifically say that.

It appears to be referring to gas sales mainly, but in the proposal it also mentions "oil and gas production", so again, not 100% clear. There is no specificity on how this would be measured, periods within which the checks would need to apply etc.

- Is there a proposed 'discount' for molecules that do not meet the requirements or absolute ban from coming in?

It generally refers to incentives – but clear on what this means. No mention of a ban. I think it depends on what the EU member states agree.

- What is the timeframe by which we need to align internally and commit externally? These measures will come into play by 2025?

It appears that in Jan it was proposed that a proposal would be made to the EU in April. We were involved March 12th and are trying to support this ambition. Our drive is to review and tweak the wording to make sure we are not creating an issue.

In the proposal there are four timeframes:

1. Define a robust Monitoring Reporting and Verification (MRV) standard, work practice standards and technology standards (between 2020 and 2023)
2. A performance standard for the upstream part of the supply chain to aim for producing gas with a methane intensity of less than 0.20% by 2025. Set the standard in 2020.

3. Other segments of the supply chain will set their respective targets progressively and each segment will aim to meet its own target from 2025.
4. A procurement standard to be applied from 2025 to buyers of natural gas from domestic and import supply chains to incentivize the continual reduction of the methane emissions intensity of the gas entering those supply chains.

As I said, I have sympathy for setting a reasonable ambition and driving the org there but just important we understand what we are committing to.

I agree and have stated that in the meeting this week.

Worth noting that we co-chair this work with EDF. They have stated categorically that they will not support high-level recommendations that do not mention a procurement standard. There is potentially more in the discussions with the players than the paper outlines.

I believe that our approach to review the wording and make amendments, as well as doing the homework are key parallel activities.

As is getting into the conversation with IG so whatever is being negotiated we are up to speed with and influencing where appropriate (the latter may be difficult if the door is not open, but I am pushing this).

Regards,
Wael

From: Forde, Helen M SI-UP [REDACTED]@shell.com>
Sent: Sunday, March 29, 2020 9:15
To: Watkins, Gretchen H SERC-UP [REDACTED]@shell.com>; Sawan, Wael RDS-EC [REDACTED]@shell.com>
Subject: RE: Methane Steering Group - EU Methane Policy follow up notes

Gretchen

Thank you. I have some thoughts on your points and questions below in red to help.

Happy to chat through – let me know if that might be of help.

Grateful for you not forwarding – I have kept the audience small give the sensitivity of some of the comments.

Helen

From: Watkins, Gretchen H SERC-UP [REDACTED]@shell.com>
Sent: Friday, March 27, 2020 20:30
To: Forde, Helen M SI-UP [REDACTED]@shell.com>; Sawan, Wael RDS-EC [REDACTED]@shell.com>
Cc: McMahon, Kevin M SEPCO-UPU [REDACTED]@shell.com>; Johnson, Krista SHOIL-GRA [REDACTED]@shell.com>; Ioannou, Mike G SIEP-UPS [REDACTED]@shell.com>; Klein, Jason SHOIL-UPU [REDACTED]@shell.com>
Subject: RE: Methane Steering Group - EU Methane Policy follow up notes

Helen, thanks for the update, I believe we are aligned at the upstream level. I have also asked, as USCCh, to check on the other US businesses (such as LNG/gas trading) that might be impacted so that we capture all the analysis we need to proceed.

FYI – in the Policy Forum Maarten, clearly stated that he was willing to take a risk on the LNG trading element associated with this (it is in his shop I believe) – given the importance of the issue from his perspective.

Overall the methane advocacy work, and this specific paper, is led by Maarten's team not Group Carbon.

After the meeting this week I have spent time with Nebehat Albarak (VP ER Integrated Gas and New Energies) who leads this work for him.

I sensed from her a strong sensitivity about the comments made on the LNG trading aspects of this. She clearly feels this is IGs business to take this risk, and shared with me her frustration with the comments she had heard about the potential challenges in this space.

I had sent a note to Maarten earlier this week after a recent Policy Forum meeting where my team became very concerned that Group Carbon was proceeding without taking our warnings and requests into account. I sent him a note expressing my concern both as CCh and Shales EVP, and we have a call next week to discuss. Let me know if you want something different, as I don't have clarity on next steps here (Upstream's next steps or Group Carbon's next steps).

Nebehat mentioned this meeting. I have no objection to it – although I believe the issue may be bigger than just Shales or the US. A few key insights from my conversation with her that I hope will help:

1. It was clear that there was no real work done to understand the impact of this proposal to Upstream or other directorates. She was unaware that other SOV asset (in the UK; Brazil; Argentina and Tunisia) might be impacted. She did not have a view on NOV volumes. This has not been considered. The only consultation was with one or two GR folks in the US.
2. I noted a real reluctance to involve Upstream in this conversation. Her primary concern is that by doing that there will be objection from individual assets on their specific data. Her view appears to be that it is better to set a north star approach and then we figure out how to get there. She believes that Maarten shares the same perspective.
3. She appears to be impatient with Upstream progress in this space. I sensed that Maarten might also share this view. I am not sure she recognizes the difference between us delivering the 0.2% on an aggregate level (our promise), and an individual asset level (this proposal).
4. She is keen to have a conversation with Maarten, Wael, yourself, myself and others with a view, I believe, to push this through. This I believe comes from the reality that while there are lots of Methane groups in Shell, none of them have a mandate to make a decision. The result I observe is that IG make a decision, forge ahead, and become frustrated when we do not follow.

I shared with her my disappointment on the lack of involvement (this is the second time), how Upstream wants to be a player and is fully committed to supporting our leadership position on methane, and while we accept that the end point might be that certain assets get locked out of the EU it is important we understand and quantify that in advance to ensure we can help any decision being taken.

Our agreed way forward is as follows:

- a. Upstream will review the draft proposal with a view to see what words might need to be modified in order not to inadvertently create an issue in the future. I am really not sure how easy this is to do, but it at least would buy us time to figure out the bigger impact.
- b. The work is done to figure out the bigger view on how this approach might impact SOV and NOV volumes in Upstream.
- c. We sit down with her team and GC and address how we can work together in the future. This includes considering how decisions need to be made and where this is best placed to happen.

Very happy to discuss further if it helps. Just let me know.

Thanks.

Best Regards,

Gretchen

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Sent: Friday, March 27, 2020 6:07 AM
To: Sawan, Wael RDS-EC [REDACTED]@shell.com>
Cc: Watkins, Gretchen H SERC-UP <[REDACTED]@shell.com>; McMahon, Kevin M SEPCO-UPU
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Subject: RE: Methane Steering Group - EU Methane Policy follow up notes

Wael

Thanks – that is clear. We are aligned on understanding the quantifying this in a more robust way, to support decision making.

I believe Gretchen and Maarten are meeting early next week, I am uncertain as to the agenda for that conversation.

Helen

From: Sawan, Wael RDS-EC [REDACTED]@shell.com>
Sent: Friday, March 27, 2020 11:57
To: Forde, Helen M SI-UP [REDACTED]@shell.com>
Cc: Watkins, Gretchen H SERC-UP <[REDACTED]@shell.com>; McMahon, Kevin M SEPCO-UPU
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Subject: Re: Methane Steering Group - EU Methane Policy follow up notes
Importance: High

Thanks Helen. Ref Upstream concern (a), I am comfortable with an end point that certain assets get locked out of EU if that is what it takes and is the right thing for our broader advocacy but important we understand and quantify that to help any decision being taken. NOV point an important one to keep a frame on as well as you point out.

Did I understand correctly that Gretchen and Maarten will connect to discuss the US implications of this?

Regards,
Wael

On Mar 27, 2020, at 11:37 AM, Forde, Helen M SI-UP <[REDACTED]@shell.com> wrote:

Gretchen/Wael

Following the Methane Steering Group meeting yesterday which Krista, Kevin and I attended I am sharing my notes to advise on the current status and our forward plan on the EU Methane Policy. I invite Krista and Kevin to comment in the event I have missed anything.

Our commitments as Shell

1. September 2018, Shell announced a target to maintain the methane intensity of its operated oil and gas assets in Upstream and Integrated Gas below 0.20% by 2025. Upstream fully supports this position and currently are below this target for our SOVs on an aggregate basis.

2. Shell's approved policy position on methane is "we support reductions in methane emissions throughout the natural gas supply chain and advocate the direct regulation of methane emissions as a risk to the climate system". The paper advises that this position is proposed to be published externally as part of the Climate Policy Positions on 7 April (pending EC approval) and will continue to be used to assess our membership of industry associations.

EU position

1. The EU has mainly focused on mitigating carbon dioxide emissions to reduce the greenhouse gas impact of its energy system.
2. Regulation (EU) 2018/1999 requires the European Commission to propose an EU strategic plan for methane.
3. In 2019 the EU commissioned a study on "Limiting methane emissions in the energy sector" which will run until August 2020. The Commission wanted to start identifying lowest and highest methane intensity supplying countries.
4. In Jan 2020, at the request of the Methane Guiding Principles Initiative, a European Methane Policy Working Group was formed to ensure strong and informed engagement with the EU through this process. This working group is co-led by Shell and the Environmental Defense Fund (EDF). The main goal is to support timely EU legislation that achieves ambitious methane emissions reduction outcomes across the supply chain of natural gas sold and used in the EU. The working group is made up of industry and NGO members. It has drafted short and long-term recommendations for the EU commission.

The proposed EU Policy and potential issues

1. The proposal includes recommendations to
 - (a) Define and implement Measurement, Reporting and Verification standard (between 2020 and 2023).
 - (b) A performance standard where the upstream part of the supply chain will aim for producing gas with a methane intensity of less than 0.20% by 2025.
 - (c) Other segments of the supply chain will set their respective targets progressively with an aim to meet it from 2025.
 - (d) A procurement standard from 2025 to buyers of natural gas to incentivise the continual reduction of the methane emissions intensity of the gas entering the supply chains.
2. Concerns from an Upstream perspective include the following:
 - a. The proposal indicates that Shell's assets that produce gas exported to the EU, will need to meet the Shell methane intensity target on an individual asset basis rather than on aggregated company level. This could mean that specific volumes end up locked out of the EU market.
 - b. The paper suggest that US assets (specifically Permian and Appalachia) are most exposed to this risk due to their emission intensity level. We have a number of other SOV assets (UK; Tunisia; Brazil and Argentina) that currently exceed the 0.2% intensity target. It appears that the analysis did not identify these assets.
 - c. There is no mention of equity volumes from NOV partners (which is in general higher from a methane intensity perspective) or purchased volumes that would be sold into the EU.
 - d. We have a question regarding the quality of modelling done in the proposal.
 - e. The paper states that Shell is currently implementing (a high standard of) LDAR in its assets. In Upstream while we may not have this in all our assets, we are committed to improving this over time.
3. The risks of not supporting the longer term recommendations appear to relate to EDF who have stated categorically that they will not support high-level recommendations that do not mention a procurement standard. If EDF pulls out of the working group, the paper suggests that they are likely

to call out companies for failing to advocate for sufficiently ambitious policy and regulation on methane emissions mitigation. It states that Shell's reputation – among leading companies, NGOs, multilateral institutions and academia would be impacted negatively if we do not support all recommendations (near and long term).

4. Feedback from GR would suggest that there is no urgent pull from the EU on this. It would seem that the EU are interested in demonstrated leadership but that there is not a strong drive for detailed specifics at this stage.

Our response and proposed way forward:

1. Upstream is fully committed to, and is working towards the Shell stated ambition of maintaining the methane intensity of its operated oil and gas assets in Upstream and Integrated Gas below 0.20% by 2025.
2. We also want to effectively support the overall Shell drive to maintain our reputation as a leader in the space of reducing methane emissions.
3. We have shared our disappointment on the lateness of the invitation to be involved in the work (March 12th) given the tight turnaround (end March).
4. We have also shared our concerns as listed above – and our wish to be player in this space. It should be noted there were other supply chain concerns raised beyond the Upstream part of the business (relating to the impact on LNG trading as an example).
5. Our proposal is that we do two things in parallel:
 - a. We provide feedback to IG (who own this proposal) with recommendations on the current wording.
 - b. We work with IG and other parts of the supply chain to look at the bigger supply chain impact. This work will take time particularly given the current business load.

I hope this helps update you on the current status.

Any questions then let me know

Helen

Helen Forde

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