

Hed: Praising a regulation that's a friend to the environment -- and friendly to responsible companies

Being an executive at an oil and gas company, you probably might expect me to be opposed to environmental regulation. So let me surprise you a bit. I'm not.

In fact, I especially like government regulation when it reduces potent greenhouse gases while at the same time spurring innovation. This is why Shell supports-has long-supported the 2016 EPA rule known as OOOOa, which allows for the direct regulation of new and modified sources of methane emissions, such as oil and gas operations.

As the president of Shell Oil Company, I have seen how that regulation has helped sharpen our operations'-operational performance in Northwest Pennsylvania and West Texas, just as I have seen how it has attracted a range of industry coalitions working collaboratively toward environmental goals.

Methane is a climate killer. -whichIt has a higher impact on global warming than carbon dioxide because it tends to stay in the atmosphere for longer periods of time. It's-is primarily emitted naturally- from wetlands, oceans and vegetation decay. The leading human activity that produces methane is agriculture -- primarily livestock farming; but oil- and gas-related activities contribute some 13 percent of total global methane emissions.¹

At Shell, we have compelling reasons to do our part to reduce those emissions. For one, we make money with that gas. The more of it we keep in the pipe, the more profitable we are. we- And as it turns out our neighbors closest to our operations want clean air to breathe -- so, we earn our want-to-be-a-good neighbor-by-protecting-the-quality-of-air-near-our-assets. This is a key to what we call our_ societal license to operate by keeping it as clean as possible. It's what neighbors do and -and_ it's critical to our business.

For anotherGlobally, Shell has a huge stake in the environmental advantages that natural gas presents: recent investments and divestments have reshaped the company, such that natural gas is now more than 50 percent of our global portfolio. Given that natural gas reduces carbon dioxide and improves air quality where it replaces coal or diesel, this shift is one of the many ways that Shell is positioning itself to thrive through the transition to a lower-carbon energy system.

If the industry fails to contain methane emissions, however, then- it weakens the environmental case for gas -- and, by extension, the value of Shell's natural gas holdings. That's not good business.

This past September, Shell took the bold step of declaringdeclared a methane intensity target of below 0.2 percent for our entire global upstream supply chain, by 2025. (For context, the International Energy Agency estimates that the natural gas industry as a whole has a methane leakage rate of 1.7 percent.) It was an individual way to build on the progress we've already made collectively through industry coalitions: Shell was among the first eight companies to sign the global Methane Guiding Principles for reducing emissions -- and ten more companies have signed on since.

Those principles recognize that as an industry we cannot make tangible improvements on reducing methane emissions until we get a more accurate understanding of how much we're emitting. Second,

Comment [SCAS1]: I hate to turn away from a seductive lead. But I don't really think anyone would be surprised by this. We use regulations to keep some small players out of places we want to work. And that includes the GoM where it's widely accepted we are one of few who can afford to work and meet regs in that space. So, regs keep the small frye and bad actors away from our best prospects. I'm not good enough to come up with an alt lead but just giving my first reax.

Comment [SCAS2]: We can say it's bold but I don't know that it is, really.

¹ From Gas Book

they recognize that progress on this front will require investment in developing sophisticated technology to gain those measurements and to repair the leaks.

Of course, those kinds of investments can only be cost-effective for the industry if they are backed by robust policies and regulations. This is the role OOOOa plays.

Policies like this also have a way of inviting companies to take a proactive stance on environmental stewardship. Shell is among the 50 companies to have signed onto a voluntary methane emissions reduction program called the Environmental Partnership, which regulates emissions from *existing* assets – a category not covered by OOOOa.

When energy companies have incentives to reduce emissions, it tends to give rise to investment in technology. For instance, in the Permian Basin, Shell is piloting a program where drones are outfitted with leak detection equipment. They can be flown above our assets, beyond the visual line of sight to search for methane emissions where no human could find them.

Since OOOOa first took effect in 2016, it has led to more efficient pneumatics, better cameras and now airborne imagery. Shell relishes the opportunity to continue designing even more leading-edge solutions to environmental challenges like methane emissions.

~~Of course, while~~ While we support OOOOa, ~~we do believe there are ways~~ it can be improved. For instance, the ~~current~~ Administration is finalizing a package that would recognize state laws that also regulate methane from oil and gas production, and it would deem compliance with those state laws to qualify as compliance with the federal law. Pass the state test and you're good to go on the federal level. This ~~is a regulatory efficiency that would~~ practical fix will save time and money while achieving the same environmental benefit.

There may also be ways to streamline the reporting of leak detection and repairs. Again, these are requirements that add to the cost of compliance without improving environmental outcomes.

There is a perception among some, unfortunately, that the energy industry is opposed to environmental regulation, because regulation has, at times, increased cost, decreased available acreage and failed to produce the intended environmental benefits. ~~is bad for business.~~ OOOOa illustrates how that reasoning is flawed. Smart, sensible regulation like OOOOa aligns environmental goals in a way that actually rewards businesses for being conscientious about managing greenhouse gas emissions and in making investments in technology that can reduce those emissions.

As society moves deeper into the energy transition, we will need more regulation like OOOOa.

Comment [SCAS3]: While this *may* be true, I don't think we can go here. Put otherwise, "if regulations are strict enough, industry will be forced to spend money to innovate. If left to their own device, they cannot be trusted to do the right thing" Perhaps, "When companies like Shell are challenged to solve a problem...."

Comment [SCAS4]: Not sure if we are inclined to credit OOOa in this way. For years we gave ourselves credit for self-compliance without the threat of OOOa, I think

Comment [SCAS5]: I've never heard us champion OOOa in this way. Checking w Marnie on tone here.