



## BSR Conference 2008 | Sustainability: Leadership Required Shell Energy Scenarios

Breakout Session Summary

Thursday, November 6, 2008 | 10-11:30 a.m.

### Speakers

- **Steven M. Fries**, Chief Economist, Royal Dutch Shell
- **Anupam Khanna**, Senior Manager of Policy Support in the Corporate Secretariat, The World Bank
- **Michael Oxman**, Director, Advisory Services, Business for Social Responsibility (moderator)

### Highlights

- Scenarios are not forecasts or predictions; they are plausible stories.
- Ideas for action plans and policies include: promoting energy efficiency, carbon pricing and trading, technological development and deployment, transportation infrastructure investment, urbanization strategies, and agricultural policies.
- It's today's reality that the undesirable, reactionary Scramble Scenario is already playing out: evidence includes an increase in supply-side management; the promotion of coal and biofuels; and a scramble for access to resources.

### Memorable Quotes

- "This is not a story about peak oil, but about sustained tension between energy sources and demand for energy around the world." —Steven Fries, Royal Dutch Shell
- "We want to think about the logic of collective action or inaction. The Shell Scenarios help us think about how action could be organized earlier." —Anupam Khanna, The World Bank

### Overview

Fries started the session by emphasizing that the Shell Scenarios do not represent a single point of view, but rather each scenario takes into account multiple, alternative uncertainties. For Shell, these scenarios are not simple exercises; rather, they lie at the core of the company's strategic planning. Fries outlined three hard truths defining our current energy dilemma. First, energy demand fueled by economic growth and population growth—primarily in developing countries—continues to soar. Second, energy supply will struggle to keep pace with demand. Third, environmental stress is increasing at a rapid pace.





## Business for Social Responsibility

The first situation is the Scramble Scenario, which Fries described as reactionary. In this scenario, people don't anticipate problems, and they are delayed in acknowledging the three hard truths. Fries sees evidence of this scenario playing out today. For example, we have the tendency to react and adapt to environmental stresses as opposed to addressing the core problems. We've also moved towards greater supply-side management, there is a rapid scramble to access resources, and we have a strong focus on clean coal and biofuels. In this scenario, there would be a 25 percent reduction in energy use compared to the "business as usual" case.

The second situation is the Blueprint Scenario. In this scenario, the realization of economic and political opportunities arising from the tension between energy supply and demand drives widespread anticipation of challenges. Early policy action on pricing and managing greenhouse gases, early support for efficiency, and widespread dissemination of concerns define this possible situation. There is also a strong economic push to bring together initiatives across the globe. In this scenario, the world develops new infrastructure and carbon capture and storage (CCS) emerges after the year 2020. Assuming implementation of CCS technologies, this scenario would lead to a 35 percent reduction in energy use. In this situation, energy use would peak in 2020 and return to current levels by 2050. Moving away from previous policy, Shell publicly endorses the Blueprint Scenario.

Khanna—speaking on his own behalf and not on behalf of the World Bank—agreed that the hard truths outlined by Fries are a reasonable starting point, but they fail to address certain issues. He believes that adaptation and mitigation will greatly affect future energy use. Also, the Shell Scenarios fail to address who bears the risks and costs associated with past actions, and how do we deal with the unequal distribution of risk and damage between developed and developing countries. The scenarios also fail to address non-energy emissions such as those associated with agricultural production and land use.

In response to a concern from an audience member that Shell's Blueprint Scenario is too conservative compared to other approaches, Fries stated that Shell focused its strategy on realistic expectations. He asserted that the underlying assumption that renewables will rise from 3 percent to 33 percent in 50 years will really require phenomenal advancements. Fries expressed his concern about the credibility of some of the other more aggressive scenarios.

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