AN INTRODUCTION TO

SHELL LNG FOR TRANSPORT

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Reserves: Our use of the term "reserves" in this presentation means SEC proved oil and gas reserves. Resources: Our use of the term "resources" in this presentation includes quantities of oil and gas not yet classified as SEC proved oil and gas reserves. Resources are consistent with the Society of Petroleum Engineers 2P and 2C definitions. Organic: Our use of the term Organic includes SEC proved oil and gas reserves excluding changes resulting from acquisitions, divestments and year-average pricing impact. Resources plays: Our use of the term 'resources plays' refers to tight, shale and coal bed methane oil and gas acreage.

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1 NATURAL GAS OPPORTUNITY

PROJECTED ENERGY OUTLOOK BY 2050

9 BILLION people, **75%** living in cities

(**2 BILLION** more than today)

2 BILLION vehicles

(**800 MILLION** at the moment)

Many **MILLIONS** of people will rise out of energy poverty; with higher living standards energy use rises

Energy demand could **DOUBLE** from its level in 2000… while CO_2 emissions must be **HALF** today's to avoid serious climate change

Twice as efficient, using **HALF** the energy to produce each dollar of wealth

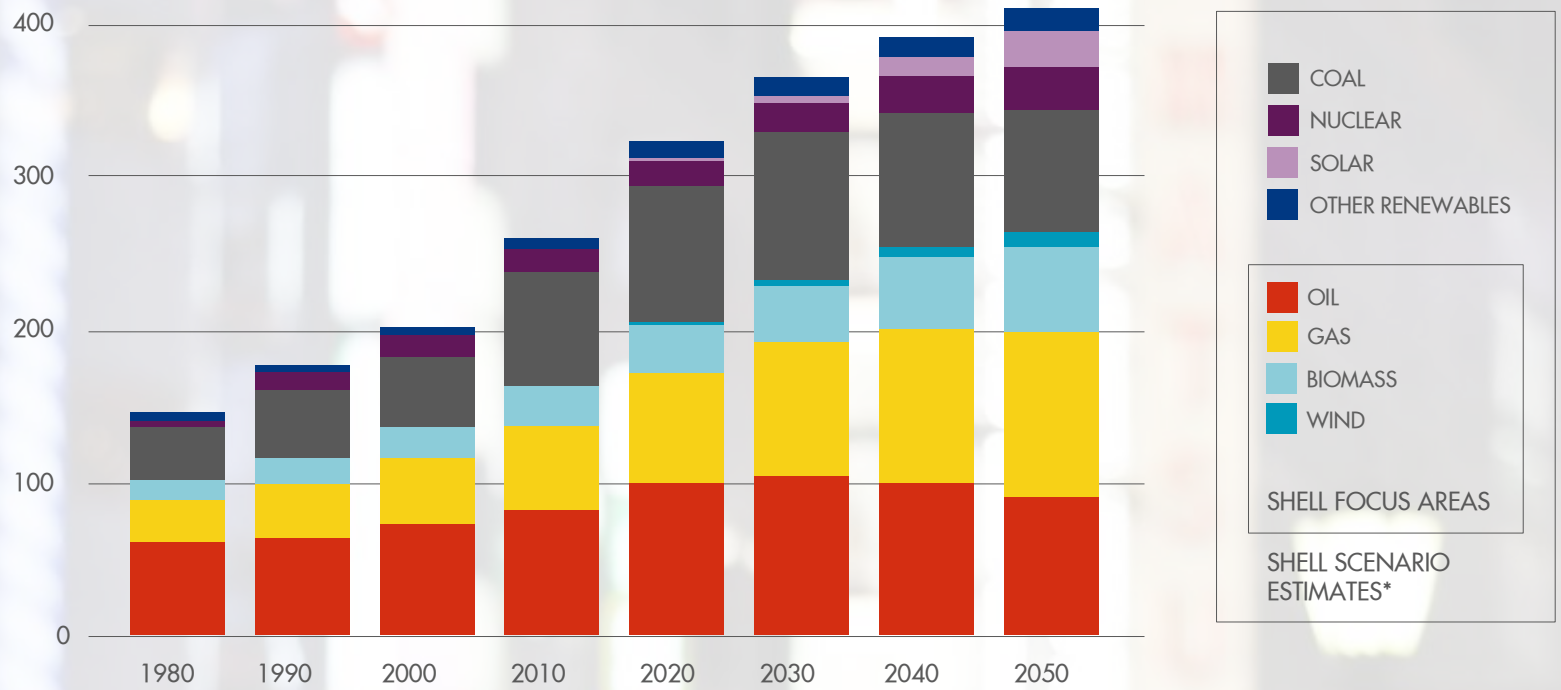
Renewables could supply up to **30%** of the world's energy

Projections are based on the Shell Scenario Estimates – a planning tool used by Shell to explore alternative views of the future by considering long-term trends in economics, energy supply and demand, geopolitical shifts and social change, as well as the motivating factors that drive change.

GLOBAL ENERGY LANDSCAPE

ROBUST LONGER TERM FUNDAMENTALS

Energy demand outlook in million boe/d



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THE CASE FOR GAS

ABUNDANT

- Gas resources can supply >230 years of current global gas production
- LNG supplies could meet one-fifth of global gas needs by 2020

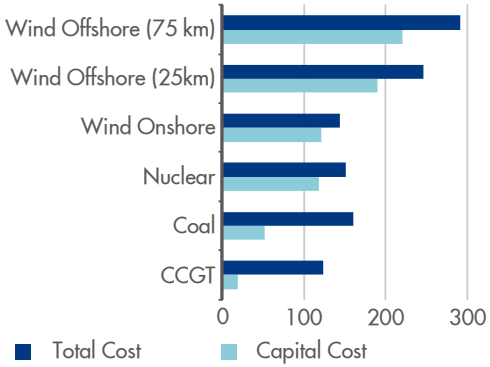
Source: IEA World Energy Outlook, WoodMackenzie, Shell Interpretation

ACCEPTABLE

- Replacing coal with gas for electricity generation is the cheapest and fastest way to meet CO_2 reduction targets
- Gas fired power plants emit around 50% less CO_2 than coal fired plants.

AFFORDABLE

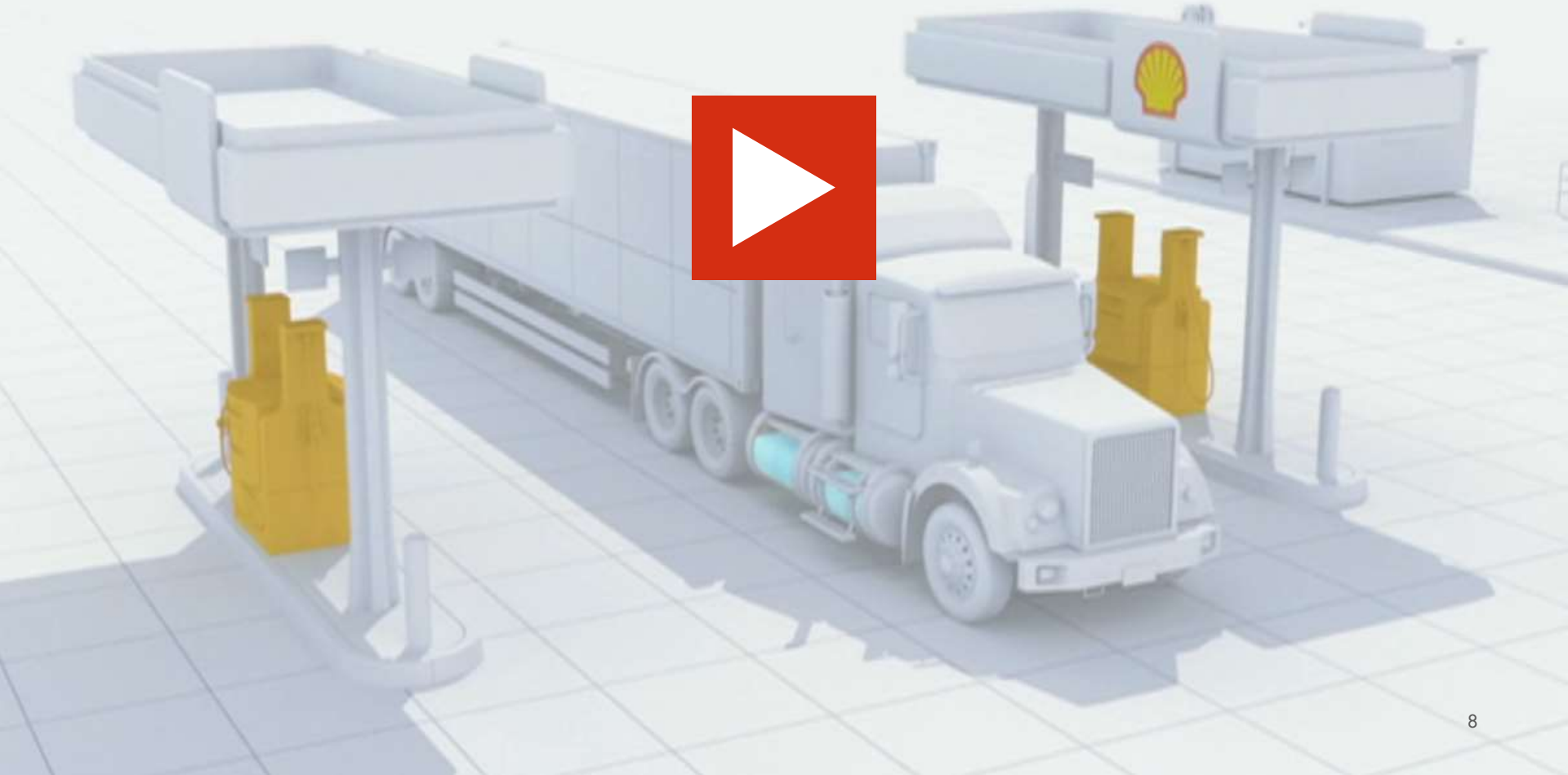
Gas as a source for power generation is a lower cost alternative.



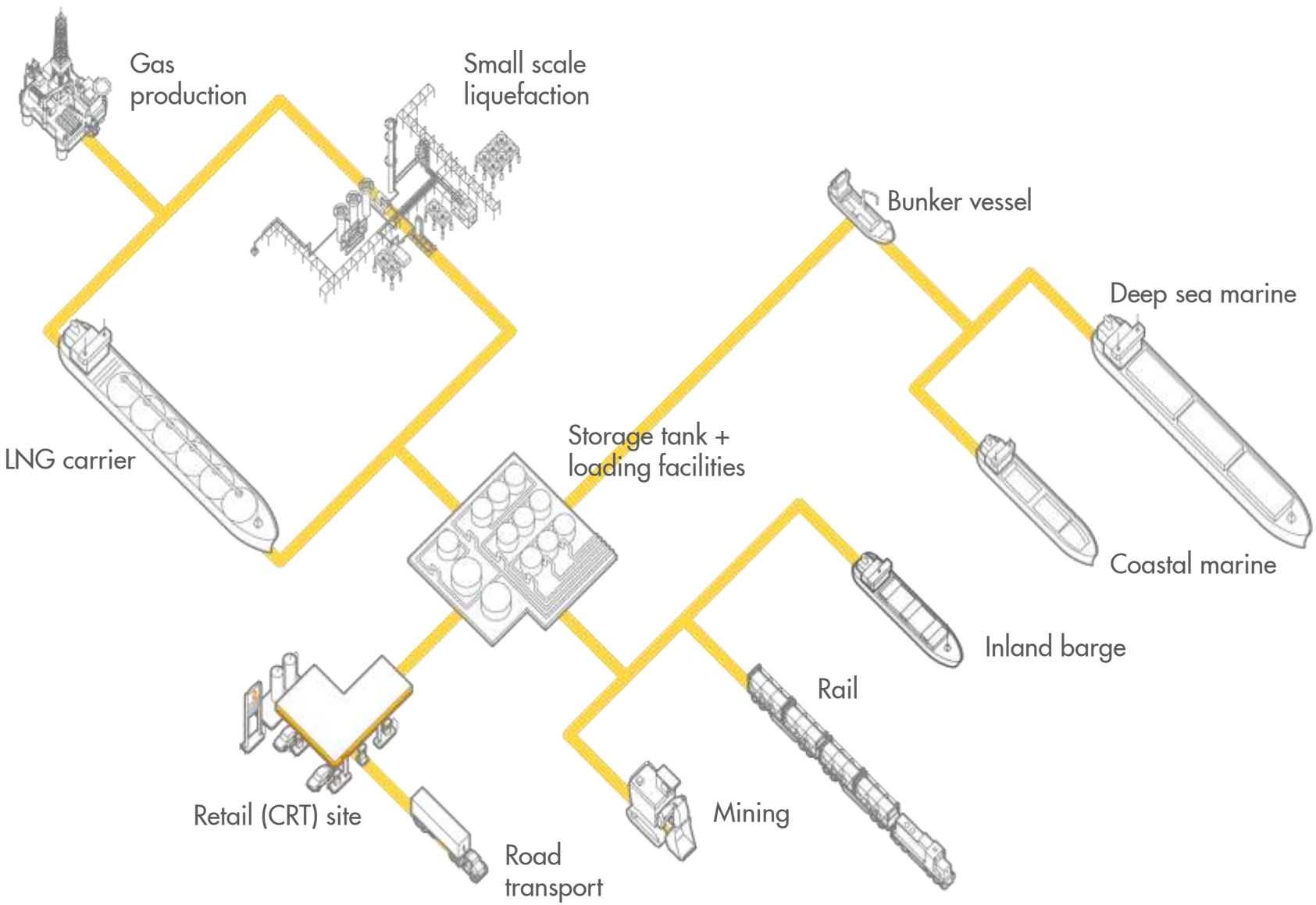
CCGT: Combined Cycle Gas Turbine
Total Cost = Capital + Fuel + Operating
Source: DECC (Mott MacDonald) June 2010
This is a European example

2 LNG AS A TRANSPORT FUEL

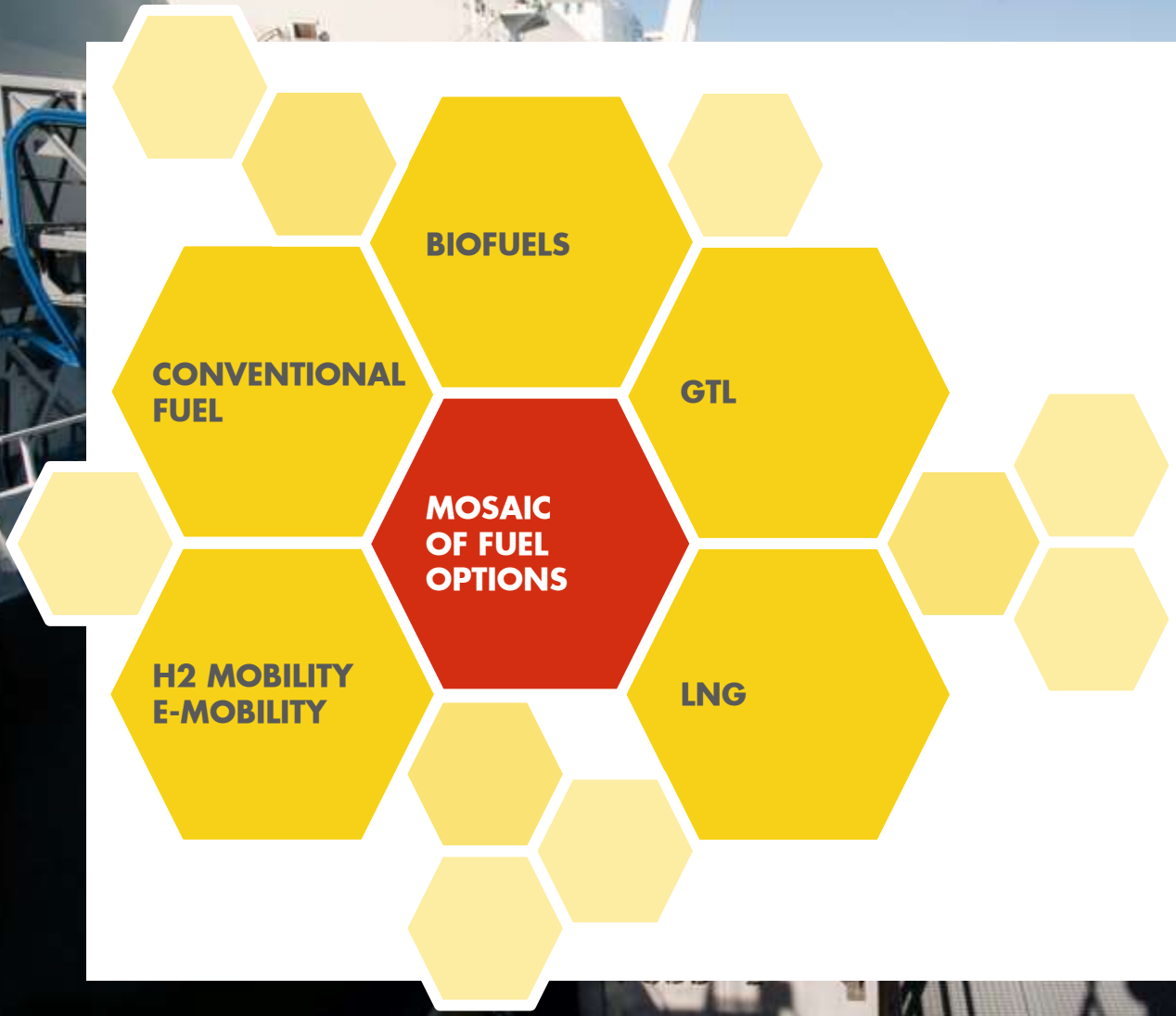
THE STORY



INTEGRATED VALUE CHAIN



NO SINGLE SOLUTION FOR OIL BASED TRANSPORT



THERE IS NO "SILVER BULLET"

LNG IS ONE OPTION IN AN EVOLVING FUEL MIX

AVAILABLE
ACCEPTABLE
AFFORDABLE

3 DRIVERS AND CHALLENGES

LNG AS A TRANSPORT FUEL

DRIVERS

SUPPLY

Abundant global gas resources

ENVIRONMENT

Lower emissions NOx, SOx and particulate matter**

COST COMPETITIVE

Lower cost alternative*

CHALLENGES

INFRASTRUCTURE

Increasing infrastructure development in conjunction with demand

ENGINE TECHNOLOGY

Varied OEM solutions available

REGULATORY

Requires framework that facilitates infrastructure and market development

* Versus Marine Gasoil

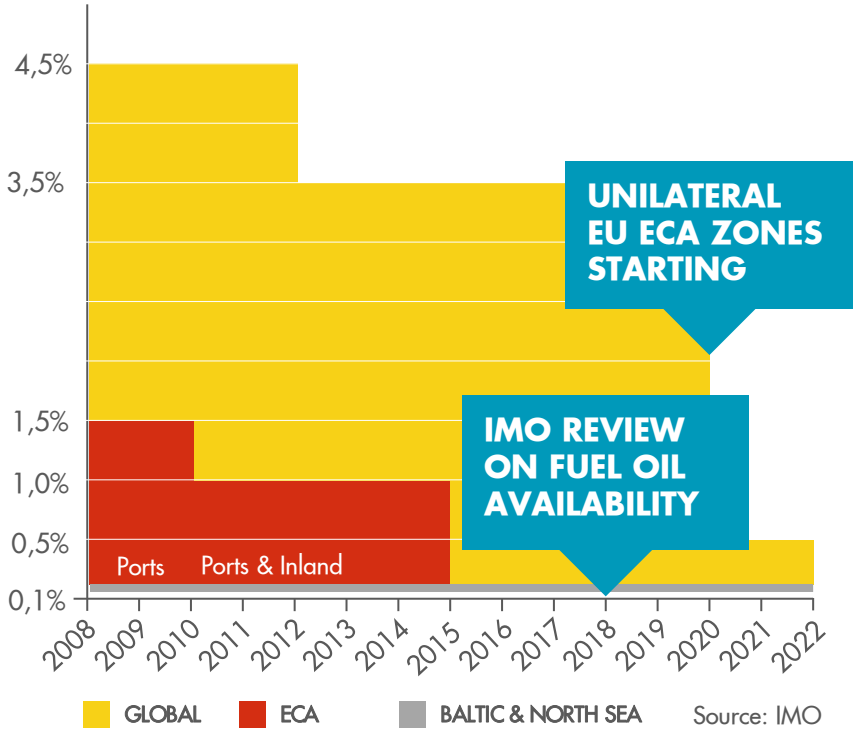
** Versus heavy fuel oil

REGULATORY REALITY

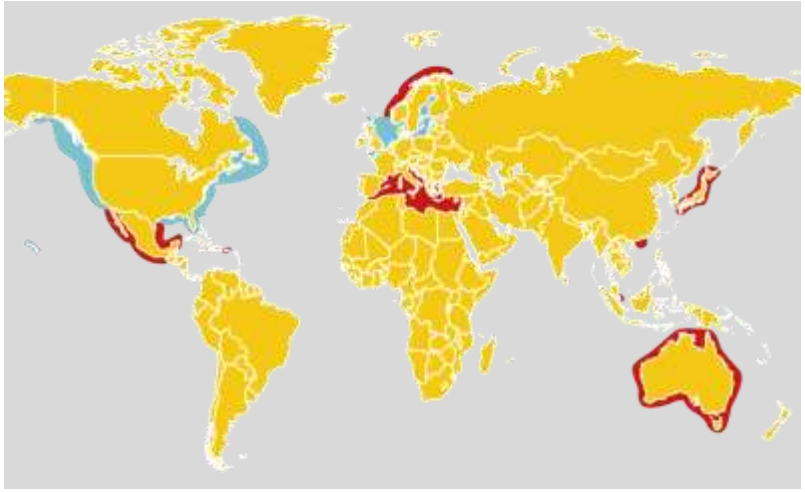
Shell LNG fuel can help reduce well-to-wake GHG emissions by up to 20%, compared to High Sulphur Fuel Oil.

- Virtually zero SOx emissions
- Virtually zero Particulate matter
- Reduced NOx depending on tier 1/2/3 engine

REGULATION OF SOx EMISSIONS



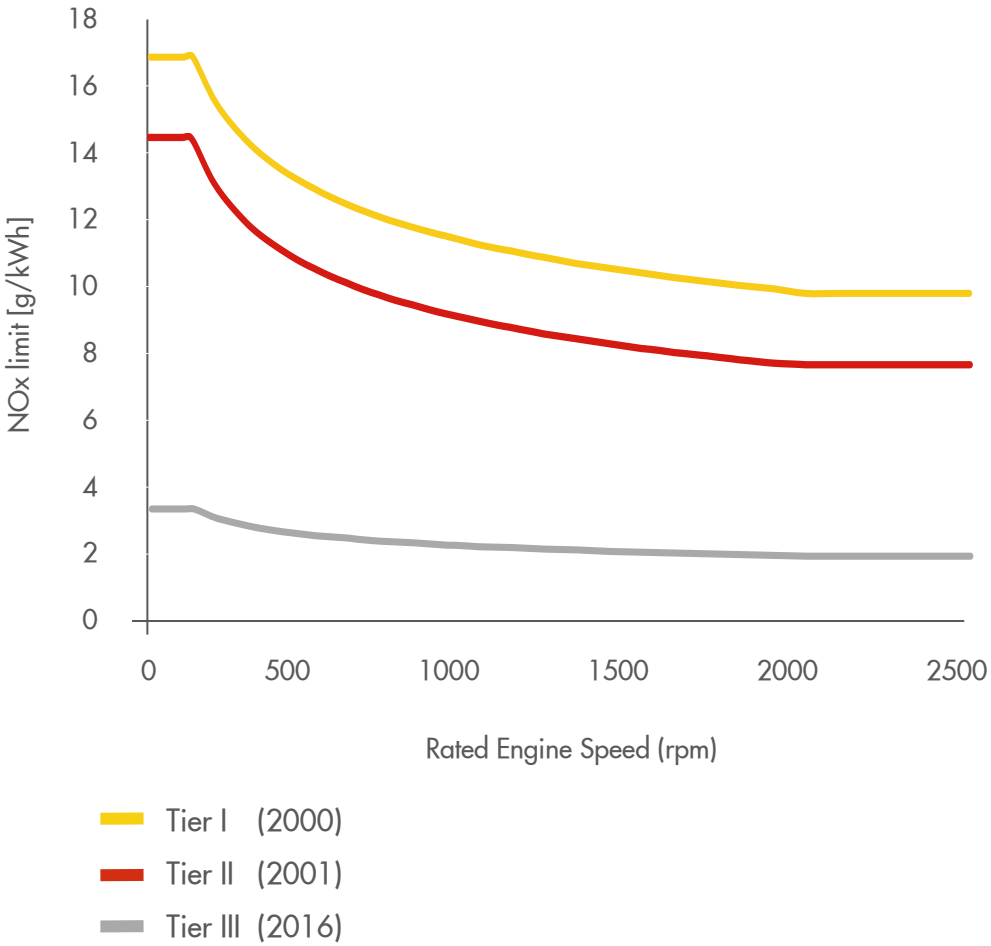
Source: IMO



PRESENT ECA

FUTURE ECA (UNCONFIRMED)

SECA BECOMES ECA: NOX EMISSION LIMITS



Source: IMO

Current Global Nitrogen Oxides (NOx) Limitations

- Tier II: 20% reduction of Tier I limit for new ships built after 1 January 2011

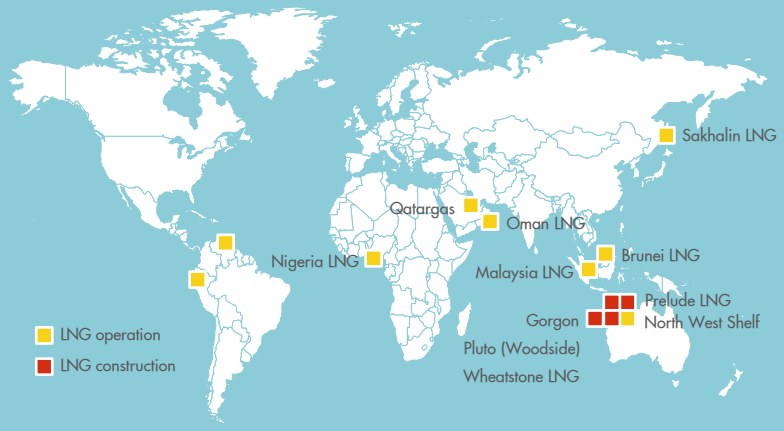
SECA becomes Emission Control Area as of 1 January 2016

- SOx limit of 0.1% fuel sulphur (implemented 1 January 2015)
- NOx Tier III limit of 80% reduction of Tier 1 for ships built after 1 January 2016

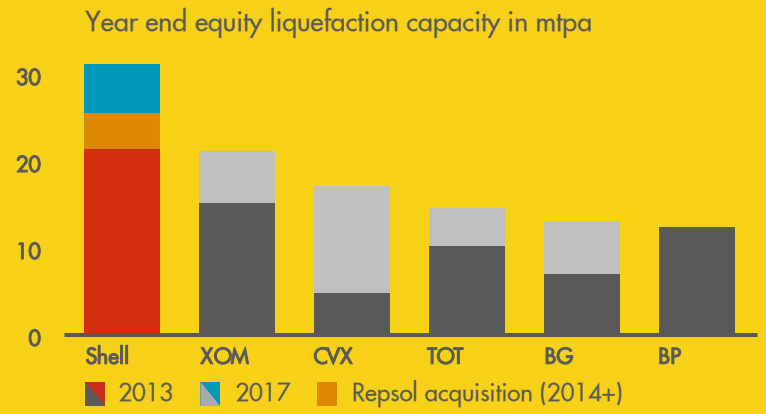
4 SHELL VALUE PROPOSITION

LNG IS AT THE HEART OF OUR BUSINESS

SHELL GLNG SUPPLY PORTFOLIO



SHELL LNG LEADERSHIP



NEW INNOVATIONS

Floating Liquefaction

Greenstream Barge

Harvey Gulf

LNG bunker vessel

LNG CAN OFFER A COMPELLING VALUE PROPOSITION

Shell
LNG
TOMORROW'S FUEL TODAY

1 **Cost competitive fuel**

2 **Cleaner burning fuel**
Can contribute to lower local exhaust emissions and global greenhouse gas emissions

3 **Proven and reliable LNG engine technology availability**

4 **LNG Availability, Safe and reliable supply chain**

PRICING GUIDANCE IN PRACTICE

1. MGO is regarded as the base case fuel, HFO + Scrubber and LNG are the compliance alternatives. LNG will provide a payback to the MGO base case and can be competitive with the HFO + Scrubber option.

2. LNG pricing will be oil linked, de-risking the customers exposure to other commodities.

3. As with oil products, every step in the supply chain will cause a cost increase. This means that the closer to hub (e.g. Rotterdam) product is delivered, the lower will be the LNG fuel cost.

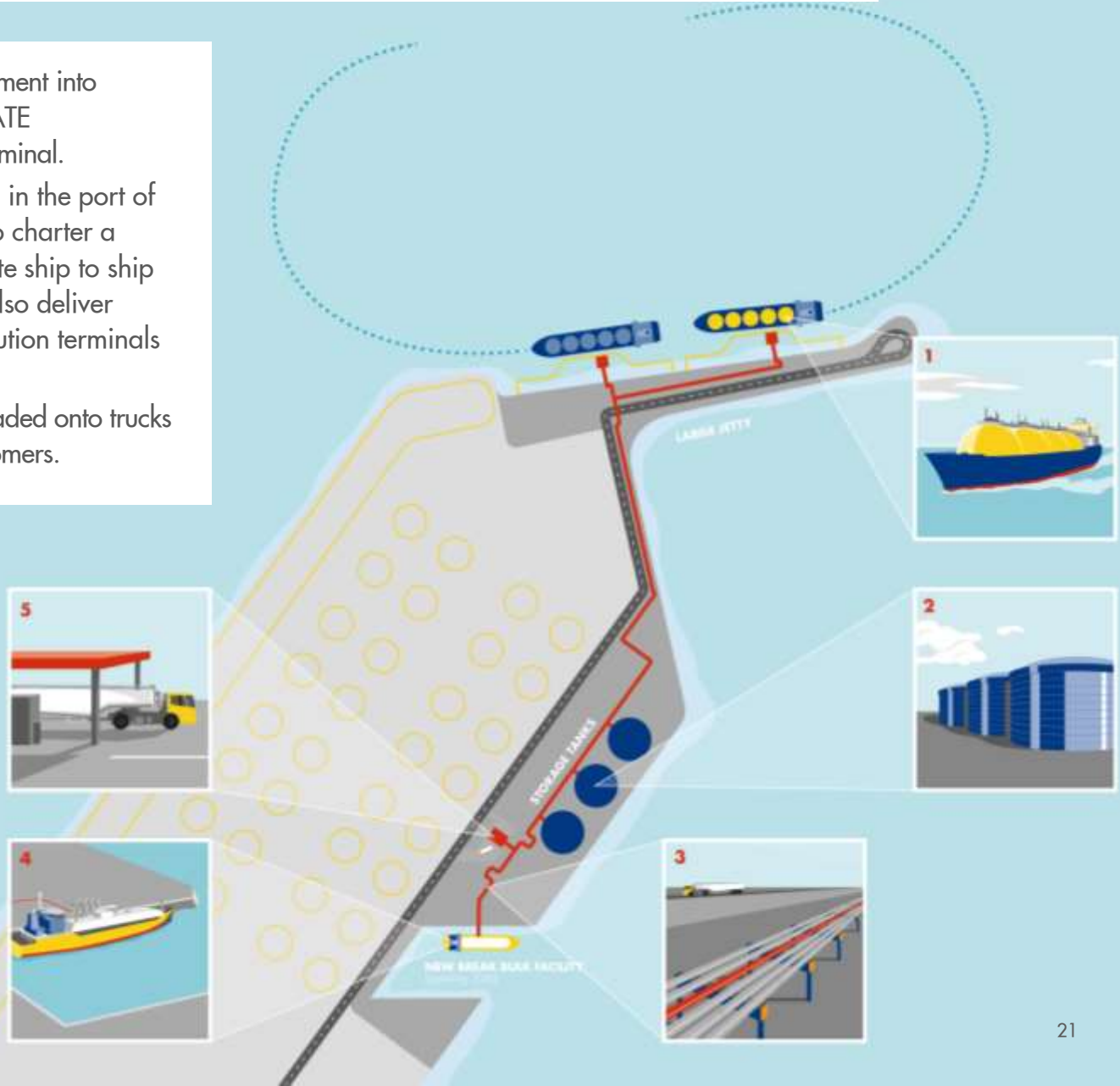
5 SHELL INITIATIVES

LEVERAGING GASNOR

- Shell's 100% subsidiary, Gasnor, is a market leader in Norway, distributing 140,000 tons per year of LNG to Norway and Scandinavia
- 10 year of operational experience Serving Marine and Industrial customers by Road and Ship delivery
- Three production plants for LNG and distributes LNG by two ships and 22 tanker lorries
- Gasnor has performed > 70,000 LNG transfers

GATE: LONG-TERM LNG FOR TRANSPORT

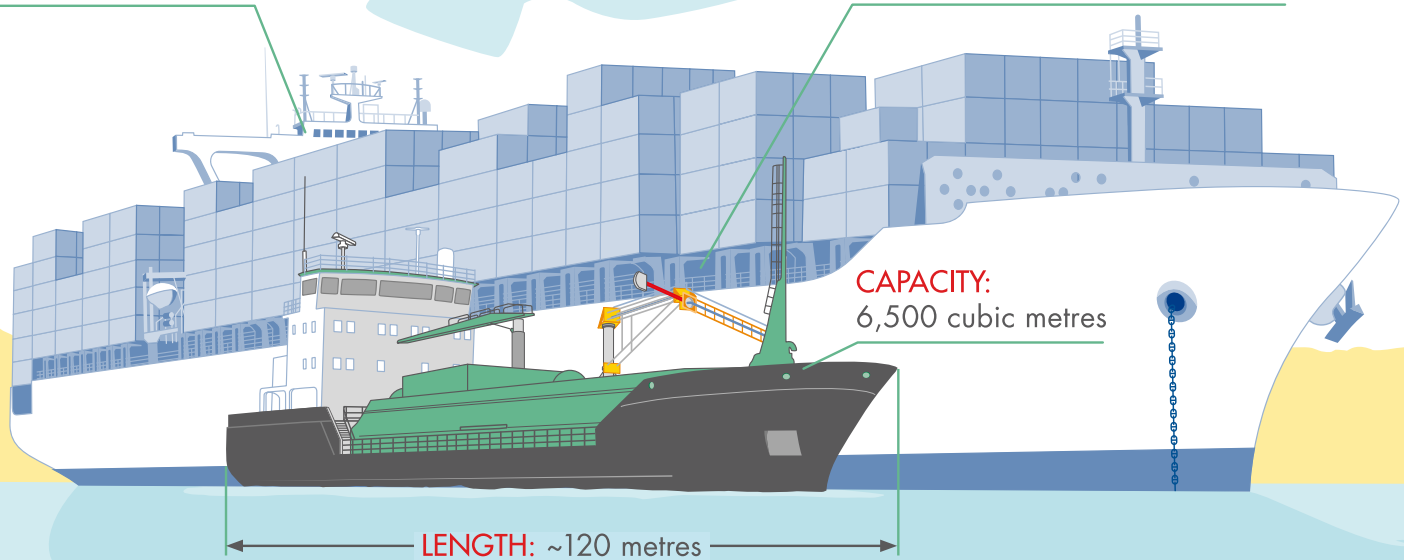
- Shell has announced investment into a break bulk jetty at the GATE (Gas Access To Europe) terminal.
- To serve marine customers in the port of Rotterdam, Shell intends to charter a LNG bunker vessel facilitate ship to ship transfer operations, and also deliver LNG to secondary distribution terminals outside the port area.
- In addition, LNG will be loaded onto trucks and delivered to road customers.



CONSTRUCTION OF INNOVATIVE NEW LNG BUNKER VESSEL

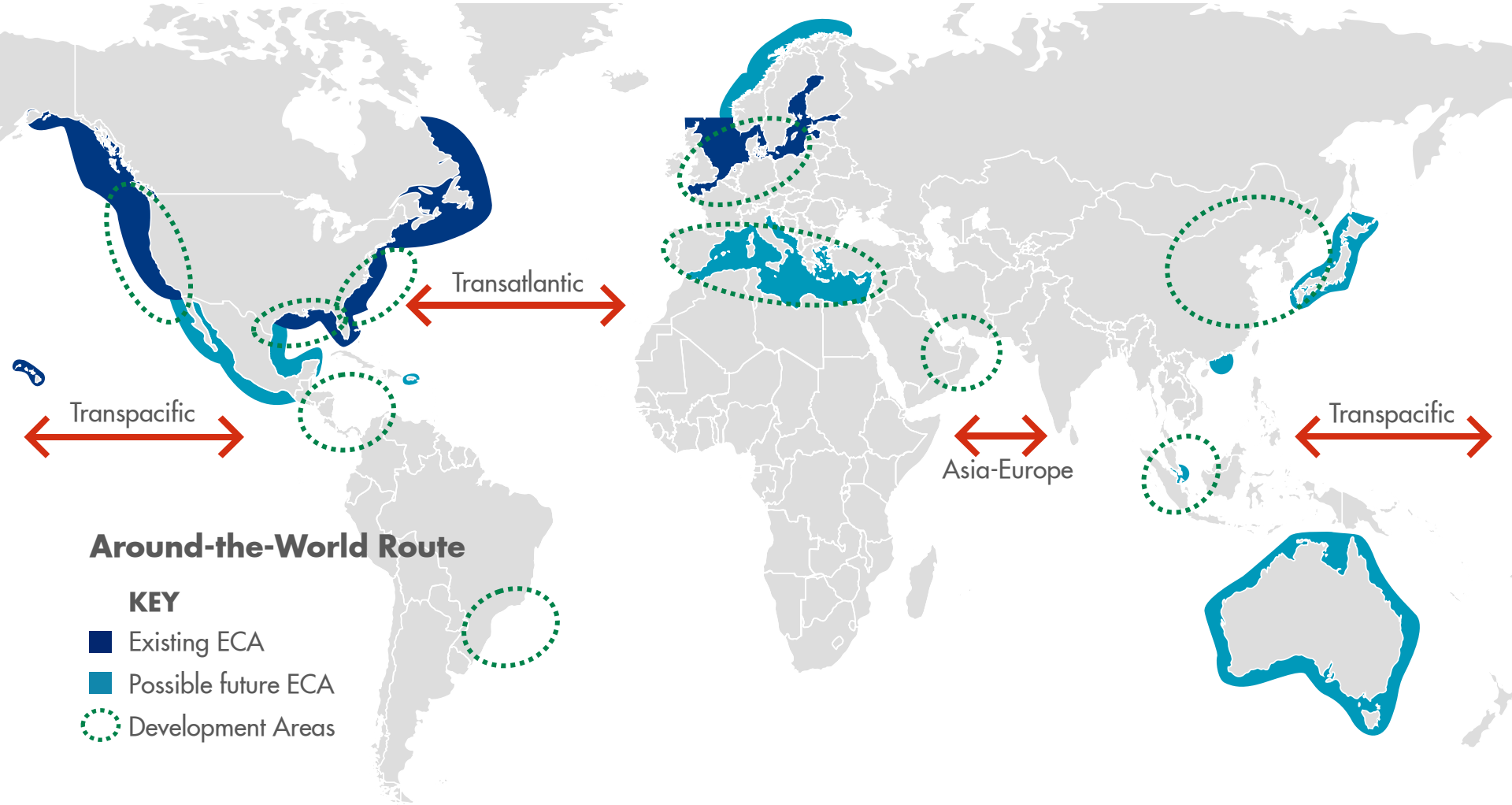
Potential customers include container ships, coastal vessels, and ferries.

FEATURES: Cutting-edge shipping design and technology with a special loading arm for ship-to-ship transfers and sub-cooling unit to keep LNG at sub atmospheric pressure.



The new vessel will be built by STX Offshore & Shipbuilding. It will be based at the port of Rotterdam in the Netherlands, and will load from the new LNG break bulk terminal and jetty to be constructed by the Gas Access to Europe (Gate) terminal. It will also be sea-going and, therefore, able to bunker customers at other locations.

DEVELOPING A GLOBAL MARINE BUNKER SUPPLY NETWORK



SUMMARY

- Collaborative relationships between ship owners, charterers, ports, and fuel suppliers
- Developing global infrastructure hubs on the back of supporting demand
- Ensuring harmonized industry standards