



# Shell Global Scenarios to 2025

**Dr Peter Snowdon**

Shell International Limited



# Agenda

- ▶ Why scenarios
- ▶ Scenarios of the past
- ▶ Scenario framework
- ▶ Global Scenarios to 2025
- ▶ Implications for energy
- ▶ How we use scenarios in Shell

## The Shell Global Scenarios

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# Agenda

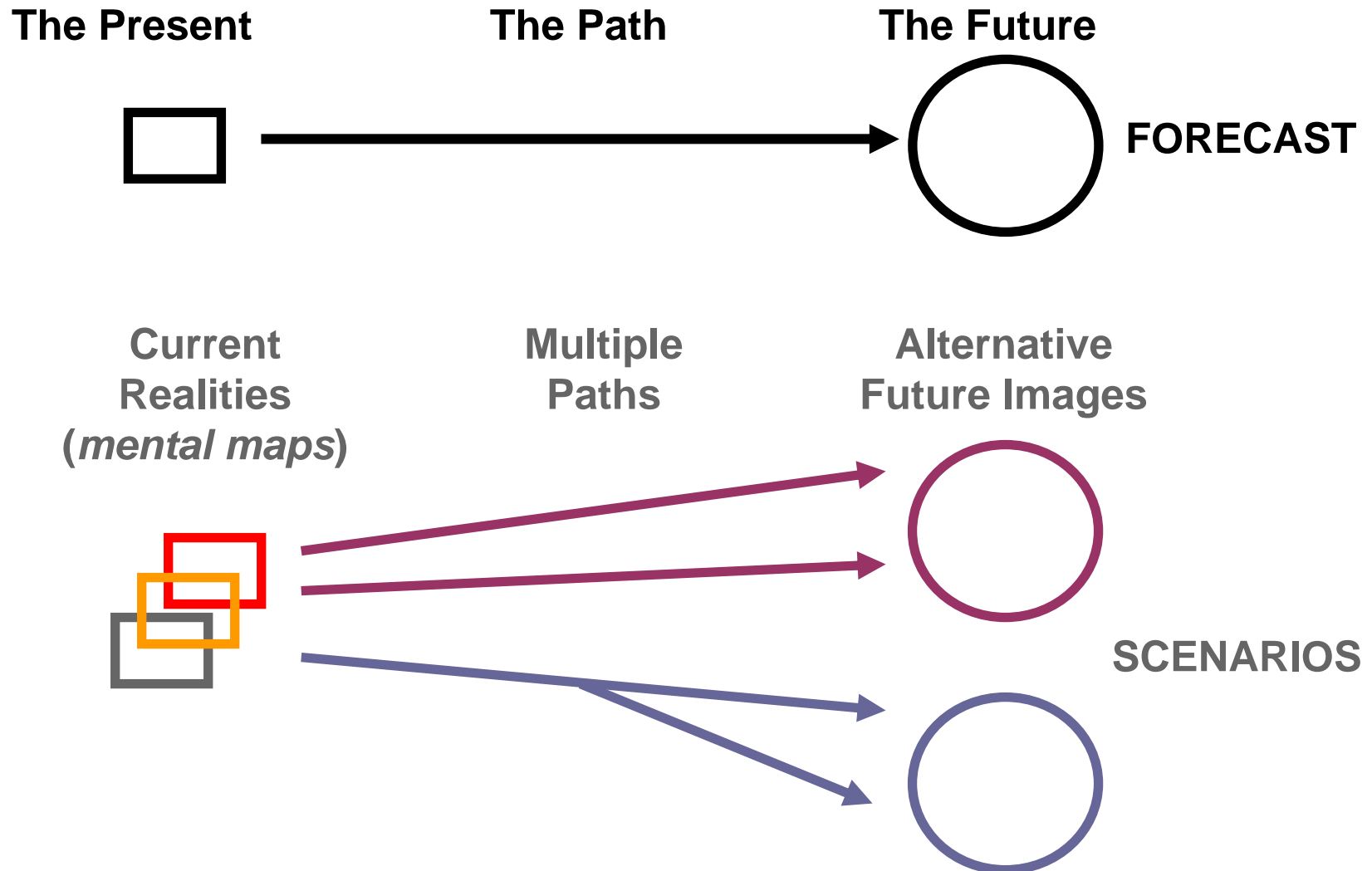
- ▶ **Why scenarios**
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# WHY use scenarios?

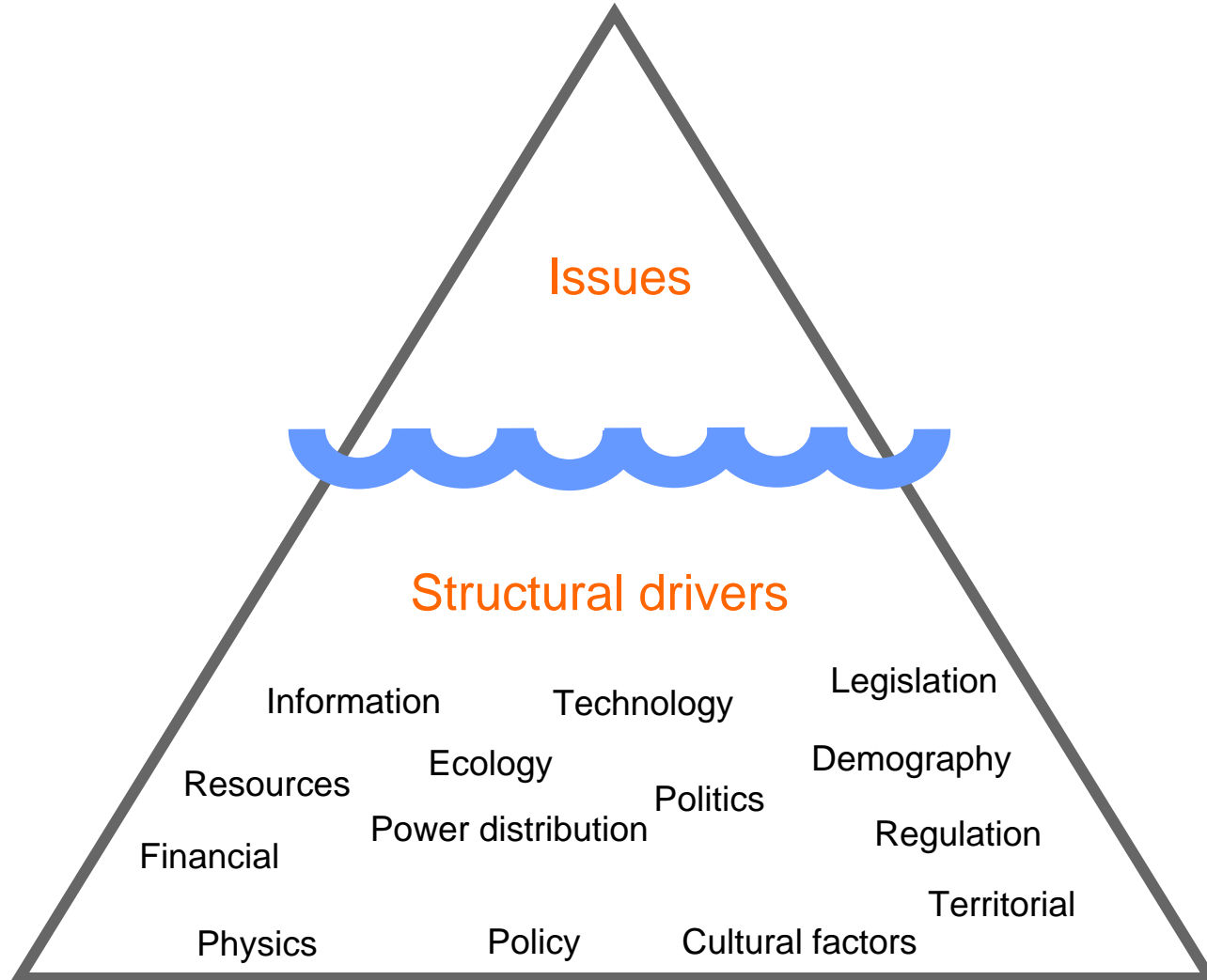


- ▶ Sensitise managers to the outside world
  - ▶ Challenge mental maps
  - ▶ Develop common language and shared understanding
  - ▶ Create alignment
  - ▶ Anticipate and prepare for uncertainty
- ...and therefore make better strategies

# Scenarios versus forecasts



# Key Issues and Drivers Identified



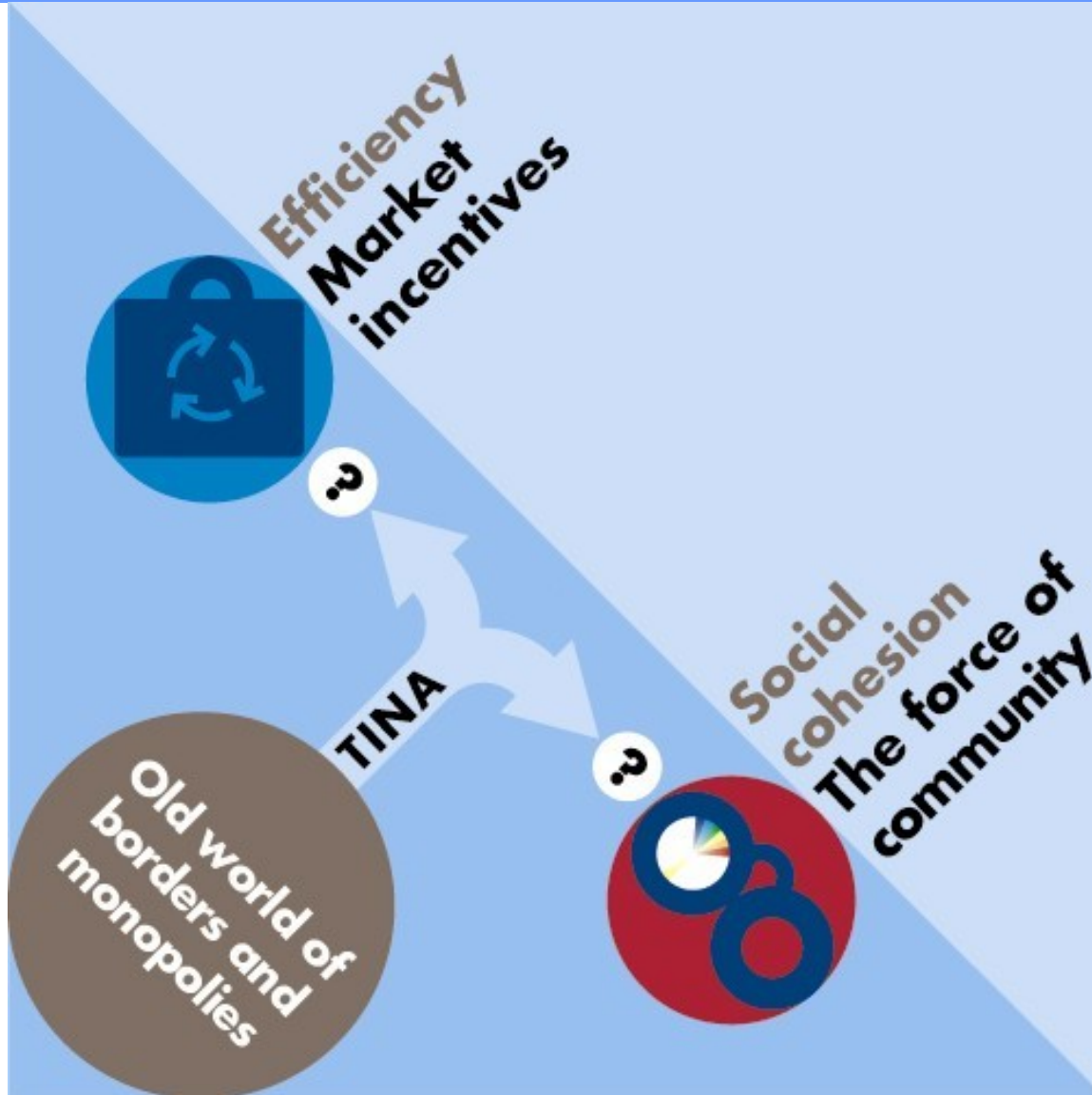
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# Shell Global Scenarios of the 1990s: “TINA” and the dilemmas of globalisation

Business  
Class



Prism

# 2001–2005:

## The dual crisis of 'security' and 'market trust'



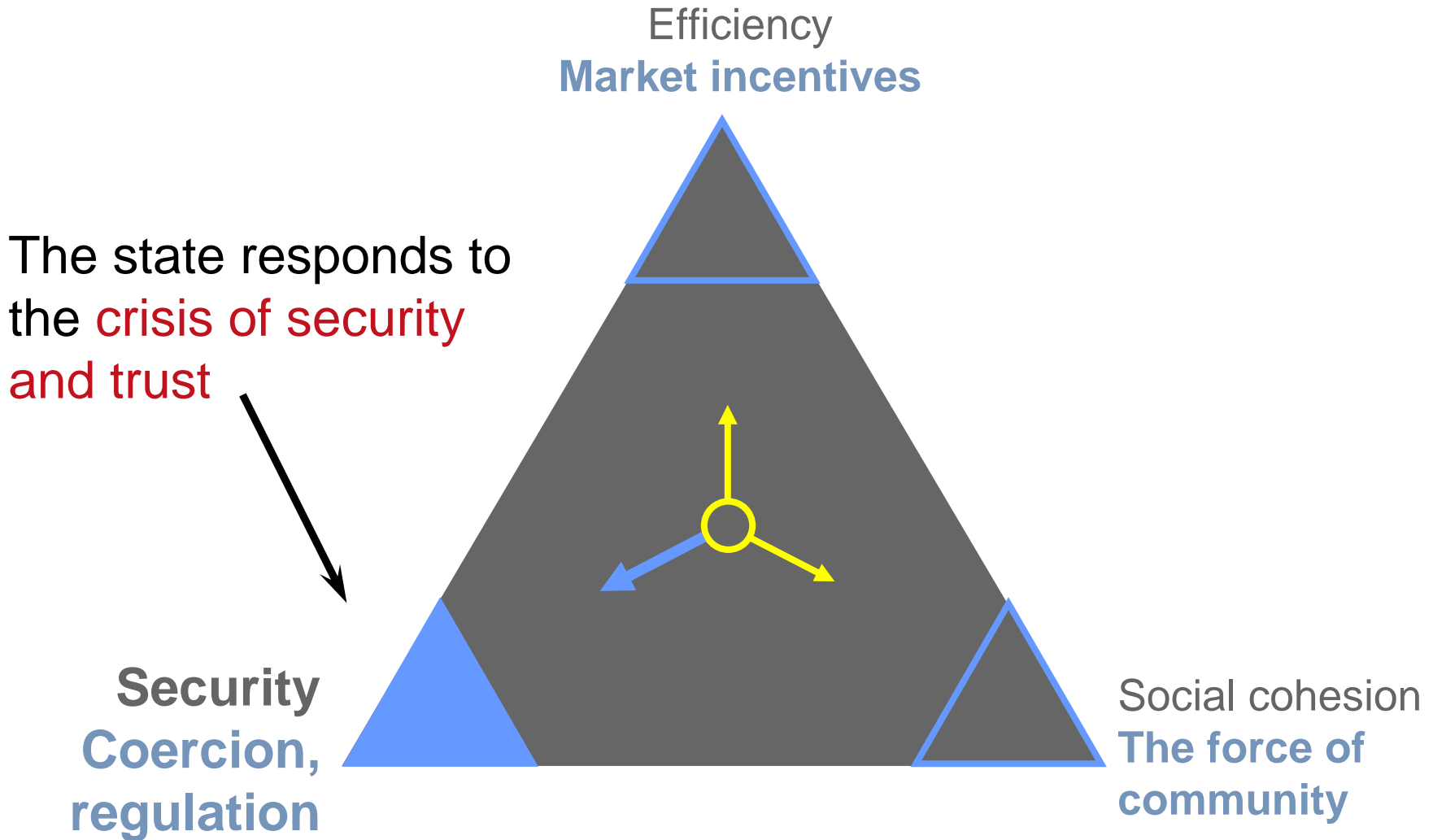
SECURITY

TRUST

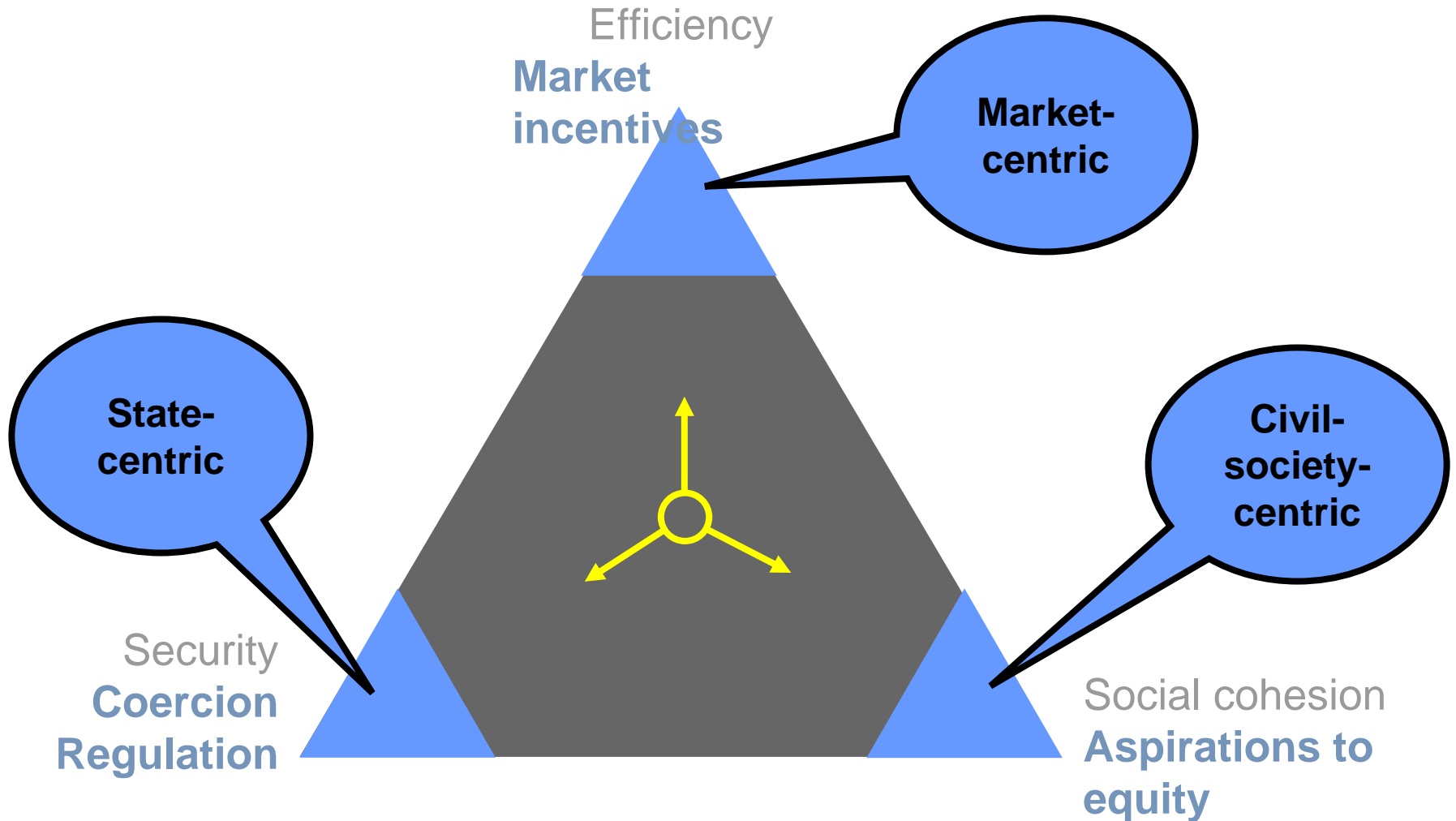
THE DUAL CRISIS



# Three forces shaping our global business environment



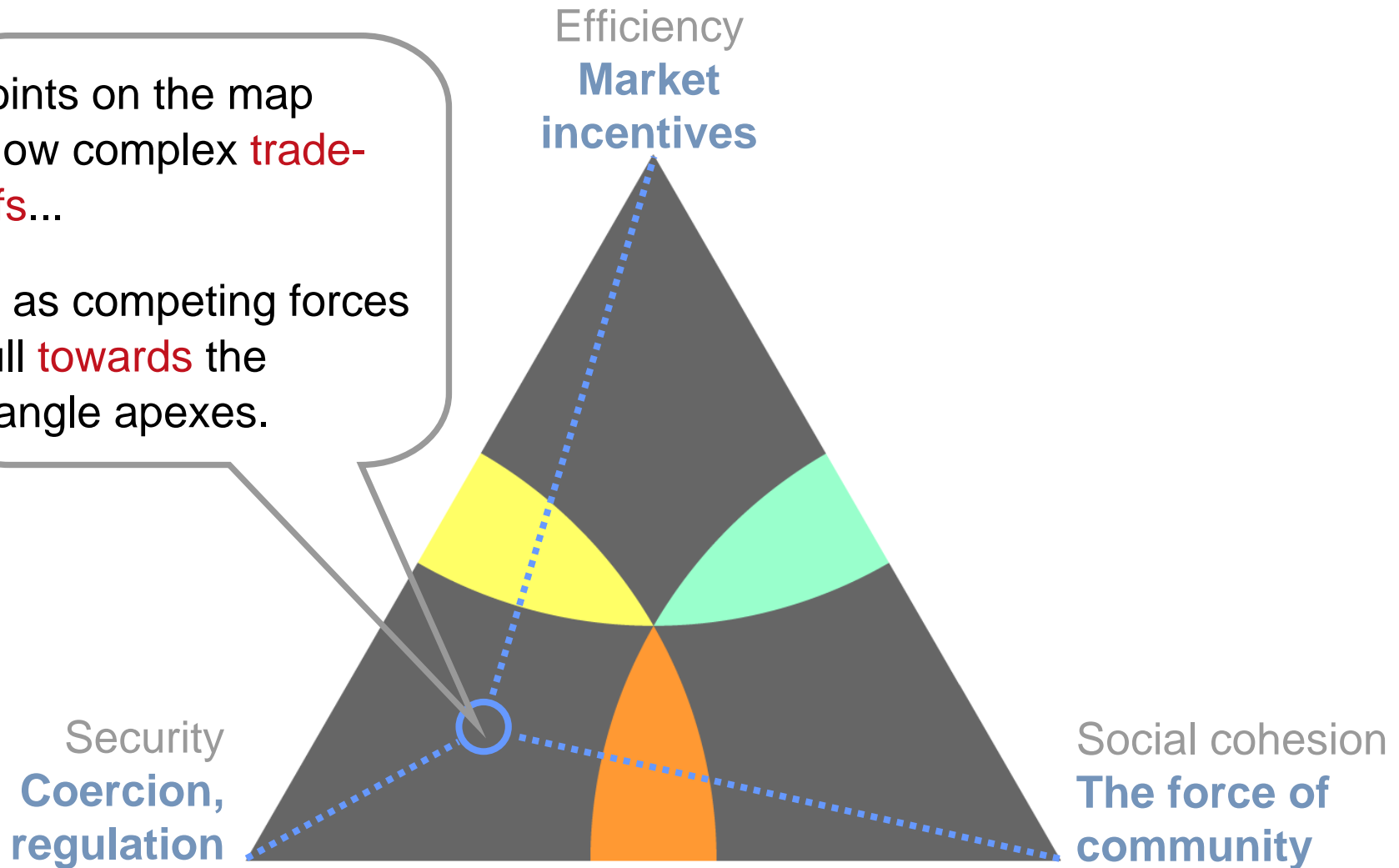
# Focus on these forces?

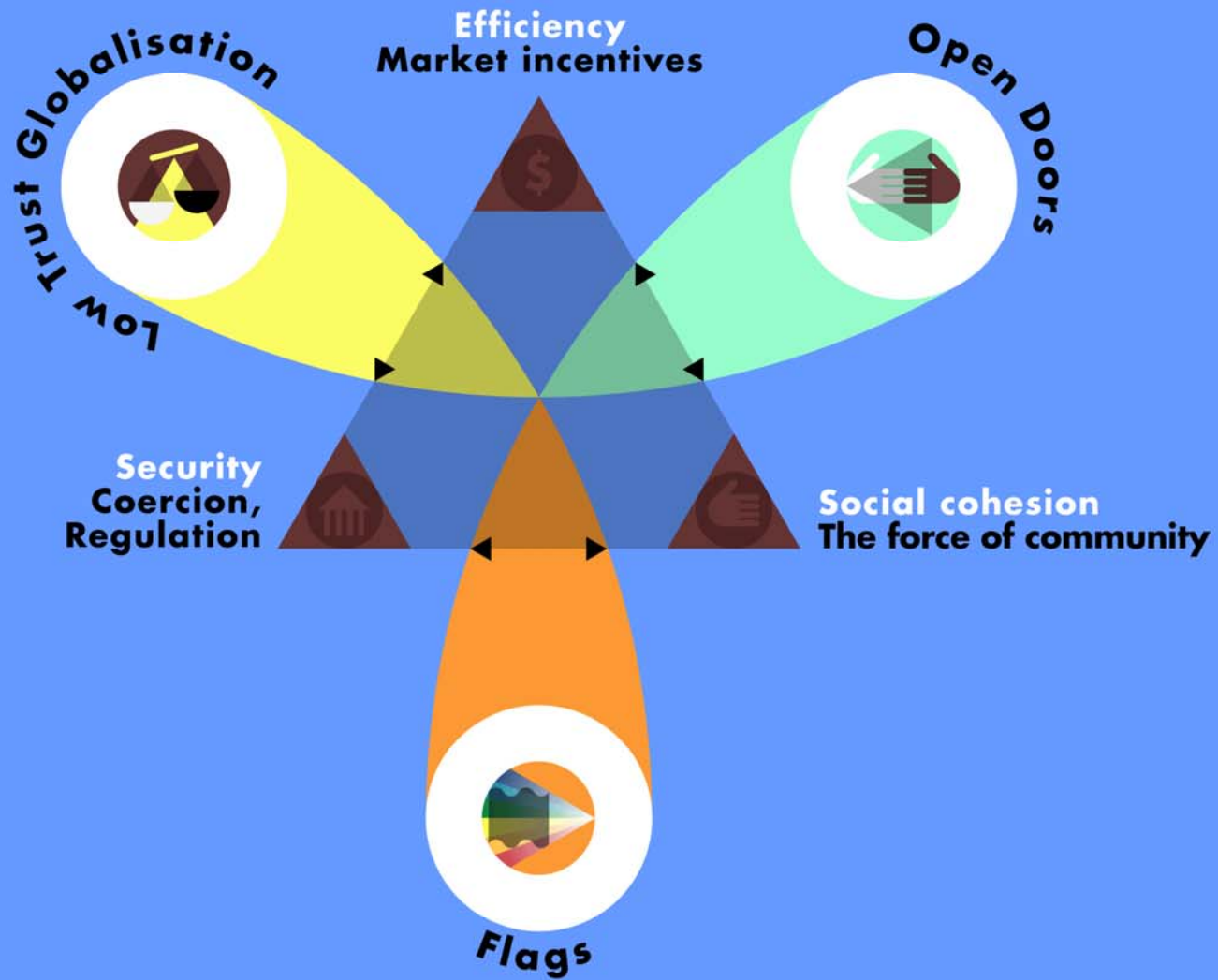


# Mapping competing forces that influence strategies & behaviours

Points on the map show complex **trade-offs**...

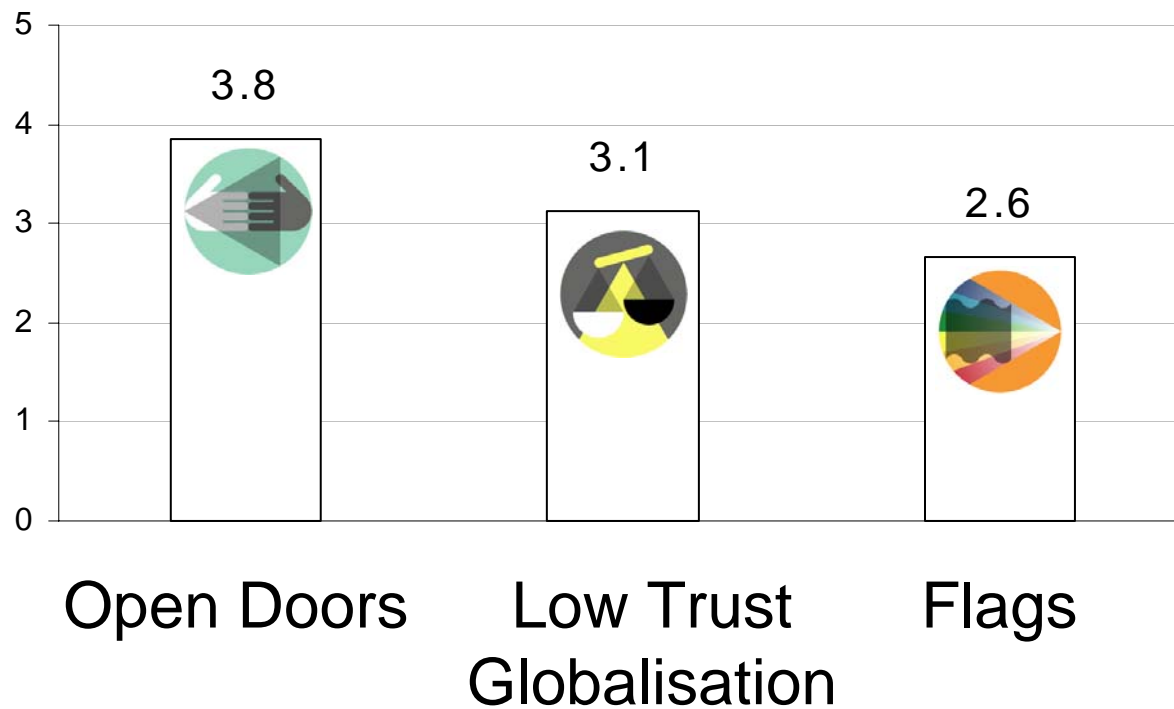
... as competing forces pull **towards** the triangle apices.





# GDP Growth

average growth rates (%)





**Low Trust Globalisation**



**Efficiency  
Market incentives**



**Security  
Coercion,  
regulation**



**Social cohesion  
The force of community**



# Low Trust Globalisation

## “Carrots and Sticks”



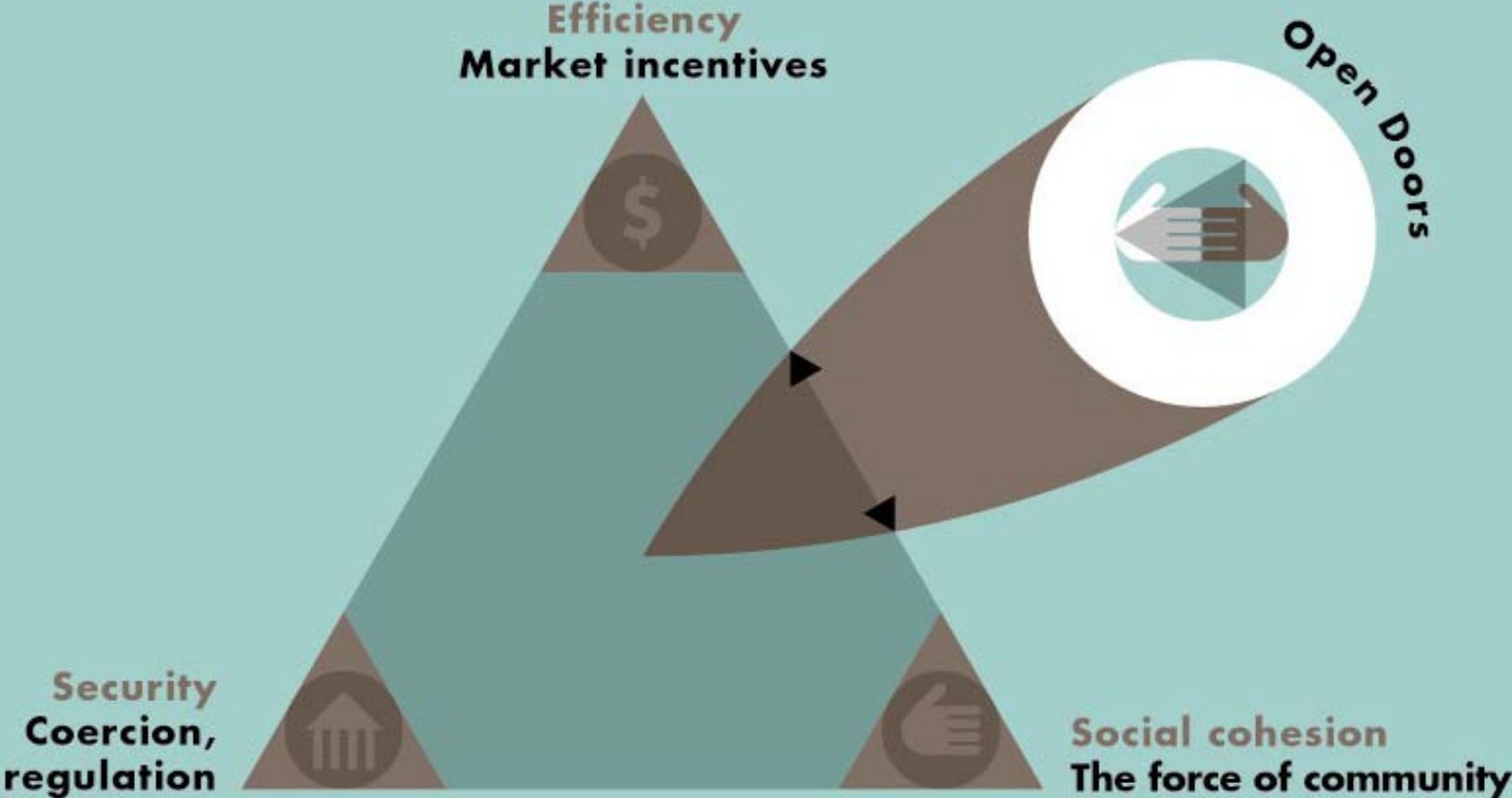
- ▶ A **legalistic**, ‘**prove it to me**’ world – lack of trust
- ▶ Security through **intrusive checks and controls**
- ▶ Global cooperation on crisis issues - **coalitions of the willing**
- ▶ **Globalisation on OUR terms**
- ▶ **Divergent initiatives to address global commons**
- ▶ **Competing standards**
- ▶ **NGO** alliances with investors and/or states

# Low Trust Globalisation

## Energy Scene



- ▶ Moderate economic and energy growth.
- ▶ Energy security by diversity of supply and interconnectivity.
- ▶ NOCs looked upon to deliver gvt policies with market discipline.
- ▶ Opportunities pursued to diversify from oil in transport sector.
- ▶ Gas growth, but some limits on infrastructure growth.
- ▶ Energy diversity policies keep coal in the picture.
- ▶ Renewables receive government support.



# Open Doors

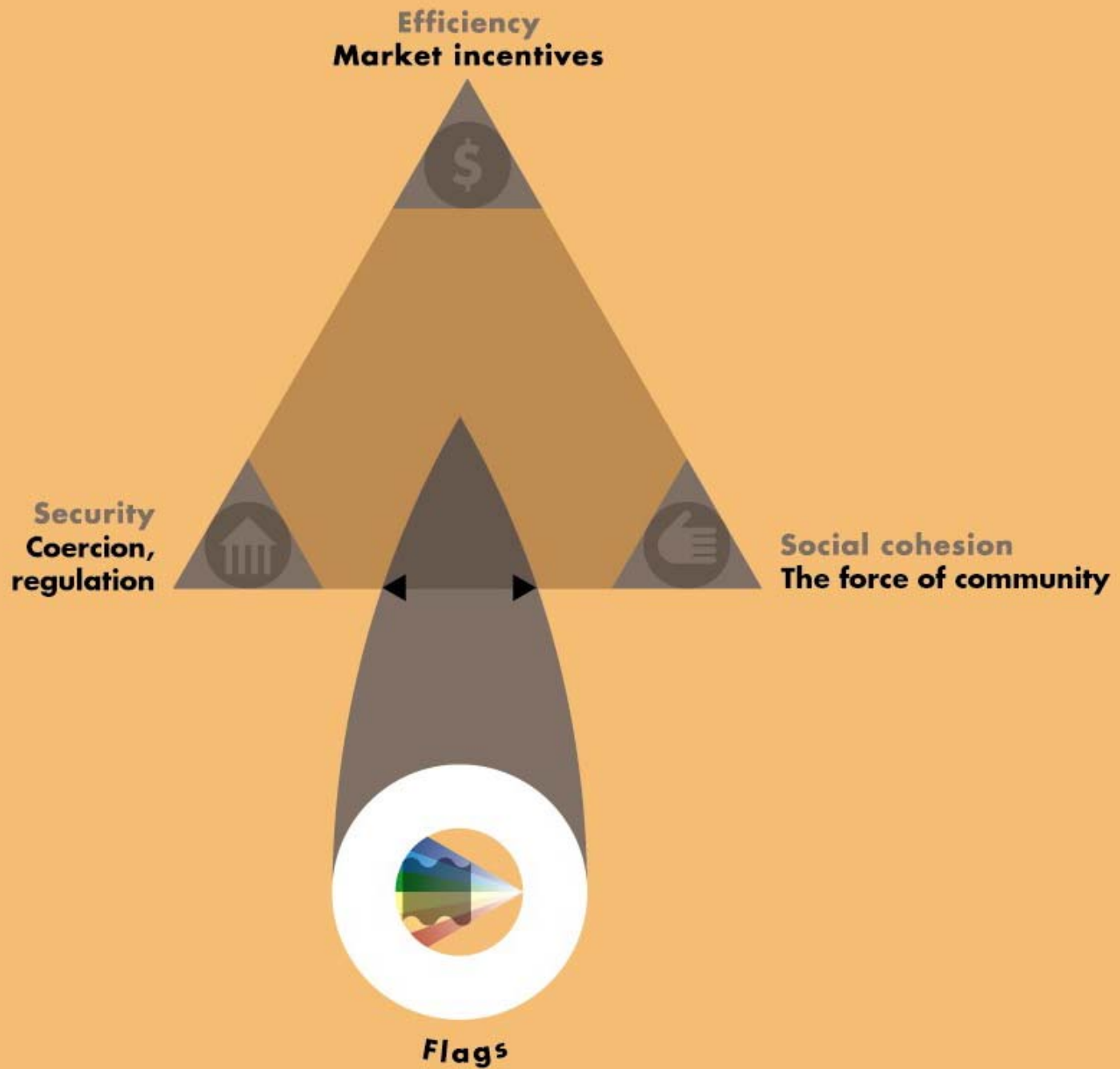
## “Incentives and Bridges”



- ▶ Pragmatic, ‘know me’ world
- ▶ State acts consensually through **incentives** and **soft power**
- ▶ **Precautionary principle**
- ▶ **The value chain of trust**
- ▶ **Independent media scrutiny**
- ▶ Companies, NGOs, governments work together pragmatically to promote **inclusive globalisation**
- ▶ **Civil society works with investors**



- ▶ High economic and energy growth.
- ▶ Energy security by open markets, the right to invest and international law.
- ▶ NOCs and IOCs compete on equal terms.
- ▶ Costs for transport alternatives fall, but oil remains dominant.
- ▶ Rapid expansion of LNG and pipeline gas.
- ▶ High energy demand makes “clean” coal attractive.
- ▶ Costs for renewables fall rapidly as society calls for such solutions.
- ▶ Carbon costs internalised. Consumers choose on price.



# Flags:

## “Nations and Causes”



- ▶ Dogmatic, ‘follow me’ world
- ▶ Competing claims of self-centric communities
- ▶ States push national agendas.
- ▶ Governments seek to overcome social divides through populist and nationalistic policies
- ▶ Security sought by limiting access (“gated communities”)
- ▶ Bilateral agreements and political blocks.
- ▶ “Sand in the wheels” of global mobility

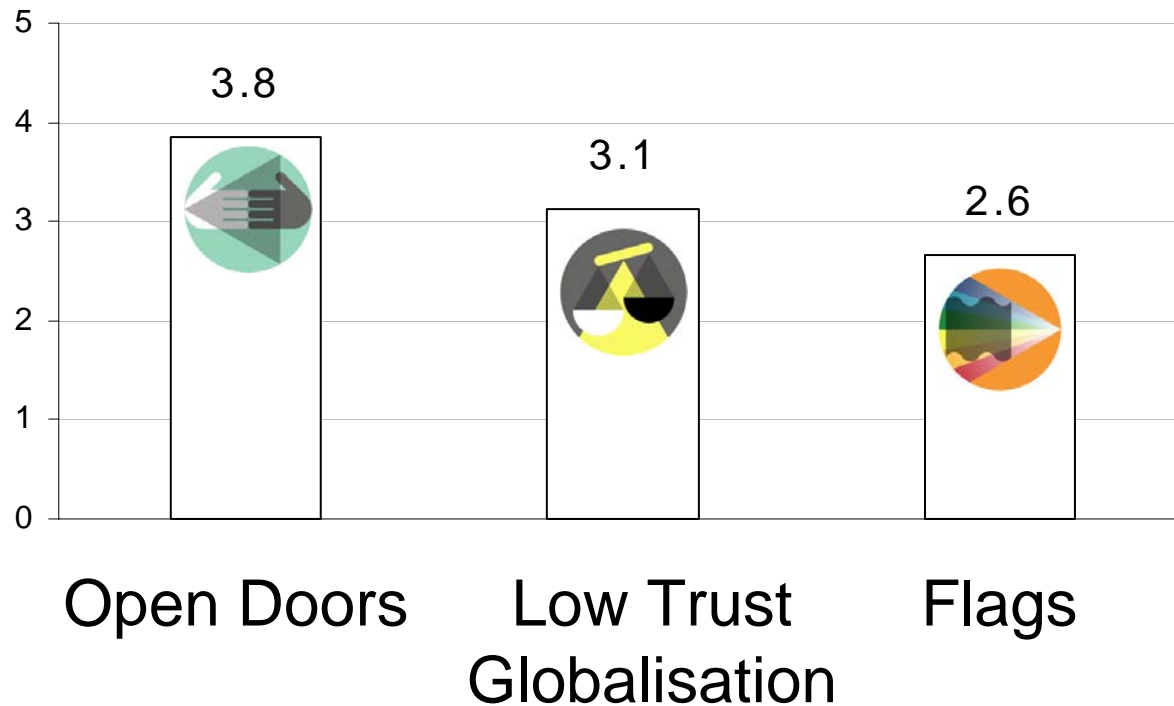




- ▶ Low economic and energy growth.
- ▶ Energy through conservation and **self-sufficiency**
- ▶ Fear of access to resources give focus on efficiency and indigenous supply.
- ▶ Efficiency pursued - uptake of hybrids - reduces oil imports.
- ▶ In fragmented world, investments suffer and gas grows slower.
- ▶ Use of coal stimulated by gvts where offers self sufficiency.
- ▶ Significant gvt/society support for Renewables as indigenous.

# 2025 GDP: 40% higher in Open Doors vs. Flags

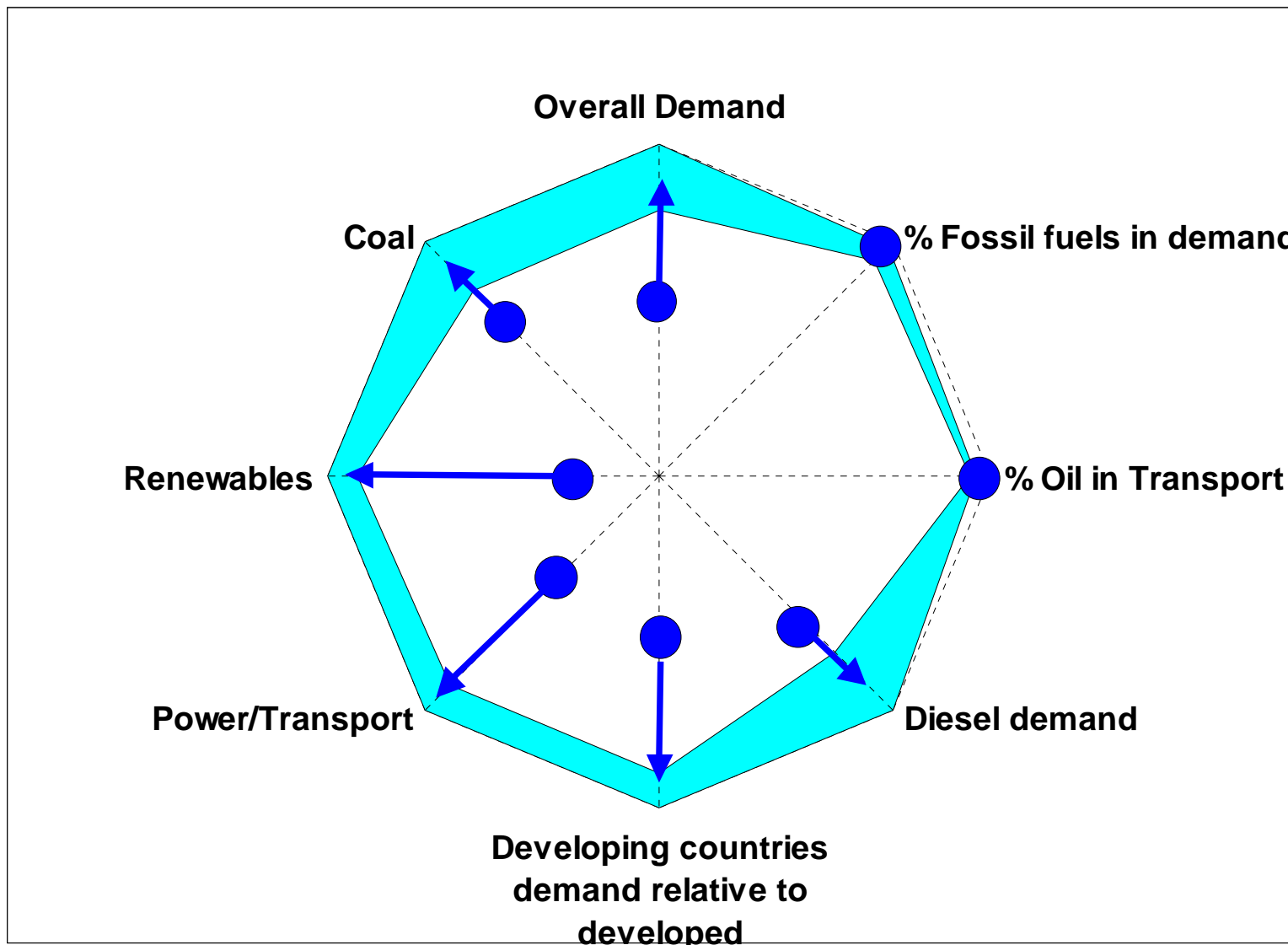
average growth rates (%)



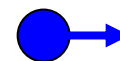
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# Energy Demand Predetermined

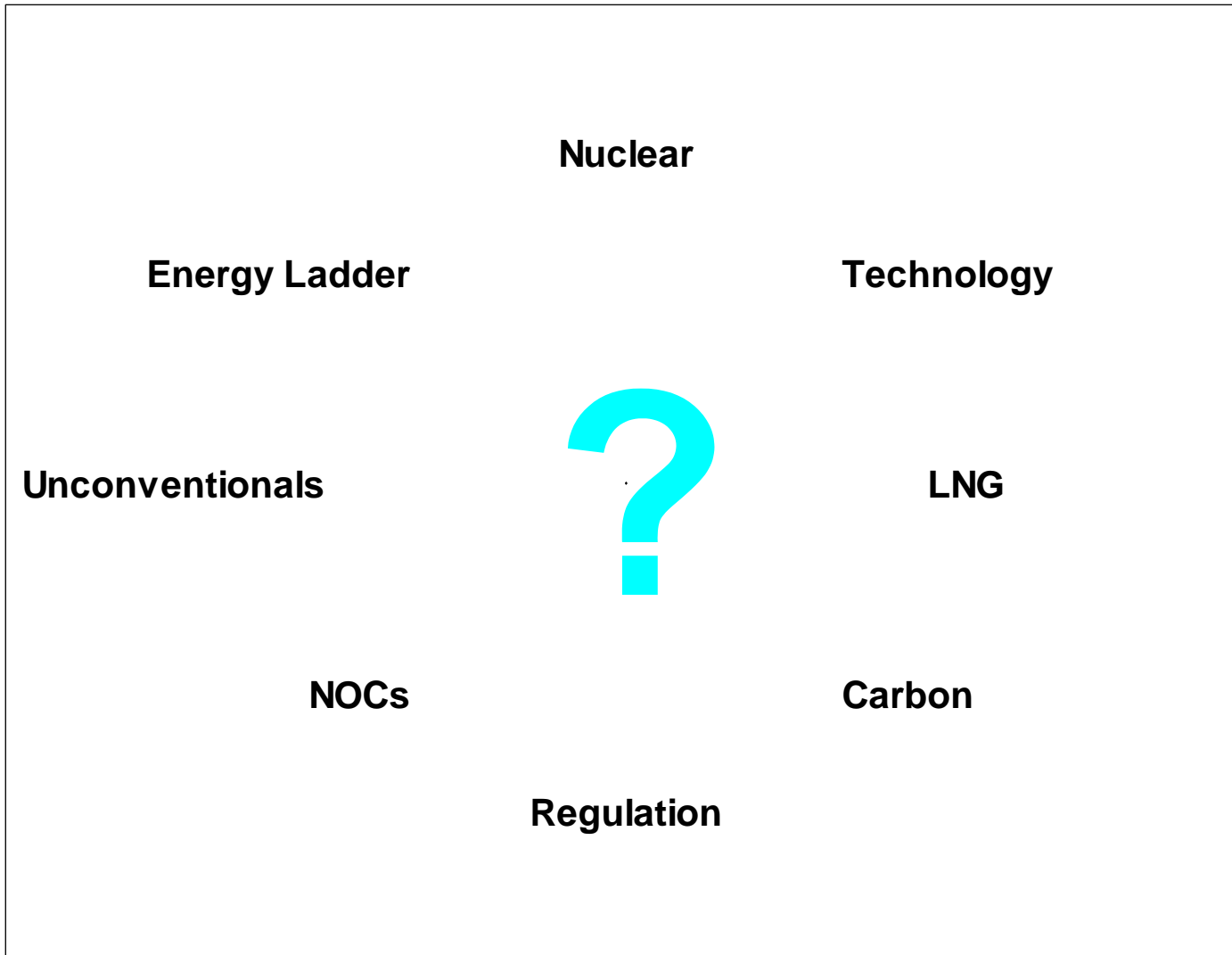


2025 range of possible outcomes



2005 position and magnitude of change

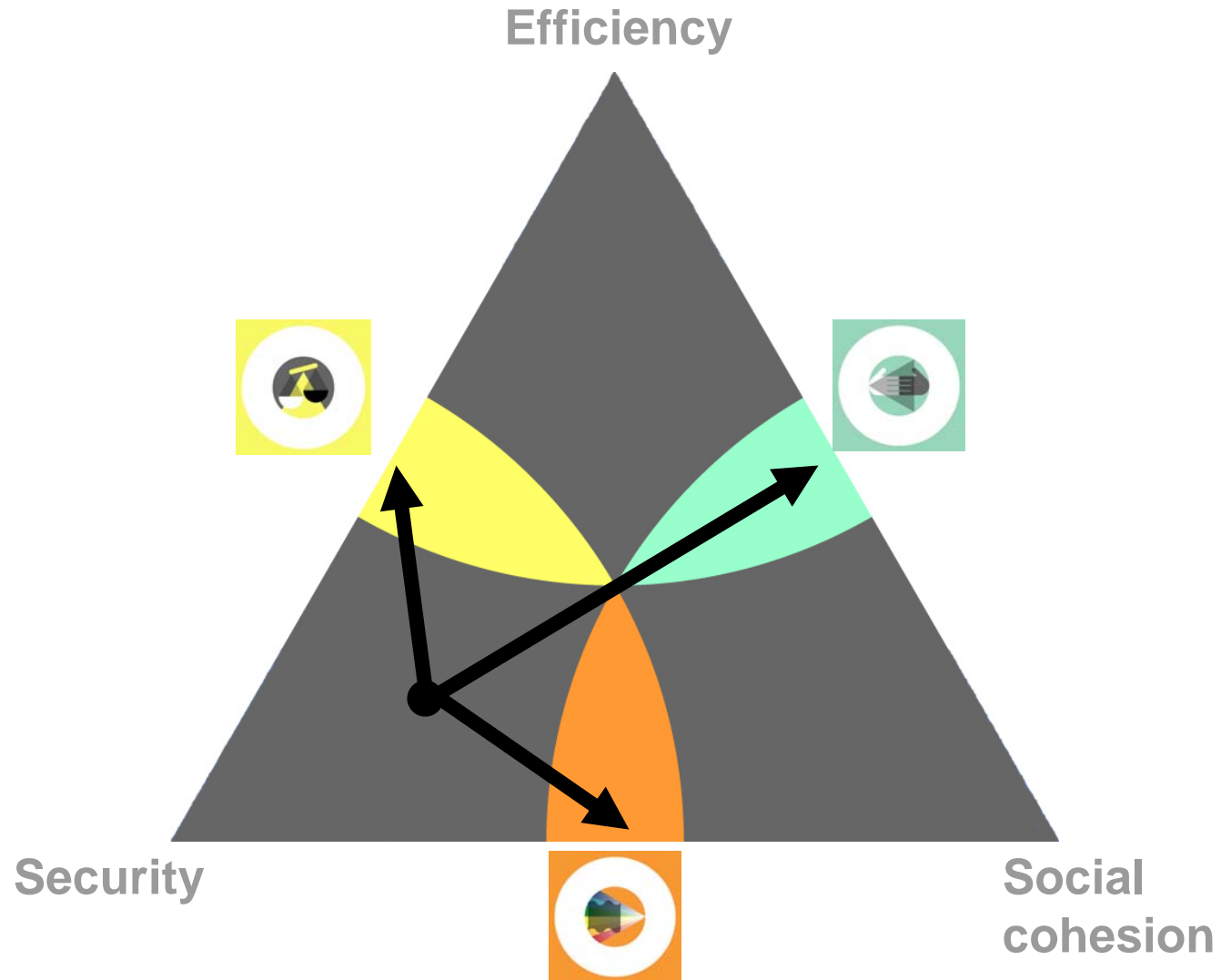
# Energy Demand Uncertainties



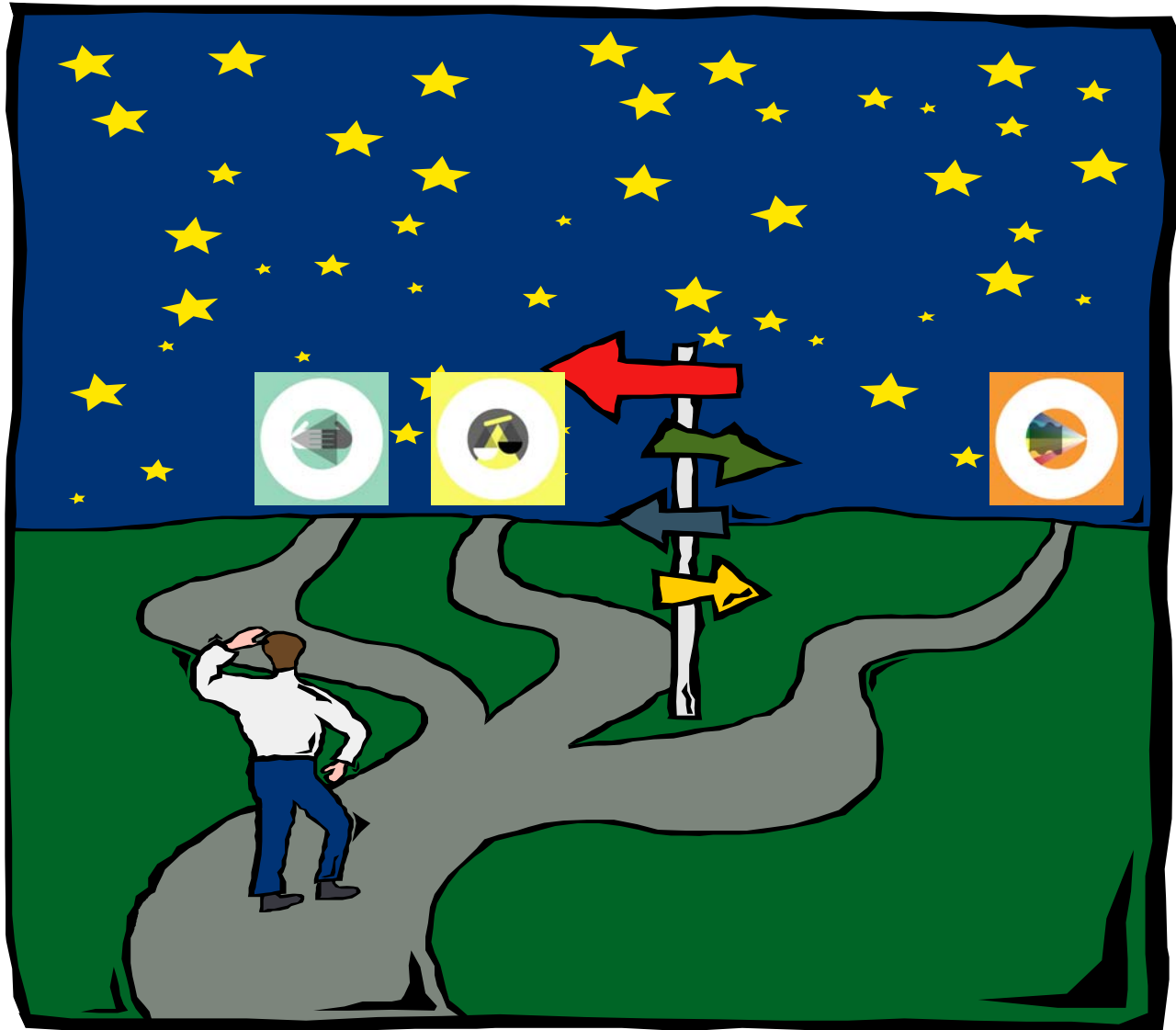
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# Business planning

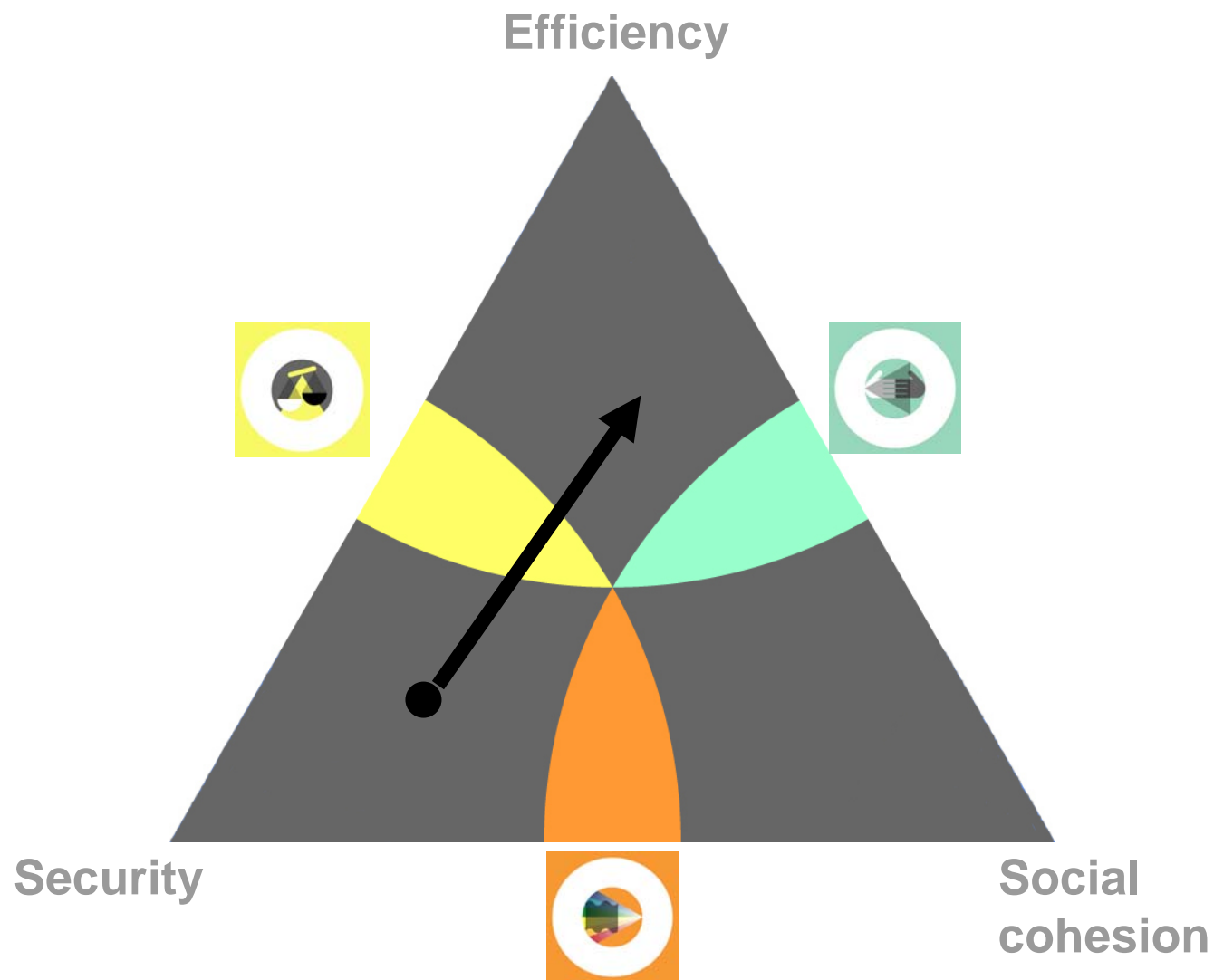


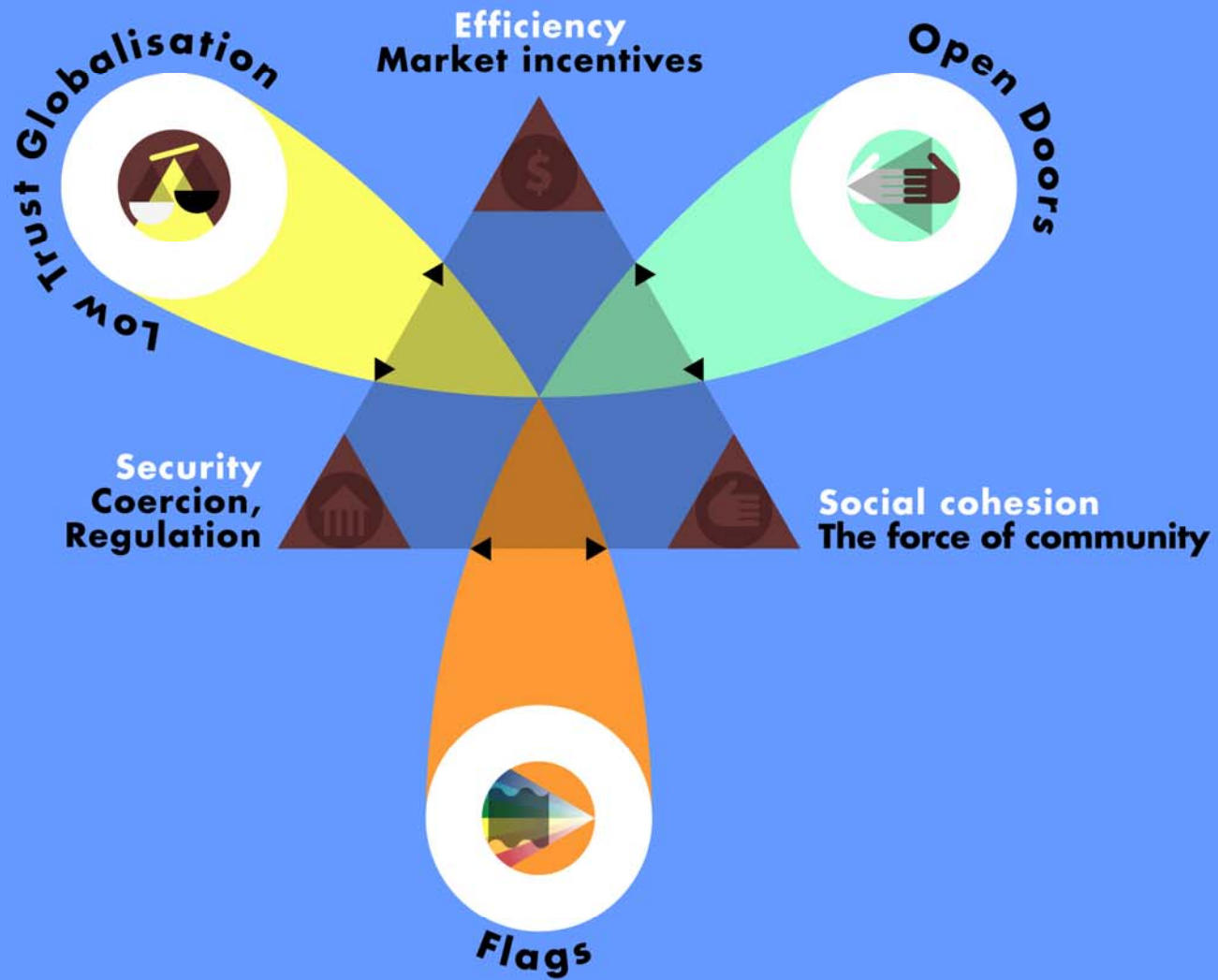
# Which signposts?





# Forecast





# FUNDAMENTAL QUESTIONS THAT FACE US ALL





# Shell Global Scenarios to 2025

[www.shell.com/scenarios](http://www.shell.com/scenarios)

sxe@shell.com