Statement of
Gretchen H. Watkins
President, Shell Oil Company
before the
Committee on Oversight and Reform
U.S. House of Representatives
October 28, 2021

Chairwoman Maloney, Chairman Khanna, Ranking Member Comer, Ranking Member Norman, and Members of the Committee, thank you for the opportunity to be here today to discuss the urgent need for action on climate change, and Shell’s efforts to advance society’s transition to a lower-carbon future. Through Shell’s global Powering Progress strategy, we are working with our customers and across sectors to accelerate our own progress and support the transition to net-zero emissions in the United States and globally, in step with society.

Working together, industry, governments, policymakers, and consumers can move toward a world that stops increasing greenhouse gases in the atmosphere – it is an enormous challenge. As an energy company with more than a 100-year history in the United States, we want to play our part to ensure that Americans continue to have access to reliable and affordable energy during this necessary and essential transition to lower-carbon energy. Shell has been and remains vocal about the needed energy transition, and we continue to advocate for sound carbon policies that support the transition to renewables and lower-carbon energy sources, including seeking to ensure transition in a fair and equitable manner. This kind of challenge is not new to Americans. We have been called on to tackle colossal challenges before and we can do it again.

As we discuss Shell’s approach to climate change and the energy transition, it is important to note that the Shell Oil Company is the U.S. subsidiary of Royal Dutch Shell plc, headquartered in The Hague, Netherlands, and the companies that Royal Dutch Shell plc directly and indirectly owns, or in which it invests, are separate legal entities. As you might expect, as President, I am most familiar with the activities of the Shell Oil Company and its subsidiaries. Nonetheless, as we speak today about the policies and strategies, emissions targets and goals, investment and lower-carbon energy initiatives, and the overall approach to the challenge of climate change within the broader Shell companies, our discussion will necessarily encompass activities beyond Shell Oil Company in the United States. Climate change is a challenge for all of society across the world.

The challenges of global warming and climate change have been the subject of public discussion for decades, and Shell’s position on climate change has been publicly documented for nearly three decades. As early as 1991, the annual reports of Shell Oil Company’s parent company discussed concerns about climate change. Also in 1991, Shell released Climate of Concern, a 30-minute educational film distributed to schools and universities that vividly
described the possibility of “climatic changes with adverse consequences for us all.” Shell released its first sustainability report in 1998, noting that human activity and the use of fossil fuels could affect the climate. Shell has issued a sustainability report every year since 1998, and the subsequent reports have discussed climate change and the challenges it poses at length.

Shell has long advocated for governmental policies that will reduce fossil fuel demand, stimulate innovation in clean energy technologies, reduce greenhouse gas emissions, and ensure access to reliable and affordable energy. For example, Shell strongly advocated for the United States to remain in the Paris Climate Agreement, and later to rejoin it. Shell has a long history of advocating for carbon pricing, such as the Waxman Markey American Clean Energy and Security Act, the cap and trade bill that passed the House in 2009. More recently, Shell advocated publicly for direct regulation of methane emissions and supported the tax credit for carbon sequestration under section 45Q of the Internal Revenue Code. Shell has openly supported a number of provisions in the pending infrastructure legislation related to addressing climate change. We also support climate provisions in budget reconciliation, including efforts to advance electric vehicle infrastructure, hydrogen production, carbon capture and storage, and a well-constructed methane fee. We have engaged constructively to improve design elements that concerned us and continue to advance the climate proposals we support. We have also supported and sought to advance recent discussions about creating a carbon tax through budget reconciliation.

In 2017, Shell was the first energy business to announce an ambition for reducing net carbon intensity, what it called the Net Carbon Footprint, including not only its own emissions, but those of its customers as well. In this context, Shell’s Net Carbon Footprint includes Shell’s carbon emissions from the production of energy products, our suppliers’ carbon emissions in supplying energy for that production, and our customers’ carbon emissions associated with their use of the energy products we sell, even though Shell has control only over its own emissions. In the years since, Shell’s ambitions have progressively become more stringent. Currently, Shell is targeting a 2% to 3% reduction in carbon intensity by 2021, compared to 2016, a 3% to 4% reduction by 2022, and a 6% to 8% reduction by 2023. Shell’s medium- and long-term targets include 20% reduction by 2030, 45% by 2035, and 100% by 2050 – in other words, it is our intention to be “net-zero” by 2050, in step with society, which we will accomplish through future transformation and development of our portfolio and business plans, and actions of our customers. Shell is also holding our executives, including me, accountable for these reductions. The compensation for more than 16,500 senior employees is tied to performance against Shell’s energy transition strategy.

Shell companies have invested billions of dollars in lower-carbon energy, much of it in the United States, including developing solar and wind projects, deploying electric vehicle charging and infrastructure, and making a business of wholesale trading of renewable power. Shell is pursuing technologies such as carbon capture and storage, and the production of hydrogen fuel and biofuels.Shell is one of the largest providers of fuel for aviation and has therefore placed a special emphasis on supporting innovations, such as sustainable aviation fuel made from renewable sources such as used cooking oil, municipal waste, and woody biomass.
Meeting the demand for reliable energy – while simultaneously addressing climate change – is a huge undertaking and one of the defining challenges of our time. For example, hospitals, laboratories, and manufacturing plants, as well as universities, businesses, sewage plants, and power stations continue to require today’s fuels to meet their energy needs. Fuel is needed to power trucks, airplanes, and ships that move people and commerce around the globe. Petrochemicals are needed for everything from clothing to cell phones, from hand sanitizer to the fibers in the masks we have all become accustomed to wearing. In short, today’s energy sources are deeply integrated into every part of life.

Shell agrees with the International Energy Agency that fossil fuels will continue to be part of the global energy mix for decades to come, even as societies transition to lower-carbon energy sources. For this reason, Shell will continue to explore for and develop fossil fuel energy sources. Yet even here, we are seeing an energy transition. For example, Shell’s production in the Gulf of Mexico is among the lowest in the world in greenhouse gas intensity, among oil and gas produced by members of the International Association of Oil and Gas Producers. In addition, Shell has announced that we do not anticipate pursuing frontier exploration – that is, new oil and gas repositories – after 2025.

We are committed to a leadership role in the energy transition and continuing to provide the life-sustaining and life-enabling products Americans need. Shell is proud of its history providing energy to consumers in the United States and around the world, and we look forward to enabling a future where we all move to net-zero emissions. I hope we, as Americans, are driven by an eagerness to participate in a new age for energy – to build a new future through the sheer force of our ingenuity. This progress is already well underway and the prize before us is a lower-carbon future, global leadership for the United States in technology and energy innovation, and a more secure economic future.

Reshaping Our Portfolio

Powering Progress sets out Shell’s strategy to accelerate the transition of our business. This strategy is reflected in the actions we have taken in recent years to reshape our portfolio in the United States. Over the last few years, Shell has announced closures or divestments for a number of our traditional assets in the U.S. portfolio, such as refineries and shale positions in the Appalachian and the Permian Basins. Over the same period, we have increased our position in a range of zero- and lower-carbon assets and technologies.

Shell New Energies US purchased a large stake in Silicon Ranch, a leading solar farm developer in Nashville, Tennessee, with more than 145 operating facilities coast-to-coast. We are supporting the company’s drive to develop more than 1 gigawatt in new solar projects. We have four onshore wind farms in the United States, and we are looking to develop offshore wind assets in the northeast. Collectively, we have more than 6 gigawatts of wind in production or in the pipeline, enough to power approximately 3.5 million homes.

In 2019, Shell New Energies US acquired Greenlots, a California-based company that provides electric vehicle charging solutions. Shell Energy North America is one of the top three power wholesalers across the continent. We currently supply power to more than five million
homes in North America, with more than one-third of that power coming from renewable sources, including hydroelectric, wind, and solar. We acquired MP2 Energy, Pulse Power, and Inspire Energy, enabling us to expand our business-to-consumer power offerings and move closer to our goal of becoming a major provider of renewable and lower-carbon energy.

As part of our drive toward net-zero, Shell is working with broad coalitions of businesses, governments, and others to identify and enable decarbonization pathways specific to individual carbon-emitting sectors. That effort includes improving energy efficiency, using lower-carbon energy products, and removing or storing emissions that cannot be avoided, either through natural means or carbon capture technologies.

In aviation, Shell is a founding member of the Clean Skies for Tomorrow Coalition, which consists of airlines, airports, fuel providers, and engine manufacturers, all working to reduce emissions from the aviation sector by making sustainable aviation fuel more widely used and available. Last month, Shell announced a global ambition to produce by 2025 around 2 million tons of sustainable aviation fuel a year, which is enough for roughly 125,000 flights on a 737 from Los Angeles to New York City. Our activities in the United States support that ambition. For example, this year, Shell Ventures invested in LanzaJet, a technology company in Georgia that uses catalytic conversion to convert alcohol into aviation fuel. The result is a 70% reduction in greenhouse gas emissions on a lifecycle basis, compared to conventional jet fuel.

In the shipping industry, Shell is a founding member of the Getting to Zero Coalition, which is committed to introducing commercially viable deep-sea vessels powered by zero emission fuels by 2030. Shell recently agreed to charter its second LNG marine fueling barge for use in the United States. Once built, it will offer shipping customers an opportunity for emissions reductions.

Trucking is responsible for some 9% of global CO$_2$ emissions. Globally, we support the Road Freight Zero coalition, which is designed to accelerate the deployment of zero-emission fleets and infrastructure by 2030. In addition, we have funded development of the Starship truck, a demonstration program that aims to reduce emissions while increasing fuel economy and freight efficiency. If every truck in the United States were to achieve Starship levels of efficiency, we could reduce CO$_2$ emissions for on-highway trucking by approximately 71.5%, or 275 million tons of CO$_2$ annually.

We continue to pursue partnerships directly with several major companies in support of transition strategies. For example, Shell is providing renewable energy to Microsoft, helping the company meet its commitment to achieving a 100% supply of renewable energy by 2025. We are teaming with Toyota and the state of California to build hydrogen refueling infrastructure. Shell is also partnering with General Motors to provide owners of its electric vehicles the opportunity to select home energy plans that include free overnight hours of electric vehicle charging. Finally, we are partnering with World Energy to provide Amazon Air with more than six million gallons of sustainable aviation fuel – one of the largest ever agreements in the aviation industry for that lower-carbon product.
Customers are central to our Powering Progress strategy. Today we serve roughly 30 million individual people daily, and our existing relationships provide an opportunity to inform customers about our lower-carbon offerings, from electric vehicle charging to biofuels. We also aim to help our business customers address emissions in sectors such as aviation, heavy freight, and shipping. We envision that, by 2050, our energy product mix will be dominated by lower- and zero-carbon products such as renewable power, biofuels, and hydrogen. We can also establish services that store CO₂ emissions of our customers. Carbon capture and storage is a proven technology with the potential to play a key role in meeting international climate targets by decarbonizing energy and industries.

Addressing Demand

Energy is essential for survival, mobility, health, cooking, heating and cooling, lighting, travel, and many other aspects of modern life. Every product or service that we use to improve our lives comes from a business or organization that needs energy. For the last century, that energy has overwhelmingly come from fossil fuels. To make meaningful progress in reducing greenhouse emissions, society must address the manner in which it uses those hydrocarbons.

Sectors such as aviation, shipping, and road freight are challenging to decarbonize and electrify because they need portable, high-density fuels to power specialized engines. The industrial sector, including the production of steel, cement, and chemicals, relies on the unique makeup of hydrocarbons to produce extremely high temperatures, chemical reactions, or dense energy storage. As of today, many of these indispensable sectors of our economy cannot be decarbonized at all, or only at a prohibitively high cost for consumers.

Given that oil and gas are likely to remain in the global energy mix for decades to come, it is important to improve energy efficiency in their use and minimize the emissions associated with their energy production. As mentioned, our production in the Gulf of Mexico is among the lowest greenhouse gas intensity in the world. Still, we are working to further reduce the carbon intensity and improve the energy efficiency of those products. In the years ahead, we will continue to work with sectors which use large amounts of energy to identify and enable custom decarbonization pathways.

Policy for Progress

Policy plays a fundamental role in driving the energy transition to net-zero. Climate change is a complex challenge that requires sound government-led policy, initiatives, and mechanisms to limit emission levels, and new incentives to promote lower-carbon choices for businesses and customers. Shell has advocated for strong climate policies in the United States for decades.

For example, Shell is a long-time advocate for an economy-wide carbon price as the most efficient way to reduce greenhouse gas emissions with the least impact on jobs and the economy. Shell believes carbon pricing can rapidly and substantially affect behavior because it would operate in conjunction with other market signals in the U.S. economy. Through our engagement with global Shell colleagues, we have a wealth of knowledge and experience from having
operated in other countries where a carbon market has been successful, such as Canada and the European Union. Shell, therefore, has been and remains engaged in many of the legislative efforts to create a carbon price. Shell testified in favor of the Waxman Markey American Clean Energy and Security Act, and supported passage of the bill in the House in 2009. Shell supported state carbon price proposals in California, Washington, and other states. We also supported regional pricing proposals such as the Regional Greenhouse Gas Initiative in the northeast and the Transportation and Climate Initiative in the northeast and mid-Atlantic.

From 2009 through 2016, when the federal government’s climate efforts included a focus on regulation, Shell advocated in support of the 2012 oil and gas rule to regulate volatile organic compounds from onshore oil and gas production; the continuance of the Renewable Fuels Standard, which faced elimination in 2013; the Clean Power Plan proposed in 2015 and the new source performance standard regulating methane emissions from new and modified onshore oil and gas sources, which was finalized in 2016. From 2016 through 2020, Shell advocated for the expansion of the tax credit for carbon capture equipment approved by Congress in 2018. We complemented that advocacy with long-standing support for robust and transparent environmental compliance under subpart RR of the Greenhouse Gas Reporting Rule. Shell advocated to preserve the Obama Administration’s CAFE standards for 2017 to 2025 model years. We advocated for continued direct regulation of methane and supported the leak detection and repair frequency established by the Obama Administration. In 2017, Shell privately and publicly urged the United States to remain in the Paris Agreement.

In the current Congress, Shell advocated in support of the congressional resolution to restore the direct federal regulation of methane. We have publicly supported a number of provisions in the pending infrastructure legislation related to addressing climate change. We also support key climate provisions contained in the budget reconciliation. Shell’s support for climate provisions in both proposals includes support for zero-emission vehicles and related infrastructure, the production and use of clean hydrogen as well as needed hydrogen infrastructure for multiple sectors, a well-constructed methane fee, improvements to 45Q, measures to develop a sustained offshore wind program, and modernization of our power grid to support more renewables. In all instances, we have engaged constructively to improve design elements that concern us and advance the climate proposals we support. We have also supported and sought to advance recent discussions about creating a carbon tax through budget reconciliation.

In addition, Shell has advocated for a stable regulatory environment, which is key to enabling large-scale capital investment in technologies crucial to achieving net zero, such as carbon capture and storage, as well as the infrastructure needed to support an electric grid dominated by renewable sources.

Last year, Shell published A US Net-Zero CO₂ Energy System by 2050, a scenario that describes a possible path for decarbonizing the U.S. energy system. Shell engaged with Congress and the incoming Biden administration on our ideas, and we continue to urge workable climate policies that would support the United States’ aim to achieve net-zero emissions by 2050. The decarbonization opportunities we outlined within the scenario sketch also help Shell make better informed decisions today about its own U.S. strategy.
Trade Associations

Shell believes that our knowledge and expertise of the energy system and energy technologies can contribute to comprehensive and effective policy, legislation, and regulation. Additionally, we are members of a wide variety of trade associations that also engage with policymakers and the public. These associations, by their nature, do not necessarily represent the specific view of Shell on every matter. We put great value on hearing a diverse range of opinions. Through membership in these associations, Shell can participate in the key standard-setting activities that drive our industry, as well as share our views on issues of common concern. Shell is engaging with its key trade associations to support efficient and effective climate policies such as federal regulation of methane, a robust and transparent carbon price, and sector-specific policies such as CAFE standards and tax credits for hydrogen and electric vehicles. Many of these groups set key, global safety and operational standards for the industry which are used by some governments to draft regulatory language.

Given the urgency of addressing climate change, Shell believes it is important to examine the organizations it supports for alignment – or misalignment – with Shell’s climate-related policies. In 2019, Shell published its first Industry Associations Report, which examined the climate-related policy positions of several organizations. Since then, Shell has continued to publish detailed Industry Associations Reports that transparently assess key industry associations’ climate-related policies and advocacy against Shell’s climate-related policy positions. The reports also provide information regarding Shell’s financial contributions to the associations. We publish our policy positions publicly on our website.

In 2019, Shell elected to leave the American Fuel & Petrochemical Manufacturers Association after having identified misalignment, while remaining in others where we believe we can make more progress on advancing climate advocacy by contributing to the conversation. A recent review identified some misalignment with the American Petroleum Institute (API) and the Chamber of Commerce. But Shell has remained engaged with both organizations and their members to continue to promote policy positions from within that align with our views. In January 2021, both announced new stances supporting the ambitions of the Paris Agreement.

API, for example, sets safety, environmental, and technical standards for oil and natural gas companies and creates certification programs for people working in the industry and for products, allowing us to bring them to market. API is also a leading voice on key issues that affect our customers, including standards for biofuels and the greases and lubricants needed to advance solar, wind, and clean mobility technology.

Trade associations are not the only type of coalitions we join. Shell was an early member of the Pew Center on Global Climate Change that was originally formed in 1998 and is now called C2ES. Shell is also a founding member of the global Energy Transition Commission and is pleased to be part of launching the U.S. chapter. The Commission brings together leaders from across the energy landscape – including energy providers, energy-intensive industries, financial institutions, NGOs and academia – to accelerate the global drive to net-zero by mid-century. In 2016, Shell joined the CEO Climate Dialogues as one of 23 companies committed to advancing climate action and durable federal climate policy in Congress. The group includes...
organizations like the Environmental Defense Fund and The Nature Conservancy. Shell was a founding member of the Climate Leadership Council in 2018 and a major funder since 2019. The Council is an international research and advocacy organization that has developed a carbon dividends plan to incentivize reductions in carbon emissions through a progressive tax.

Shell continues to be a member of a variety of trade associations devoted to renewable and lower-carbon energy, including the American Clean Power Association (formerly the American Wind Energy Association) and the Solar Energy Industries Association. Our goal is to advance the energy transition and we look to collaborate with those who share that vision. We will not always agree with everyone we engage, but we believe that more progress can be made by being part of the conversation than by walking away from it.

* * *

In the long term, a net-zero emissions energy system is essential to combatting climate change and can produce significant societal benefits. Transforming the entire energy and economic system is extremely complicated and challenging. Shell shares the Committee’s concern about the urgent need for society to take action on climate change by accelerating the transition to a lower-carbon energy future.

Thank you for the opportunity to be here today. I would be happy to answer your questions.