

Committee on Energy and Commerce
Subcommittee on Oversight and Investigations
Questions for the Record in the April 6, 2022, Hearing

Ms. Gretchen Watkins, President, Shell USA, Inc.

The Honorable Frank Pallone, Jr. (D-NJ)

1. *Shell has committed to reaching net-zero emissions by 2050 and has also seen soaring profits since 2021.*
 - a. *Given its current and expected profits, has Shell considered accelerating its shift to net zero? If so, please describe what new investments Shell is planning to make to reach net zero before 2050. If not, why not?*

Shell USA, Inc. is the U.S. subsidiary of Shell plc, headquartered in London. This and the other responses to these questions for the record include information concerning the climate-related targets, policies, and activities of Shell plc, including the broader Shell group of individual companies around the world.

On April 20, 2022, Shell released its latest energy transition progress report that summarizes its progress and efforts to accelerate the energy transition.¹ In 2021, Shell set a new target to reduce absolute emissions from Shell group operations by 50% by 2030, compared with 2016 on a net basis. By the end of 2021, we had achieved a reduction of 18%. We achieved our short-term target to reduce the net carbon intensity of the energy products we sell by 2% to 3% by the end of 2021, also compared with 2016. Now our targets start to get more ambitious. We are working toward a 9% to 12% reduction in net carbon intensity by 2024, and a 20% reduction by 2030. To put our targets into context, the International Energy Agency Net Zero by 2050 scenario suggests that the transport sector, which accounts for most of Shell's emissions, needs to see a reduction in net carbon intensity of 18% by 2030. Additionally, we updated our net-zero emissions target so that it is no longer conditional on society's progress. This reflects the leading role Shell intends to play in the energy transition, including being ahead of society where we can.

Shell is continuing to invest in our strategy to accelerate the energy transition. We recently launched a powering progress activity map, which provides a visualization of the actions Shell USA is taking to accelerate progress to net zero.²

2. *Like its peers, Shell is investing in electric vehicle charging infrastructure. I commend this move as it will make it easier for Americans to make the switch to cleaner electric vehicles.*
 - a. *Does Shell plan to increase its investments in electric vehicle charging infrastructure? If so, please describe Shell's plans for new electric vehicle charging infrastructure.*

¹ The report is available online at https://reports.shell.com/energy-transition-progress-report/2021/_assets/downloads/shell-energy-transition-progress-report-2021.pdf

² This resource can be found online at <https://www.shell.us/about-us/powering-progress-usa/usa-powering-progress-activity-map.html>.

- b. Has Shell invested in low- or zero-carbon energy generation to help power its electric vehicle charging infrastructure? If so, please describe these investments and whether Shell intends to increase its investments in clean energy sources for charging infrastructure.*

Yes, Shell is making significant investments. By 2025, we expect around half of Shell plc's total expenditure (cash capital expenditure and operating expenses) will be on low- and zero-carbon products and services including biofuels, hydrogen, power, charging for electric vehicles, carbon capture and storage, nature-based solutions, chemicals and lubricants. In 2022, we expect that around one-third of our total expenditure will be on these low- and zero-carbon products and services.

This week, we proudly announced the launch of the Shell Energy brand into the residential power market in the United States. Shell Energy offers 100% renewable electricity plans to customers in competitive areas of the Energy Reliability Council of Texas grid, with plans backed by renewable energy certificates that support generation from renewable resources. In addition to a standard 100% renewable electricity plan, Shell Energy offers a plan for electric vehicle drivers that features free charging during off-peak hours and a fixed electricity rate. For homeowners with solar panels, Shell Energy offers a solar buyback plan that gives customers credit for the excess solar power they export to the grid.

Specifically with regard to electric vehicles, we expanded our electric vehicle charging network to almost 90,000 charge points at the end of 2021, from around 60,000 in 2020. We aim to increase this to more than 500,000 by 2025, and to 2.5 million by 2030. That is around 7% of the expected number of charge points in the world by 2030, according to the International Energy Agency. In the United States, through our subsidiary Shell Recharge Solutions, we started providing electric charging infrastructure for trucks as part of a project led by Volvo Group and South Coast Air Quality Management District.

- 3. As a major producer of petroleum products, Shell is well positioned to help reduce the downstream emissions of its products by formulating low carbon fuels. As we transition to a carbon free future, moving to low carbon fuels will be an essential step to continue reducing emissions. Would Shell support a low-carbon fuel standard to help reduce emissions?*

Shell has engaged with stakeholders on this topic and believes an effective low-carbon fuel standard (LCFS) should work with, not replace, the federal Renewable Fuel Standard program. We believe an LCFS should be a feasible standard with a workable buyout provision; include credit for biofuels in jet, marine, or heating oil; include credit for renewable natural gas with book and claim credits; and offer extra credits for infrastructure for H2 and EV fast charging.

The Honorable Diana DeGette (D-CO)

- 1. During the hearing, you testified that your company is undertaking efforts to ensure cleaner operations. I would like to understand more about these efforts. For each of*

the following technology areas, how much has your company invested annually for the past ten years, and how much does it plan to invest annually for the next ten years? Please respond with both the dollar amounts and the percentage of your company's gross sales.

- a. Innovative methane waste prevention technologies*
- b. Carbon capture, utilization, and storage (CCUS) with enhanced oil recovery (EOR)*
- c. CCUS without EOR*
- d. Direct air capture (DAC) and sequestration of carbon dioxide*
- e. Gray hydrogen*
- f. Blue hydrogen*
- g. Green hydrogen*
- h. Wind*
- i. Solar*
- j. Geothermal*
- k. Hydro*
- l. Other renewable*
- m. Nuclear*
- n. Electric vehicle (EV) deployment, not including public charging*
- o. Publicly-available EV charging stations*
- p. Other low- or zero-emitting transportation fuels, e.g., Sustainable Aviation Fuel*
- q. Other zero-emitting technologies*

We are significantly increasing our expenditure on low- and zero-carbon energy, helping both Shell and our customers to meet their climate targets. Because we invest in the energy transition across our company, we do not track investments in the manner contemplated by the question. In 2022, we expect that around one-third of our total expenditure will be on low- and zero-carbon products and services. By 2025, we expect around half of Shell plc's total expenditure (cash capital expenditure and operating expenses) will be on low- and zero-carbon products and services, including biofuels, hydrogen, power, charging for electric vehicles, carbon capture and storage, nature-based solutions, chemicals, and lubricants.

Some notable investments in the technologies and solutions listed above include the following: Shell recently invested \$390 million to secure lease areas for offshore wind production in the New York Bight. In 2021, Shell's operating costs for and investment in carbon capture and storage opportunities totaled around \$146 million. In 2021, we invested \$26 million in nature-based solutions, such as reforestation and the prevention of landscape degradation and destruction. In 2021, Shell operated almost 90,000 electric vehicle charge points, up from around 60,000 in the previous year, and we aim to increase this number to more than 500,000 by 2025, and to 2.5 million by 2030.

- 2. Please identify your company's annual Scope 1 greenhouse gas (GHG) emissions for the past 10 years. What do you project your company's annual Scope 1 emissions will be for the next ten years? In responding, please specify the level of precision of your responses and identify any conditions pertaining to these responses.*

Shell has publicly reported its global emissions data for more than a decade, including in our annual reports and our recent energy transition progress report. We consistently update our methods in response to the latest guidance from the IPCC. Our data and methodology are described in detail in each report, which can be found online.³ In addition to our historical reports, we publish our most timely emissions information online as well.⁴ Shell's most recent annual report, released in March 2022, reported Shell's absolute CO₂ emissions as follows⁵:

Shell's absolute emissions in 2021

In 2021, our total combined Scope 1 and 2 absolute GHG emissions (from assets and activities under our operational control) were 68 million tonnes on a CO₂ equivalent basis, a 4% reduction compared with 2020, and an 18% reduction compared with 2016, the base year. Our Scope 3 emissions from energy products included in our net carbon intensity were 1,299 million tonnes CO₂e.

Scope	Absolute emissions [D], [F] million tonnes of CO ₂ e				Targets [E]	
	2016	2019	2020	2021	Target 2030	Target 2050
Scope 1 [A]	72	70	63	60	50% reduction compared with 2016 levels on a net basis	0
Scope 2 [B]	11	10	8	8		0
Scope 3 [C]	1,545	1,551	1,305	1,299	No target	0

[A] Total direct (Scope 1) GHG emissions from assets and activities under our operational control. It includes emissions from production of energy and non-energy products.

[B] Total indirect GHG emissions from imported energy (Scope 2) from assets and activities under our operational control using the market-based method. It includes imported energy used for production of energy and non-energy products. We have restated our 2020 emissions from 9 to 8 million tonnes CO₂e following a correction of an efficiency factor for steam at one of our assets and a revision to how internal energy transfers of steam and electricity were accounted for at several of our assets to remove double-counting between Scopes 1 and 2.

[C] Indirect GHG emissions (Scope 3) based on the energy product sales included in Net Carbon Intensity (NCI) using equity boundary. The NCI calculation uses Shell's energy product sales volume data, as disclosed in the Annual Report and Sustainability Report. This excludes certain contracts held for trading purposes and reported net rather than gross. Business-specific methodologies to net volumes have been applied in oil products and pipeline gas and power. Paper trades that do not result in physical product delivery are excluded. Retail sales volumes from markets where Shell operates under trademark licensing agreements are also excluded from the scope of Shell's carbon intensity metric.

[D] Carbon credits are not included in the total emissions.

[E] Our 2030 and 2050 targets are on the net basis (i.e., including carbon credits).

Acquisitions and divestments have been included in the actual performance tracking with the target unchanged. Note that acquisition and divestments could have a material impact on meeting the targets.

[F] Oil and gas industry guidelines from the International Petroleum Industry Environmental Conservation Association (IPIECA) indicate that several sources of uncertainty can contribute to the overall uncertainty of a corporate emissions inventory. We have estimated the overall uncertainty for our direct GHG emissions (scope 1) to be around 4% and for our energy indirect GHG emissions (scope 2) to be around 6% for 2021 (same for location and market-based methods). IPIECA also note that due to the diversity of scope 3 emissions, sources and the fact that these emissions occur outside the company's boundaries, the emissions estimates may be less accurate or may have high uncertainty.

³ <https://www.shell.com/about-us/annual-publications/annual-reports-download-centre.html>.

⁴ www.shell.com/ghg.

⁵ See page 91 of our 2021 annual report, located online at https://reports.shell.com/annual-report/2021/_assets/downloads/shell-annual-report-2021.pdf.

3. *Please identify your company's annual Scope 2 GHG emissions for the past 10 years. What do you project your company's annual Scope 2 emissions will be for the next ten years? In responding, please specify the level of precision of your responses and identify any conditions pertaining to these responses.*

See response to question two.

4. *Please identify your company's annual Scope 3 GHG emissions for the past 10 years. What do you project your company's annual Scope 3 emissions will be for the next ten years? In responding, please specify the level of precision of your responses and identify any conditions pertaining to these responses.*

See response to question two.

5. *Has your company examined ways that it can reduce its scope 3 emissions? If so, please describe what methods your company has found to be effective and whether it plans to invest in reducing its scope 3 emissions.*

Yes. Our strategy is based on working with our customers, sector-by-sector, to address emissions from the use of our products and to help them find ways to reduce their emissions and overall carbon footprint to net zero by 2050. We are working with our customers to provide the energy they need today, and to accelerate the energy transition. This means changing our portfolio of products as we provide low- and zero-carbon energy products and services such as biofuels, hydrogen, and renewable electricity. If our customers are not able to use these products, we will help them to store and offset remaining emissions through carbon capture and storage and by providing high-quality, nature-based solutions. By 2050, we will no longer serve customers who have unmitigated carbon emissions.

We believe that reducing scope 3 emissions requires collaboration with our customers, national policy intervention, and international coordination. We have taken action to address scope 3 emissions as part of our strategy, including the following:

- Offering customers low- and zero-carbon products and solutions to avoid, reduce and mitigate emissions from energy use.
- Introducing sector-based businesses accountable for driving decarbonization.
- Partnering with customers to identify and pilot decarbonization solutions.
- Participating in sectoral coalitions to accelerate viable decarbonization pathways.
- Direct and indirect policy advocacy in furtherance of the goals and targets set out in the 2015 Paris Agreement.

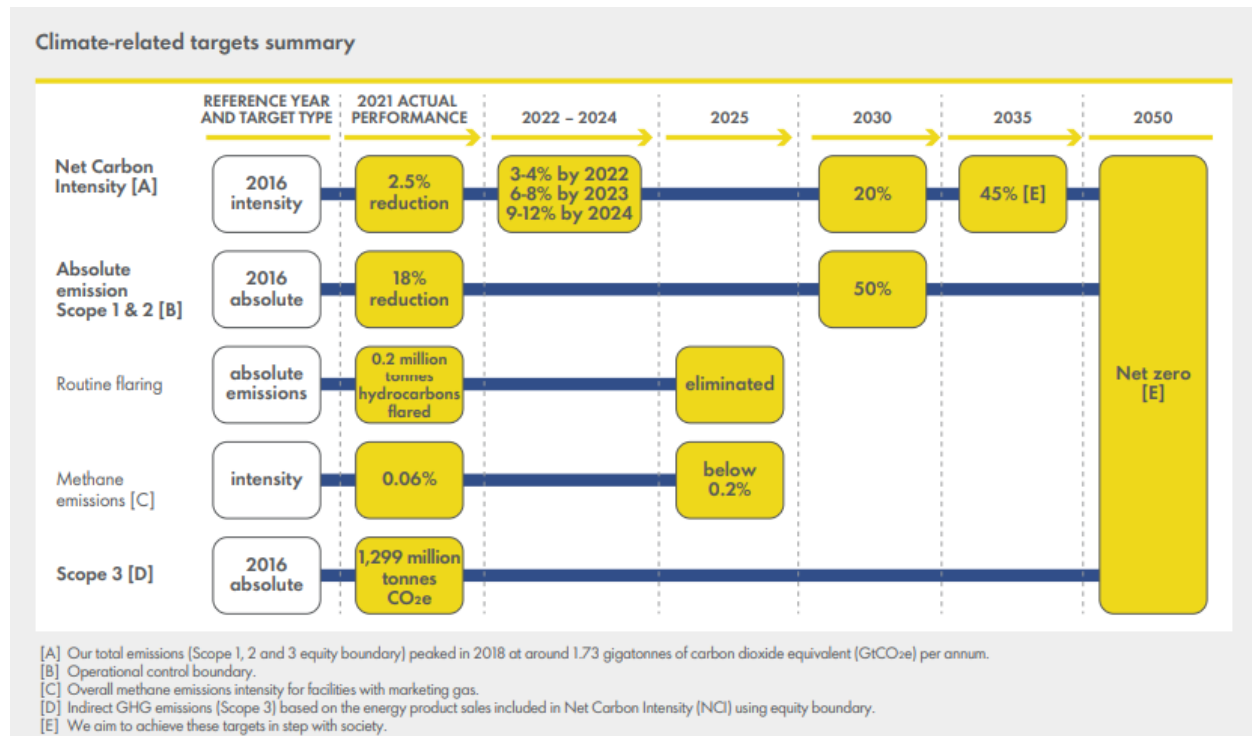
6. *What organizations does your company belong to with required GHG emission reduction targets? What are those targets?*

Although we have not conducted a comprehensive review, some organizations have such targets, such as the Oil and Gas Climate Initiative, which is a CEO-led consortium that aims to accelerate the industry response to climate change.

7. Please identify the emissions targets your company utilizes in strategic business planning and decision-making.

Shell has reshaped and restructured our entire organization to place our energy transition strategy at the heart of everything we do, including business plans and budgets. Consistent with our target to become a net-zero emissions energy business by 2050, Shell considers carbon emissions when evaluating new business opportunities and potential divestment opportunities.

We firmly believe that we must decarbonize our global portfolio and operations in order to mitigate climate-related risks and seize opportunities in the energy transition. The net carbon intensity of our portfolio and our absolute emissions are the key metrics we use to track progress against our energy transition strategy. We monitor our progress against these targets using the key metrics reflected below.⁶



8. What is your company's plan for existing assets that do not comport with your company's net-zero plans or other emissions targets?

As described above, Shell is committed to working with our customers to accelerate the energy transition while providing the energy they need today. Crucially, our net carbon intensity reduction targets reflect both a reduction in sales of oil and gas products, and growth in sales of low- and zero-carbon products and services.

⁶ For complete details, see our 2021 Annual Report, at 89, accessible at https://reports.shell.com/annual-report/2021/_assets/downloads/shell-annual-report-2021.pdf.

We plan to ensure that our ongoing and future projects are in alignment with our standards and targets described above. We have identified six main ways to decarbonize our operations:

- Making portfolio changes such as acquisitions and investments in new, low-carbon projects. We are also responsibly divesting assets and reducing our production through the natural decline of existing oil and gas fields.
- Improving the energy efficiency of our operations.
- Transforming our remaining five refineries into low-carbon energy and chemicals parks.
- Using more renewable electricity to power our operations.
- Developing carbon capture and storage for our facilities.
- And, if required, using nature-based solutions to offset any remaining emissions from our operations.

The Honorable Bobby L. Rush (D-IL)

1. *On March 8, Shell issued a statement announcing its intent to withdraw from its involvement “in all Russian hydrocarbons, including crude oil, petroleum products, gas and liquefied natural gas.” At the April 6 hearing, you stated that Shell had ceased the spot purchases of crude oil and liquified natural gas (LNG) from Russia.*
 - a. *Is Shell purchasing refined petroleum products such as (but not limited to) gasoline, diesel fuel, or jet fuel from Russia?*
 - i. *If so, are these refined products derived from Russian crude oil?*
 - ii. *If so, given Shell’s March 8 statement, when does Shell anticipate no longer needing to purchase Russian petroleum products on the spot market?*
 - b. *Since Russia invaded Ukraine on February 24, 2022, has Shell received crude oil, refined products, or LNG from Russia due to agreements that were signed prior to the Russian invasion of Ukraine?*
 - i. *If so, what are the average volumes by week, and how long does Shell expect to keep receiving crude oil, refined products, or LNG from Russia?*
 - c. *Is Shell currently marketing any crude oil or petroleum products—either to consumers or to other fuel companies—containing Russian-origin hydrocarbons (either from Russian crude oil or from petroleum products from Russia)?*
 - d. *Since the Russian invasion of Ukraine began on February 24, 2022, has Shell blended petroleum products from Russia with petroleum products from other countries and sold the resultant blend of products?*
 - i. *If so, has Shell disclosed to customers that any marketed blend of products contains Russian-origin petroleum products?*

Shell strongly condemns the unprovoked attack on Ukraine, and we have acted swiftly in response. In March, directly after the Russian invasion, Shell plc announced that it would

withdraw from all Russian hydrocarbons, including crude oil, petroleum products, gas, and liquefied natural gas, in a phased manner, including a halt to spot purchases of Russian crude.

Shell has followed through on these commitments. On May 25, 2022, Shell confirmed that it completed the sale of all its retail stations and lubricants businesses in Russia. On April 27, 2022, Shell announced that it will no longer accept refined products with any Russian hydrocarbons, including blended fuels. Shell has ceased all purchases of Russian crude oil on the spot market. Furthermore, Shell has announced its intent to exit equity partnerships in Gazprom-related joint ventures, and to end its involvement in the Nord Stream 2 pipeline.

Shell continues to work toward total divestment of all Russian hydrocarbons. This complex process is underway, and the global energy market's reliance on Russian energy means it will take time to eliminate Russian hydrocarbons completely. Critical challenges need to be addressed along the way – from ensuring the safety of our staff, partners, and operations, to the need to sustain the supply of fuels that are essential to communities across Europe.

- 2. Recent reporting has indicated that Shell recently amended its general terms and conditions of contracts for the sale of petroleum fuel to clarify that products that contain Russian hydrocarbons but are not over 50% Russian hydrocarbons will not be deemed “RF origin.”⁷ When and why was this change made to Shell’s general terms and conditions?*

On April 27, 2022, Shell changed the terms of its contracts and announced that it will no longer accept fuels blended with Russian hydrocarbons. Specifically, Shell’s new contractual provisions require that “goods [purchased by Shell] will not be of Russian Federation (RF) origin, nor have been blended with any product that was produced in RF, nor will the transport of the goods sold commence from or involve transit through RF.” Under these contractual provisions, Shell will not purchase products which contain any percentage of Russian hydrocarbons.

Shell is working to phase out Russian oil and gas from our supply chains while protecting the energy and fuel supplies that millions of people rely on every day. We are making good progress and have taken this further step to tighten our trading terms to help achieve this.

⁷ Javier Blas, *The Backdoor That Keeps Russian Oil Flowing Into Europe*, Bloomberg (Apr. 8, 2022).