



The Annual General Meeting of Royal Dutch Shell plc

Jeroen van der Veer
Chief Executive

The Hague and London
19 May 2009



Jeroen van der Veer is Chief Executive of Royal Dutch Shell plc. He joined Shell in 1971 and worked in manufacturing and marketing in the Netherlands, Curaçao and the United Kingdom. In 1992, he became a Managing Director of Shell Nederland. Three years later he became President and Chief Executive of the Shell Chemical Company in the United States. He was appointed a Group Managing Director in 1997.

Jeroen was born in the Netherlands, and is married with three daughters. He has two degrees – one in mechanical engineering from Delft University and another in economics from Rotterdam University.

He is a Non-executive Director of Unilever.

Speech delivered by Jeroen van der Veer at the Annual General Meeting of Royal Dutch Shell plc in The Hague and London on 19 May, 2009.

Ladies and gentlemen,

As the Chairman explained, we did well in 2008, but the business environment deteriorated rapidly during the second half of the year, and it will continue to bite this year.

World-wide demand is under pressure, and this creates lower oil and gas prices. At the same time, industry costs are relatively high, because of strong inflation in recent years.

As a result of all this, investments are being delayed or postponed across the energy industry.

In fact, the International Energy Agency believes that industry-wide investment could fall by more than 20% this year.

And you can see the impact of the difficult macro-economic environment in our earnings over the last 6 months.

But under the circumstances, for 2008 as a whole, we delivered satisfactory results.

New Heartlands

We have a consistent view on the outlook for our industry.

We expect strong volatility in oil prices and downstream margins to continue.

Strategy is unchanged: more upstream and profitable downstream.

With a strong focus on capital and costs discipline.

Our priorities are:

- Safety. Both process safety and personal safety.
- Operational excellence, and to have positions that are top quartile.
- Strong project management.
- And Technology, which is a key differentiator for Shell.

And of course we are taking a prudent approach to the economic downturn, looking at our costs, and maintaining our investment programme.

Financial Performance

We've had a competitive performance, with some \$125 billion of income over the last five years.

These are large numbers. And the scale of the investments we make are also large. Net capital spending was \$92 billion in the last five years, with a steady increase in investment.

And we have increased returns to shareholders, with some \$68 billion of dividends and buy-backs since 2004.

Shell's 2008 dividend was \$9.5 billion. And we are a leading contributor of cash back into the financial markets.

For 2009, we are maintaining the philosophy to grow the dividend and to keep investment at a relatively high level, which will create long term value for shareholders.

Energy Landscape

At Shell, we make investment decisions to build assets that can run for decades. So the short term environment is important, but it is the long-term picture that we look at for these investment decisions.

In the long-term, demand for energy is growing. Supplies of "easy oil" will not be enough to match demand. Renewables will come, but for the time being will remain a relatively small part of the equation, but with rapid percentage growth rates.

Industry-wide, there has been a strong increase in the cost of investing in new oil & gas. In 2009, oil prices are back at 2004 levels, but costs are about double. We have steps in place to mitigate some of these cost increases.

For example, we had a slow-down in the number of new projects that we have launched in the last few years – what we call FID or Final Investment Decision.

I don't have a good record of predicting near-term prices and I don't try to do that for you here, but for the company, we have to plan on the basis that the downturn could last for several years.

“Under the circumstances, for 2008 as a whole, we delivered satisfactory results.”

Corporate and social responsibility

We put great emphasis on operational excellence in Shell.

What does this mean?

This is all about safe and reliable operations in our assets, controlling and reducing emissions, and making sure that we are profitable across the business cycle.

Keeping our people safe at work remains a critical priority. Both personal and process safety are embedded in the remuneration structure for staff.

I am pleased to report that in 2008 we had the lowest number of recordable incidents ever. Our industry is safe compared to other industries in the world. But I am deeply saddened that 24 contractors and 2 employees lost their lives during operations or in road accidents in 2008

Our goal remains to achieve zero fatalities. And we will continue to work very hard to achieve that goal.

Technology

I am a strong believer that technology sets Shell apart from the competition. This is all about technology for today, where we can improve our operating performance, and create value added products, and technology for future growth. We have built up the technology capabilities in the company in 14 technology centres, with some 3,000 people directly involved in R&D.

Progress and achievements

Let me show you some of the progress and achievements we have made with portfolio and operations.

Firstly, on downstream. Shell continues to be the preferred brand amongst the oil majors. Shell V-Power for example, is the world's leading premium fuel and is available in more than 60 countries.

We are the global leader in branded lubricants, selling more lubricants by volume than any other supplier, with a 13% market share of the global finished lubricants market. Shell is the number one lubricants supplier in the USA, as well as the number one international supplier in China.

Turning to upstream, we continue to make good progress adding new resources of oil and gas in the upstream business.

Exploration added over 1 billion barrels of resources from drilling in 2008. Finding these new fields typically costs Shell just \$2-\$3 per barrel, which is competitive in the industry, and the most economical way to add new resources.

We have also secured the rights to 40,000 square kilometres of new exploration acreage in 2008 around the world. That's about the same size as the Netherlands, or for those of you in London, that's about 20% of the size of the UK.

2009-13 Start-ups (Qatar, Sakhalin)

We are making good progress with new growth projects. If you put it together, then projects under construction today will open up 1 million barrels per day of oil and gas, 6.5 million tonnes per year of LNG, and 300 thousand barrels per day of downstream capacity.

I think this is one of the most competitive portfolios of projects under construction in our industry today. Some examples:

In Qatar, we have two integrated gas projects under construction: Pearl, which is Gas-to-Liquids and Qatargas 4 which is LNG. This is a huge undertaking, but so-far-so-good.

In Russia, we are very pleased that Sakhalin Energy Investment Company has started production at the Sakhalin 2 project. Year-round production of oil began last year, production of LNG earlier this year. The total is expected to reach 395,000 barrels of oil equivalent every single day.

Sakhalin II is a huge undertaking. At the peak of construction, 25,000 construction workers were involved. They built two offshore platforms, two onshore processing plants, the LNG plant and the export terminal, and laid more than 1,800 kilometres of pipelines – all in very challenging conditions. We took great care to protect the environment and the way of life of Sakhalin's indigenous population.

“I am a strong believer that technology sets Shell apart from the competition.”

And I think it's fair to say that our accomplishments in these areas are now being recognised.

In 2008, Sakhalin II won the Russian Ministry of Resources Environmental Project of the year award, and several weeks ago, the Fourth Russian Conference of Indigenous Peoples of the North, Siberia and the Far East recognised Sakhalin Energy with an award in the category "Best Industrial Company".

I am particularly pleased by the very good start-up performance of the LNG plant and upstream facilities.

Train 1 at Sakhalin came on stream in March. We are well ahead of our planned LNG ramp-up, and we have produced more LNG cargoes than expected: 9 against a target of 3, as of 13th May, to be precise.

This has been achieved using Shell's flawless start-up programme, which has resulted in no unplanned downtime – or what we call trips – in the first 41 days of production, where normally you would expect about 5 trips in the first month of production on a new LNG train. The second LNG train will come on stream across the next few months, which will further accelerate this ramp-up.

Athabasca Oil Sands Project

We are making good progress with the expansion of the Athabasca Oil Sands project. This expansion will add a further 100,000 barrels per day of production capacity, bringing the total there to 255,000 barrels per day.

Some people have expressed concerns over CO₂ emissions associated with oil sands production.

We take these concerns seriously. But it's important to put these emissions in the right scale. Independent research carried out for government authorities in Canada shows that petrol from oil sands produces only about 15% more CO₂ than conventional petrol - when measured from "well-to-wheel." This is a much smaller difference than, say, the difference in CO₂-intensity between the average European and American car – which is around 40%.

We're working to reduce the emissions of our Athabasca Oil Sands Project, through energy efficiency and through offset projects.

For example, we are assessing the technical and economic feasibility of a large-scale CO₂ capture and storage project named "Quest".

Alternative Energy & CO₂ technologies

Now, let me say something about the issue of hydrocarbons and renewables.

The first thing to stress is that it is not a matter of 'either-or'. The world will need all possible sources to meet its growing energy needs, and we are also developing new areas of expertise.

We have serious involvement in wind, thin-film solar and biofuels. And we've invested some \$1.7 billion on alternative energy and CO₂ Capture and Storage in the past 5 years.

For the next few years, it's in biofuels where we will concentrate our additional efforts.

Biofuels are a natural fit with our downstream capabilities in transport fuel. And, provided they are sustainably sourced, they can contribute to reducing CO₂ emissions from transport.

Another contribution to a more sustainable energy system will come from CO₂ Capture and Storage, or CCS. And we see potential in this both upstream and downstream

Whether CCS gets deployed worldwide depends to a large degree on government policies. Governments can enable the huge investments associated with CCS through robust carbon pricing, credits for CO₂ stored and appropriate regulatory frameworks.

Summary

We are rejuvenating the portfolio upstream and downstream to create new heartlands for Shell.

Yes, this is a difficult financial environment, but we are managing that with good operating performance.

And for the future, I think we have made good progress with new investment options, both upstream and downstream.

"LNG train 1 at Sakhalin came on stream in March. We are well ahead of our planned LNG ramp-up, and we have produced more LNG cargoes than expected."

Before handing you back to the Chairman, let me again thank all Shell staff for their contribution to a good performance in 2008.

And, since I am addressing you for the last time as Chief Executive, allow me to say this: In 38 years with Shell, I've been involved in about one third of the history of Shell.

And I can say that our people are second to none.

We have a strong culture and strategy, and we have learned to listen and live as part of society.

We keep our eyes on the long term!

It was a privilege to be the Chief Executive over the past years.

Thank you.

“We keep our eyes on the long term!”

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