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Growing recognition of the role of gas and LNG as the world tackles poor air quality and climate change

Asian LNG imports exceed expectations again in 2018 absorbing continued supply growth

Near term supply growth expected to be absorbed by Europe and Asia—continued need for investment in supply to meet long-term demand growth
The energy challenge

Growing population
According to United Nations estimates, the current world population of 7.6 billion is expected to reach 8.6 billion in 2030, 9.7 billion in 2050 and 11.2 billion in 2100. Nearly a billion people still live without electricity while another billion struggle with unreliable supplies of electricity.

Rising demand
By 2070 the world is likely to be using at least 50% more energy than it does today as population grows and people seek to improve their quality of life.

Need for energy solutions
According to the International Energy Agency (IEA), renewable generation is expected to underpin the growth of electricity from 18% to 50% of energy supply by 2050. The remaining energy demand that is difficult to electrify will still require cleaner solutions.

Mitigating climate change
The world currently emits 33 billion tonnes of energy-related CO2 each year. To limit the rise in global temperature to 2°C, the IEA has calculated that energy related CO2 emissions need to fall to around 18 billion tonnes a year by 2040. The challenge is not just to reduce emissions, but to do this while providing more reliable energy supplies.

Improving air quality
Updated World Health Organization (WHO) estimates reveal an alarming death toll of 7 million people every year caused by outdoor and household air pollution. According to WHO, global air pollution is linked to inefficient energy use in every sector of human activity including coal-fired power plants, industry, agriculture and transport.
Gas and renewables to play a critical role in meeting the energy challenge

**Global energy demand growth by fuel type**

- **Gas**: 41% growth in the energy mix 2018-2035
- **Renewables**: 30% growth in the energy mix 2018-2035
- **Oil**: 15% growth in the energy mix 2018-2035
- **Nuclear**: 6% growth in the energy mix 2018-2035
- **Coal**: 4% growth in the energy mix 2018-2035
- **Other**: 4% growth in the energy mix 2018-2035

**Gas growth in the energy mix 2018-2035**

- **India**: 0% gas share in the energy mix 2018 vs 10% in 2035
- **China**: 10% gas share in the energy mix 2018 vs 20% in 2035
- **Europe**: 20% gas share in the energy mix 2018 vs 30% in 2035
- **North America**: 30% gas share in the energy mix 2018 vs 40% in 2035
- **Global**: 20% gas share in the energy mix 2018 vs 30% in 2035

Source: Shell interpretation of Wood Mackenzie Q4 2018 data

CAGR - Compound annual growth rate
South Korean taxes to favour gas over coal

Chinese Government policies target

EU carbon pricing supported by policy changes

Source: Shell interpretation of IHS Markit and IEEQ4 2018 data and announced public policy
Gas demand growth not reliant on the power sector

Source: Shell interpretation of Wood Mackenzie Q4 2018 data

Global gas demand growth by sector 2016-2018

- Power Non-power
- 2016: 3.300
- 2017: 3.400
- 2018: 3.500

Global gas demand growth by sector

- 2018: 4.100
- Power: 41%
- Industry: 29%
- Res & Comm: 25%
- Transport: 5%
- 2035: 5.100

Gas demand 2% CAGR

Res & Comm – Residential and Commercial

Royal Dutch Shell
LNG continues to be the fastest-growing gas supply source.

**Global gas supply by source**

- **2018** Domestic production: 62%, Pipeline imports: 4%, LNG imports: 34%
- **2035** Gas demand: 2% CAGR

**LNG imports by region**

- **2018**
  - Asia: 59%
  - Europe: 22%
  - Americas/Mid-East & Africa: 10%
  - 2035: LNG demand 4% CAGR

- **2018**
  - China: 32%
  - JKT: -8%
  - South Asia: 35%
  - South East Asia: 41%
  - 2035: Asia LNG demand 3% CAGR

Source: Shell interpretation of Wood Mackenzie Q4 2018 data
New countries choosing LNG for various benefits

- Natural gas meets over half of total energy demand
- Declining domestic gas production
- LNG meeting existing and new gas demand
- Replacing oil-fired power generation
- Complement renewable power generation
- Strategic location of Panama Canal offers opportunities for LNG bunkering
- Replacing oil-fired power generation
- Innovative small-scale LNG solution
- Increases diversity of supply

Source: Shell interpretation of Woodmac Q4 2018 Data
Economic and environmental benefits increasing the use of LNG in road transport

**China LNG fuelled heavyduty transport**

- **Number of LNG trucks and buses in 1000**
- **Yellow**: LNG HD trucks
- **Red**: LNG buses

- **2012**: 0
- **2013**: 5
- **2014**: 20
- **2015**: 30
- **2016**: 40
- **2017**: 50
- **2018**: 60

Source: Shell analysis of Woodmac, SCI, and NGVA data

**Europe moving to LNG fuelled heavyduty transport**

- **Number of LNG trucks**
- **2016**: 1532
- **2017**: 4000
- **2018**: 5500

Source: Shell analysis of Woodmac, SCI, and NGVA data

- **6.7 MT of LNG consumed in China for road transport in 2018**
- **2,552 LNG fuel stations in 2018**
- **280,000 LNG trucks expected by 2030**
- **155 LNG fuel stations in 2018**
- Co-financed by EU, BioLNG EuroNet is building 39 LNG stations, 2000 LNG trucks and a BioLNG production plant
Marine LNG poised for growth

2018

**QUARTER 1**
- Mitsui OSK order LNG bunker barge to serve Total-CMA-CGM deal
- World’s first LNG-fuelled bulk carrier charter delivered
- Carnival orders 9th LNG fuelled Cruise ship

**QUARTER 2**
- Shell agrees to charter two LNG powered tankers from AET
- MPA awards grants for two LNG bunker barges for Singapore

**QUARTER 3**
- First Japanese LNG bunker vessel ordered
- Hapag Lloyd announces it will convert a container vessel to operate on LNG

**QUARTER 4**
- Crowley takes delivery of second LNG-powered container/roll on-roll off (ConRo) ship
- Bankering of the first LNG fuelled Aframax tanker by Shell Cardissa
- H-Line Shipping ordered two LNG fuelled bulk carriers
- World’s first LNG powered cruise ship sets sail
- Kairos, the 7,500 m³ bunker vessel started operations
- Adnoc and Inpex sign agreement to explore LNG bunkering opportunities in UAE
- Public Gas Corp of Greece signed a grant agreement with EU for construction of the first LNG bunkering vessel

Projections for LNG in Marine

- LNG fuelled vessels
- Projections for LNG in Marine
- 2020 2025 2030 2035
- MTPA
- Tugs
- Ro-Ro cargo ships
- RoPax
- Other vessels*
- Oil/Chemical tankers
- Offshore supply ships
- General cargo ships
- Multi-gas tankers
- Cruise ships
- Crude oil tankers
- Container ships
- Car passenger ferries
- Car carriers
- Bulk carriers
- In operation
- On order

Source: Shell interpretation of DNV-GL & Woodmac

*Other vessels includes fishing vessels, dredgers, etc.
More than 70% of the current wave of LNG capacity additions online

Source: Shell interpretation of IHS Markit Q4 2018 data
Asian LNG demand continues to exceed expectations

Source: Shell interpretation of IHS Markit, Wood Mackenzie and Poten & Partners 2017 and Q4 2018 data

YoY: Year on Year
LNG imports increased by 27 MT in 2018

Source: Shell interpretation of IHS Markit, Wood Mackenzie and Poten & Partners 2017 and Q4 2018 data
Spot market gains momentum with volume growth

Source: Shell interpretation of IHS Markit Q4 2018, S&P Global Platts and the ICE data
New supply expected to be absorbed by Asia as well as Europe in 2019

Source: Shell interpretation of IHS Markit, Wood Mackenzie, Poten & Partners Q4 2018 data
Europe needs more imports to offset declining domestic gas production

Source: Shell interpretation of IHS Markit Q4 2018 data
Asia has significant potential to take more LNG volumes

Source: Shell interpretation of IHS Markit and Wood Mackenzie Q4 2018 data
Supply investment still needed to meet continued LNG demand growth

Emerging LNG supply-demand gap

Investment in liquefaction capacity

Source: Shell interpretation of IHS Markit, Wood Mackenzie, FGE and Poten & Partners Q4 2018 data
Growing recognition of the role of gas and LNG as the world tackles poor air quality and climate change

- Gas to supply the largest share of energy demand growth, supplying over 40% of additional demand by 2035
- Coal-to-gas switching led to 78% improvement in Beijing winter air quality over the last five years

Asian LNG imports exceed expectations again in 2018 absorbing continued supply growth

- China became the world’s largest gas importer, with LNG imports doubling over two years
- JKM futures trading volume increased ten-fold since 2016

Near term supply growth expected to be absorbed by Europe and Asia – continued need for investment in supply to meet long-term demand growth

- 35 MT additional supply expected in 2019
- 2018 saw final investment decisions on 21 MT of new capacity compared to a total of 7 MT in the last two years combined
IMPLICATIONS FOR RUSSIA
FIRST RUSSIAN LNG PROJECT
25th ANNIVERSARY