

Environmental Challenges Facing the Oil Industry

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SHELL

I am very pleased to welcome you all to this session today on Oil, Gas and the Environment. It is a good opportunity not only for you to hear what *I* have to say, but also for me to hear *your* views. I hope you will ask lots of questions – and give lots of comments – at the end of the session.

Ironic as it may sound, the environment has been at the heart of the petroleum industry for many years. The petroleum industry has long integrated environmental considerations into its development projects. Principles of environmental conservation were initiated, promoted and became embedded in the petroleum business for more than a century now to provide for sustainability of petroleum projects. Both regulators and producers have realized -long ago - that without these principles deeply integrated into production policies, those petroleum resources would have never stand a chance to sustain economic development. However it is only few decades ago that environmental protection was seen as an integral part of sustainable development approach.

These days, we have moved on from just taking into account the environmental impact of our business, to looking at all the dimensions: the social, the economic and the environmental. These three aspects form the basis of the concept of sustainable development. Such an approach has gained worldwide acceptance and developed an accelerated momentum in other sectors and businesses. It has become a common strategic goal for various different players.

Sustainable development is about making sure that the world of the future is a place we want to live and work. It is also about meeting the demands of today, without jeopardizing the prospects for the next generation. In short, sustainable development is about giving back, or leaving behind, more than we take.

By 2050, we expect world energy demand to double. Developing countries like Egypt will need five times as much energy as they do today. How can we meet these demands without raising pollution levels, destroying natural environments and disrupting communities?

This is an enormous challenge, but it is one that we at Shell are ready and willing to face. However, we cannot do it alone. We need a joint effort between the industry, Governments, customers and stakeholders.

Some of you may be familiar with the World Business Council for Sustainable Development, a forum which brings together business and government leaders from all over the world to promote sustainable development. Our Group Chairman, Sir Phil Watts, is Chairman of the Council. Through our prominent role in this forum, and other local and regional networks, we try to share ideas, pool resources and, more importantly, drive forward concrete actions. Last year's World Summit on Sustainable Development in Johannesburg was a good start. But we now need to show – collectively and individually - that we can walk the talk.

At the corporate level, we are working to ensure that sustainable development is embedded in the heart of our business. This applies not only to our core business – exploration, production, retailing etc - but also to the way we behave, our attitude towards our partners, our competitors, our customers and our staff.

Let me give you an example. On 1st January 2003, a new Shell Group Policy came into force prohibiting continuous venting at all new facilities. This means that in new facilities, continuous venting of hydrocarbon gas is simply not an option and at existing facilities venting must be at ALARP – as low as is reasonably practical – levels. In Egypt, we met this goal ahead of time. In 2008, a similar policy on flaring will be introduced, which will eliminate gas disposal by flaring at all new facilities, and reduce flaring as much as possible at existing facilities. This is an important commitment by the Shell Group, which should make a real contribution to the reduction of greenhouse gases worldwide.

Environmental conservation is now firmly on the public agenda in the form of government policies and strategies. It also governs the private sector and its businesses. The petroleum industry may be, in general, well equipped to demonstrate its economic contribution and the benefits it brings to society through energy, chemicals and other products, and through wealth generation and employment creation. However, the key challenge for the industry is how to satisfy energy demand, whilst safeguarding the environment. This represents a key change in focus from simply improving economic performance, to now fully considering environmental, health and safety issues and impacts. This raises a number of challenges for the industry. These include:

The contribution of air emissions to potential global climate change.

Local impacts from operations and from using products.

Conservation of biodiversity.

Internalization of environmental costs.

Acting in a socially responsible manner. Transparency and openness in communication and decision-making.

Corporates must be prepared to demonstrate that they live up to their declared values and principles when it comes to meeting these challenges.

At Rio in 1992, the world was described as bipolar, consisting of governments and non-governmental organizations, NGOs. At Johannesburg in 2002, the perception had changed to a tri - partite world of governments, business and civil society that could interact constructively to address environmental conservation and sustainable development. The role of business has strengthened and the industry is seen as one of the dominant player of our time. Hence the increased demand for more corporate accountability.

At Shell, while we are proud of our environmental performance, we still don't claim to have reached complete integration of sustainable development but at least in project after project progress is being made and the steps needed to support it, are receiving increased attention and focus in the minds of Shell managers.

We have examples around the Group where the right things are happening. Our challenge is to get it right consistently throughout the Group and to get each and every one of our managers thinking about environmental conservation and sustainable development.

However, I am not here to tell you that everything is perfect. There have been some serious accidents and mistakes made along the way. Who can forget the Exxon Valdez oil spill or the controversy over Brent Spar? But we had to make mistakes in order to learn from them. The important thing now is to make sure they never happen again, and to strive for continuous improvement.

Two of my fellow speakers, Hazem and Richard, will tell you all about the measures the industry is taking here in Egypt and elsewhere to prevent oil spills, and deal with them effectively if they do occur, so I will leave this subject to them. But I would like to tell you a little bit about what we at Shell Egypt do to make a contribution to sustainable development at the local level.

In 2001, we formed a Sustainable Development Team, comprising 15 members from different disciplines and functions within Shell Egypt, to drive forward the sustainable development agenda. The team has undertaken a number of internal and external projects, covering a range of activities from recycling and reusing office waste, to installing solar panels at five remote health stations in Matruh. Within the next few weeks, we hope to inaugurate a plastic waste recycling plant in Matruh, which is a joint effort between the Shell Egypt Sustainable Development Team, a local NGO- the Association for the Protection of the Environment- and the Matruh City Council. This project, which cost about a million pounds, created around 20 permanent jobs in Matruh and will recycle around half a tonne of solid plastic waste a day, incorporates all the three elements of sustainable development: the environmental, the social and the economic. Moreover, it is a project which we hope will develop and continue long after Shell has moved on, and which will bring real benefits to the communities in Matruh now, and well into the future.

Shell Egypt has also given support to a number of environmental projects, including a recent Darwin Initiative project to protect endangered marine turtles along the east Mediterranean coast of Egypt. The aim of the three-year project was partly to monitor and protect nesting sites, but also to raise awareness among local communities on the importance of conserving the marine turtle population.

This is, of course, just a drop in the ocean – excuse the pun. We know there is more we can do. I am interested to hear *your* ideas on what we as an industry, or we as Shell, can do to protect the environment and to promote sustainable development, either here in Egypt or worldwide. I hope you will share your thoughts with us as openly and honestly as you can – and I will try to do the same.

Thank you for listening.