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Why use Scenarios?

- Forecasts & sensitivities are insufficient
- Grapple with genuine breadth of possibilities
- Stretch mindsets for better-informed decisions
- Learn & prepare

**Key Distinction:**
- Context-exploring
- Decision-centred

Scenarios improve judgment in the face of radical uncertainty
How far ahead do we consider?

- Event/Problem focused
  - Short term (2 years)
  - Medium term (5-15 years)
  - Long term (20 years)
  - Very long term (50+ years)

- Country/business focused
  - Topics of the day
  - Key country and regional studies

- Business focused
  - Cities Global Scenarios
  - Net Zero Emissions Energy scenarios

- Issue focused

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A pathway to better-informed Strategic Choices using Scenarios

Context exploring.... Insight generating.... Decision-centred....

Future worlds

Pace of growth in demand for energy-related activities

Pace of new technology/policy
Foundations: Understanding Energy System fundamentals

Sector-specific perspective is key

- **Industry**
  - 13Gt CO₂

- **Built environment**
  - 9.3Gt CO₂

- **Power generation**
  - 13.6Gt CO₂

- **Transport**
  - 8.5Gt CO₂

Understanding sector/asset flexibility is key

Decline in existing oil fields will outstrip demand uncertainty

Source: Shell analysis, World Energy Model

Less difficult to decarbonise

... More difficult to decarbonise

Source: Shell New Lens Scenarios

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Modelling is informed by, and informs, Scenarios

- Full range of Societal, Consumer, Economic, Political, Regulatory, & Technological Drivers
- Estimates demand for energy-related services holistically with granular detail
- Uses resource constraints, build-rates and prices to balance supply and demand
- Embodies efficiency and learning curves explicitly
- Outcomes like CO₂ emissions and Water use as well as Energy Demand/Supply

Shell’s World Energy Model (WEM):

- 100 Years
- 100 Countries & Regions (Incl. 82 countries individually)
- 14 Sectors
- 10 Energy Carriers
- 18 Energy Sources
Examples of Decision-centred & Long-term Portfolio-shaping Scenarios

Future worlds

Pace of new technology/policy

Pace of growth in demand for energy-related activities

Value chain assessment*

Future World

1

2

3

4

5

Value Chains / Asset classes

*Noue is an example diagram of graphic representations that are considered by the Board. Not based on Shell’s actual portfolio.

NZE70 World - Primary Energy - By Source

Source: Shell analysis, World Energy Model
Concluding remarks

- Recognise distinctions & value of:
  - Context-exploring, Decision-centred, & Shorter/longer-term… outlooks

- Recognise regulatory, societal, commercial & physical challenges

- Recognise challenges are economy-wide & sector-specific

- Recognise investment & asset flexibility

- Place focus on capacity to Learn & Prepare for full range of possibilities

- Encourage transparency while respecting commerciality

Scenarios improve judgment in the face of radical uncertainty
Want to find out more?

www.shell.com/scenarios