
Pew Center – House Staff Briefing

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Agenda

- Shell's approach to climate change
- USCAP proposals on offsets
- The value of offsets – EU experience
- Global abatement curves
- Evolution of offset mechanisms
- Summary

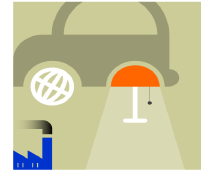


3-2-1

3 HARD TRUTHS

+

2 SCENARIOS



DEMAND



SUPPLY



CO2



SCRAMBLE



BLUEPRINTS

= NO HESITATION IN AN AMBIGUOUS WORLD

DELIVER BETTER BLUEPRINTS NOW



Reduction Pathways

1. Increasing the efficiency of our operations, seeking to be first quartile.
2. Establishing a substantial capability in CO2 Capture and Storage (CCS).
3. Continuing to research and develop technologies that increase efficiency and reduce emissions in hydrocarbon production.
4. Aggressively developing low-CO2 sources of energy, including natural gas and low CO2 fuel options.
5. Helping manage energy demand by growing the market for products and services that help customers use less energy and emit less CO2.
6. Working with governments and advocating the need for more effective CO2 regulation.

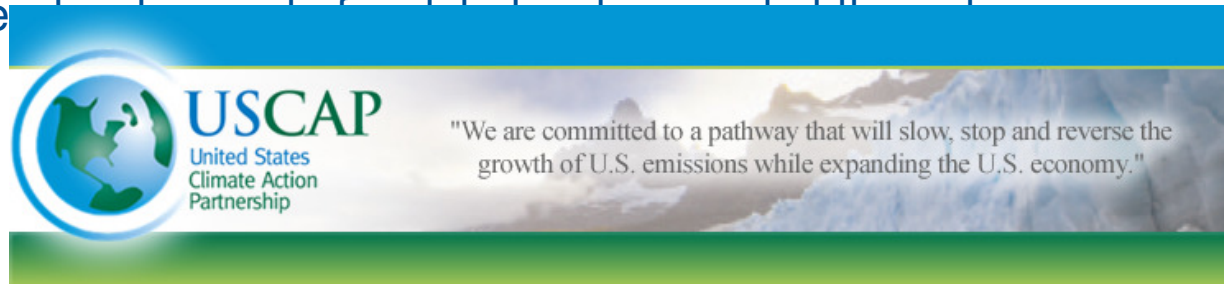


Offsets and USCAP's proposal

1. Offsets a critical component of USCAP's Blueprint
2. Environmentally additional, verifiable, permanent, measurable, enforceable
3. Annual upper limit on offset use of 3 billion tonnes (1.5 domestic and 1.5 international)
4. Standards-based approach to protocols and methodologies
5. EPA should establish process for evaluating and approving international offsets
 - Ensuring compatibility with other trading systems

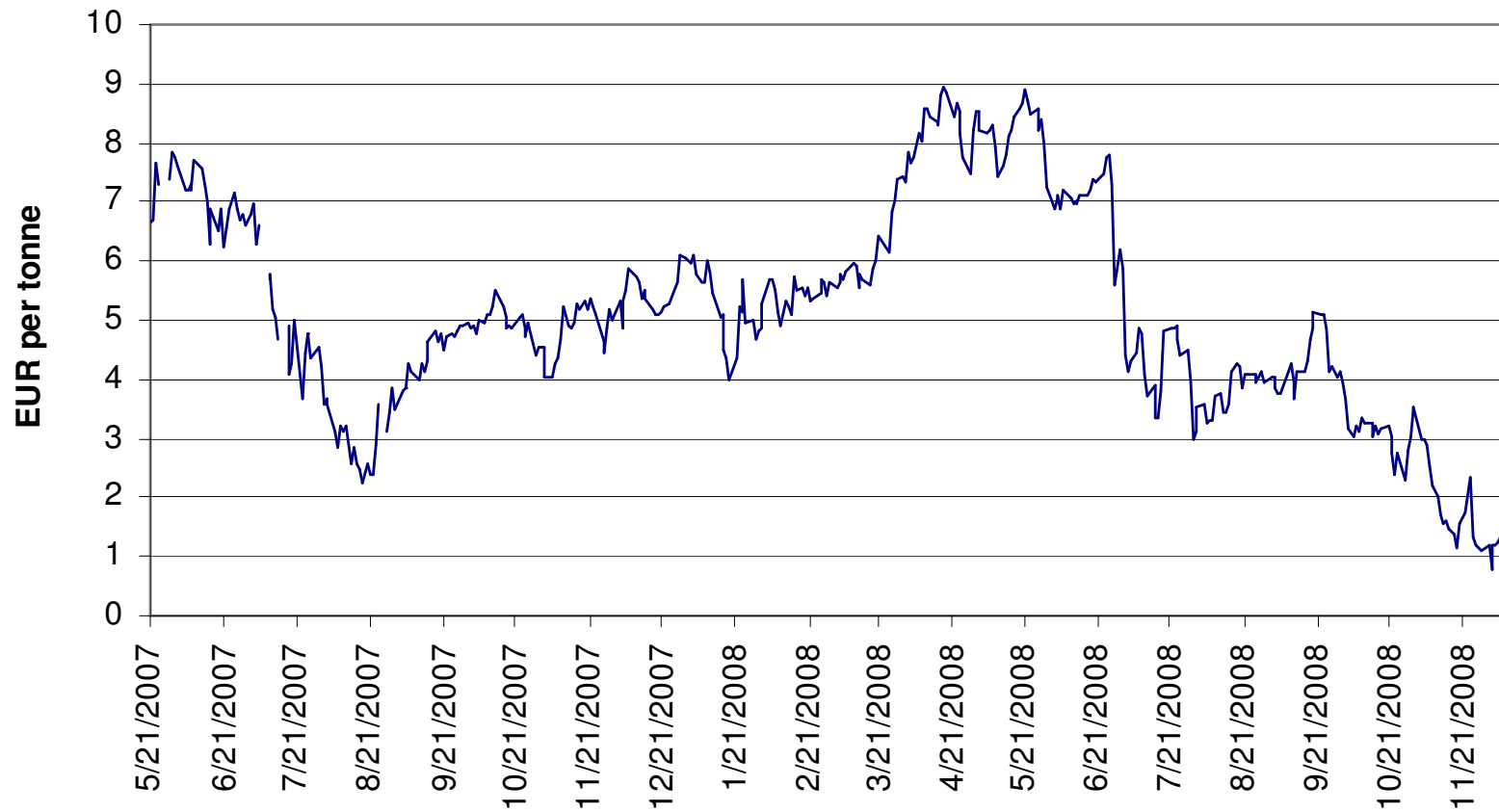
Why?

- Offsets are a critical cost containment mechanism that actually reduce emissions
- They have other environmental benefits (habitat, water quality, and biodiversity)
- They free up capital for investment in technology R&D
- They foster investment in clean energy technology and provide a price signal



Value of offsets – EU experience

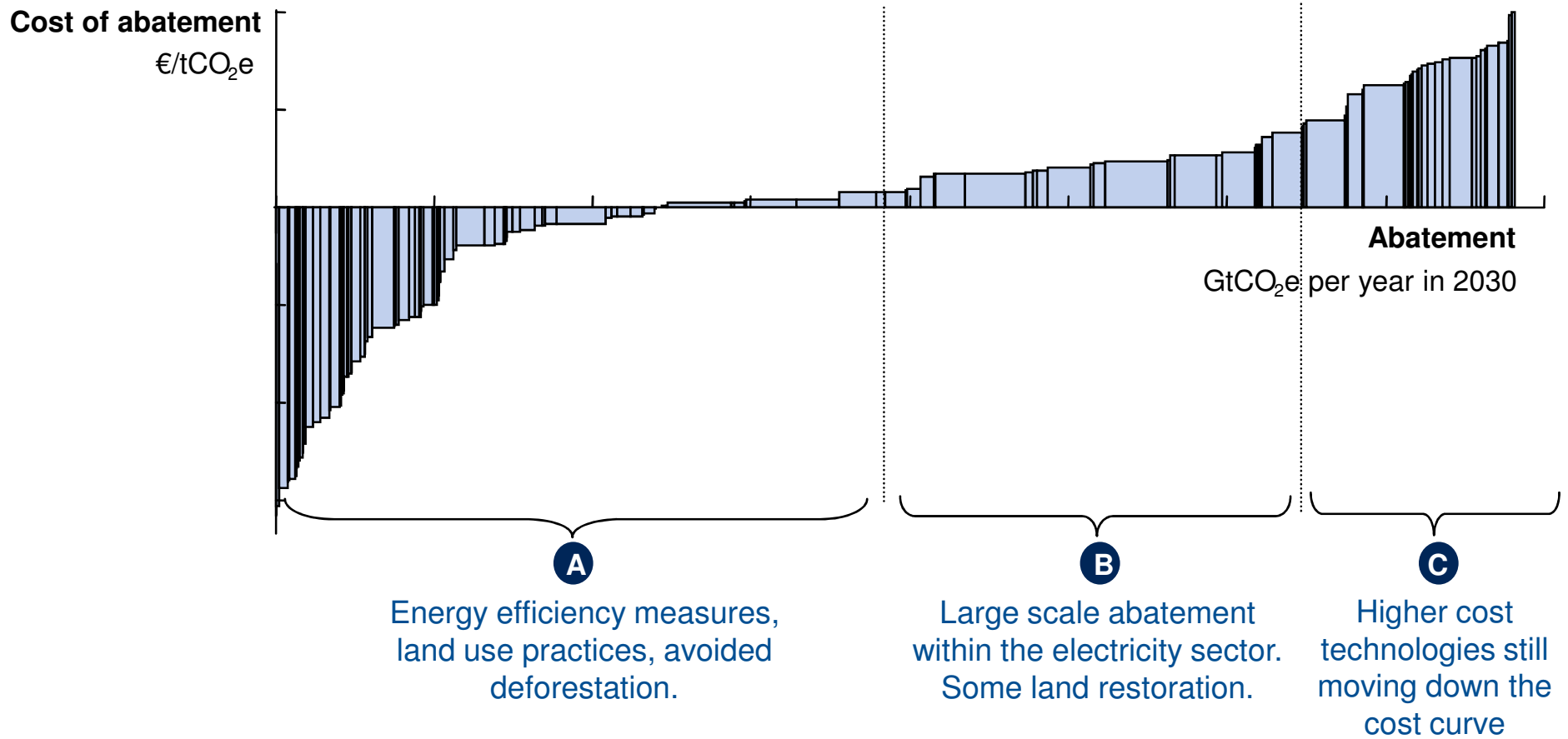
2008 EUA CER spread



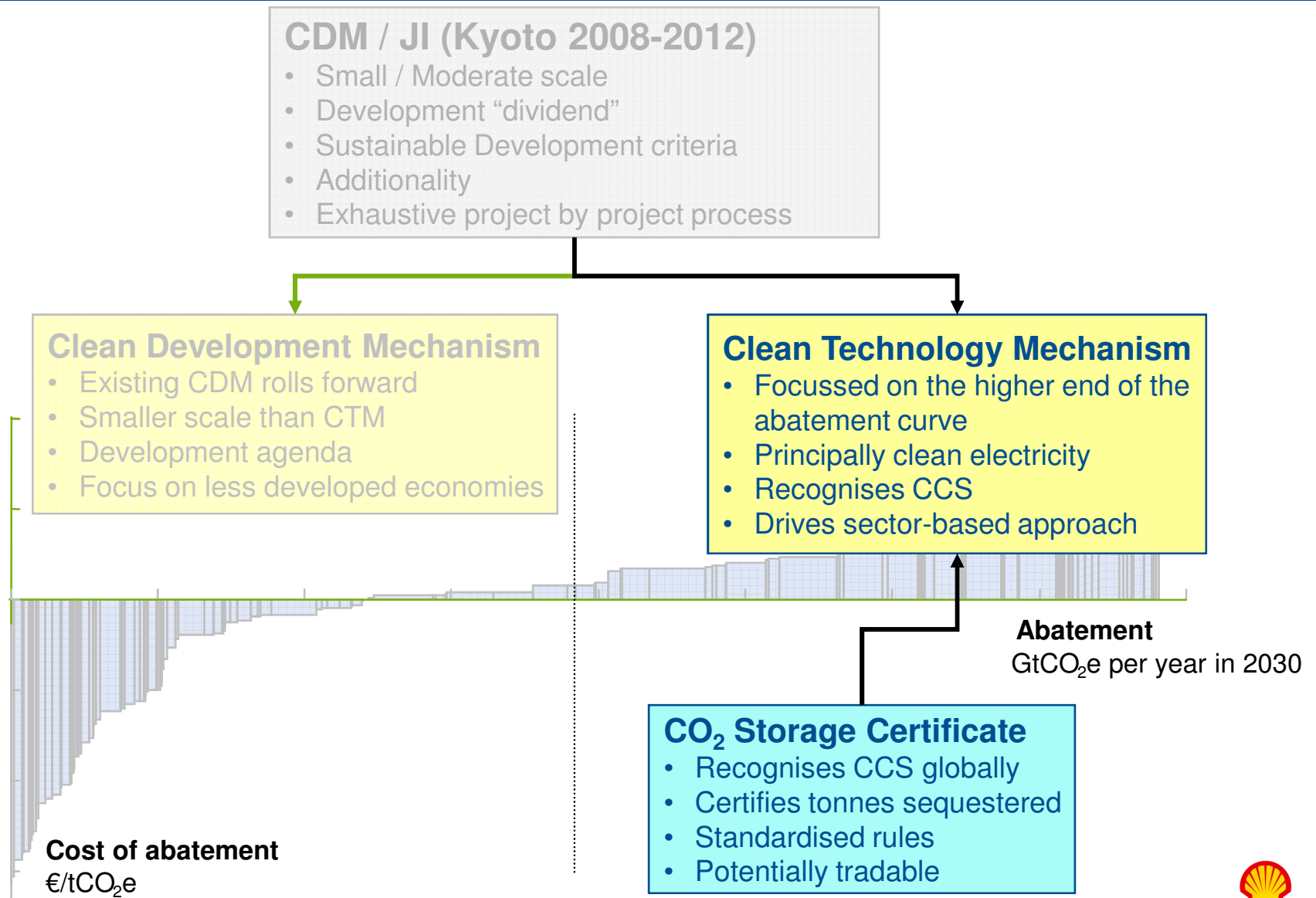
Source: Point Carbon



Global abatement curve



Evolution of the CDM and CCS certification



Summary

- Quality offsets act as a bridge to contain costs
 - Large pool of international offsets can and has reduced compliance costs
- Foster development of global markets
- Many environmental cobenefits to offset projects
- Evolution needed to allow international offsets to remain relevant





<http://blogs.shell.com/climatechange>