NATURAL GAS IN THE ENERGY MIX

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on Natural Gas

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Resources: Our use of the term "resources" in this presentation includes quantities of oil and gas not yet classified as SEC proved oil and gas reserves or SEC proven mining reserves. Resources are consistent with the Society of Petroleum Engineers 2P and 2C definitions.
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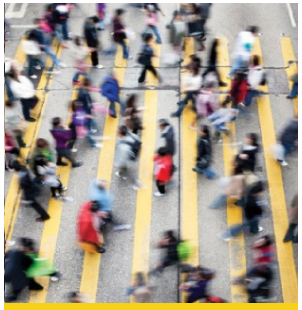
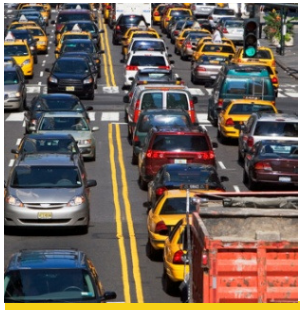
POPULATION GROWTH PRESENTING ENERGY TRILEMMA

RISING ENERGY DEMAND, SUPPLY PRESSURE, CLIMATE CHANGE



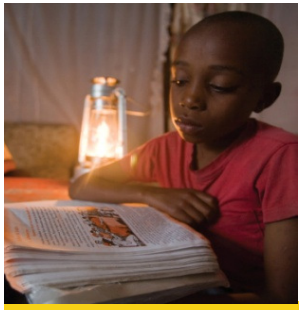
9 billion people, **75%** living in cities

(**2 billion** more than today)

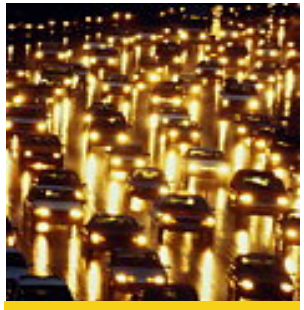


2 billion vehicles

(**800 million** at the moment)



Many **millions** of people will rise out of energy poverty; with higher living standards energy use rises



Energy demand could **double** from its level in 2000.. .. while CO_2 emissions must be **half** today's to avoid serious climate change

Twice as efficient, using **half** the energy to produce each dollar of wealth

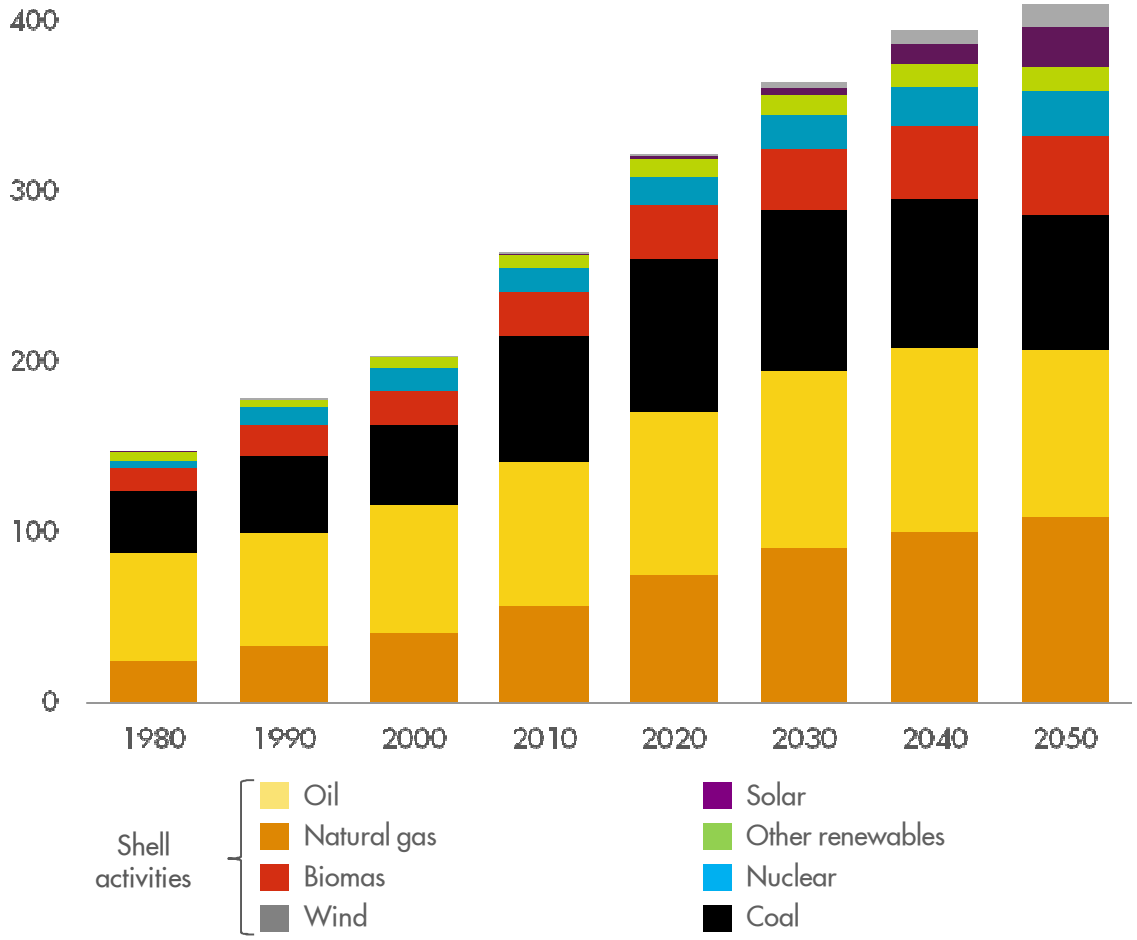
3 times more energy from renewable sources

How to ensure secure, competitive and environmentally responsible energy system?

FOSSIL FUEL WILL PROVIDE 60% OF WORLD'S ENERGY IN 2050

DEMAND GROWTH

Energy demand outlook in million boe/d



- Energy demand +60% 2010 – 2050
- Hydrocarbons dominate outlook
- Gas demand doubling 2010-2050

GAS THE CLEANEST FOSSIL FUEL IS UNIQUE & BEST POSITIONED TO MEET THE ENEGY TRILEMMA

REGIONAL GAS DEMAND DEVELOPMENT

ASIA DEMAND

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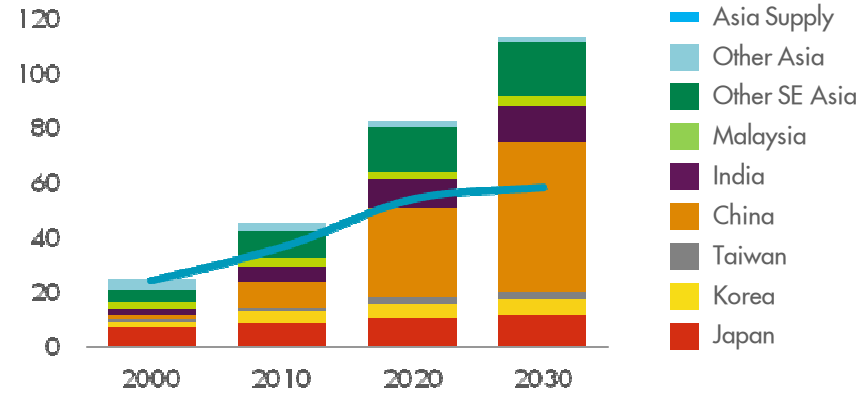

NORTH AMERICA DEMAND

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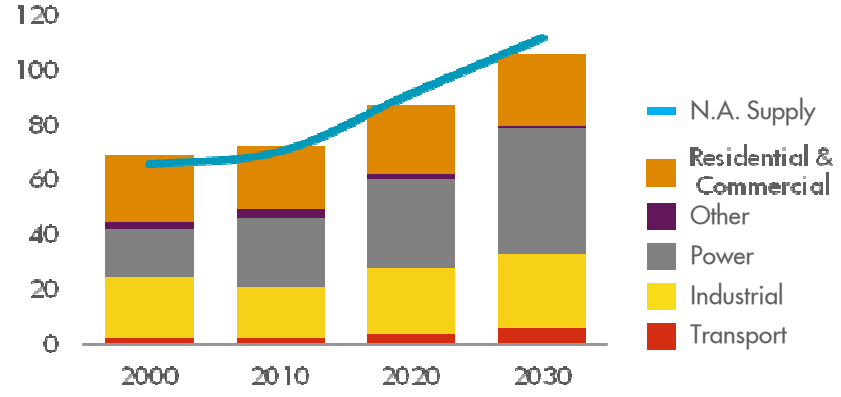

EUROPE DEMAND

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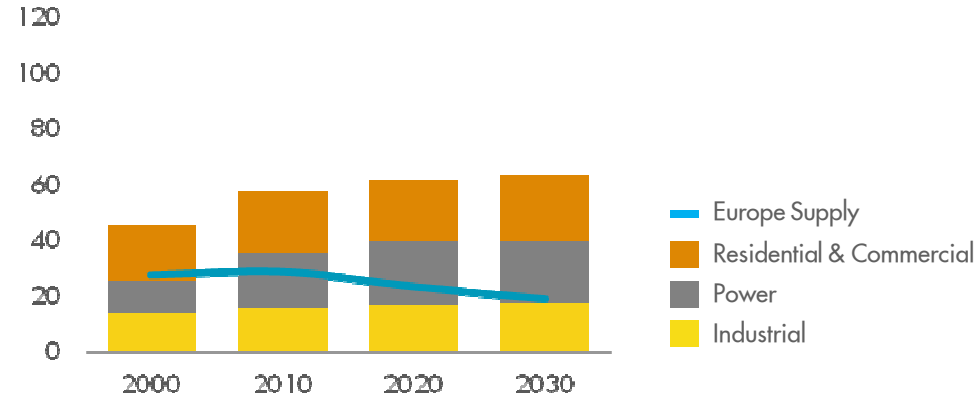

MIDDLE EAST DEMAND

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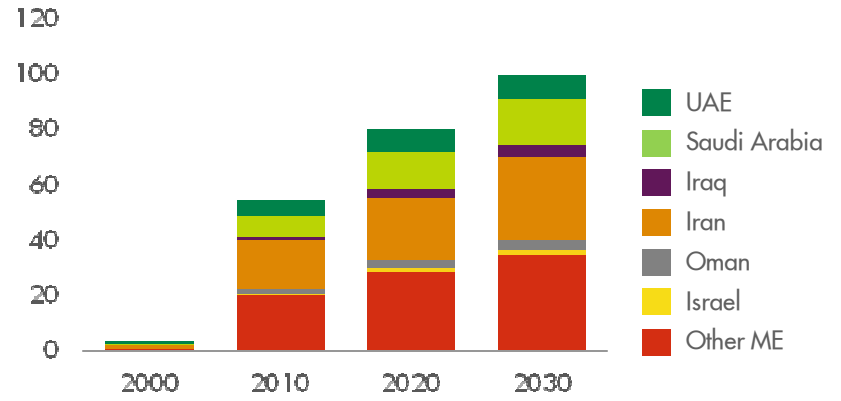
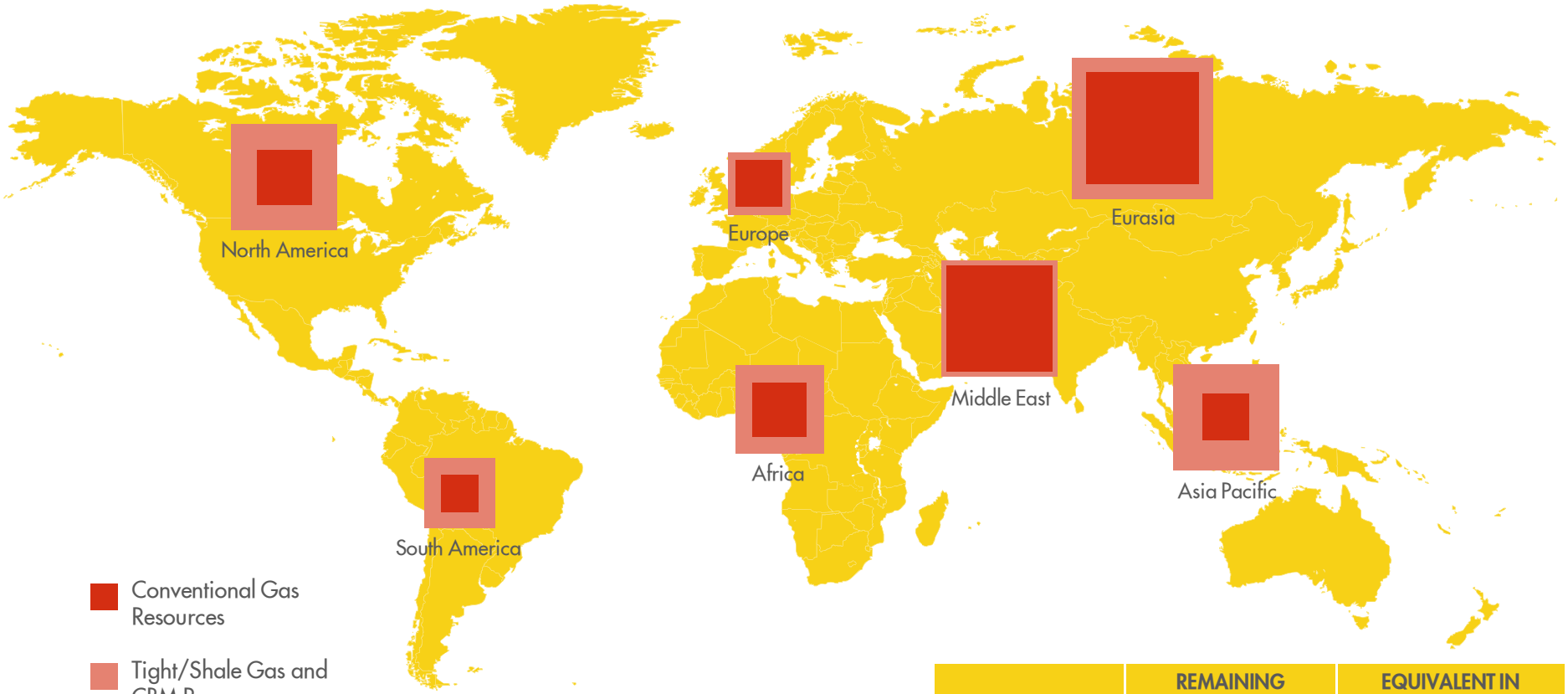


HUGE GLOBAL GAS RESOURCES TO MEET DEMAND GROWTH

GAS RESOURCES ARE PLENTIFUL, GROWING AND GEOGRAPHICALLY DIVERSE

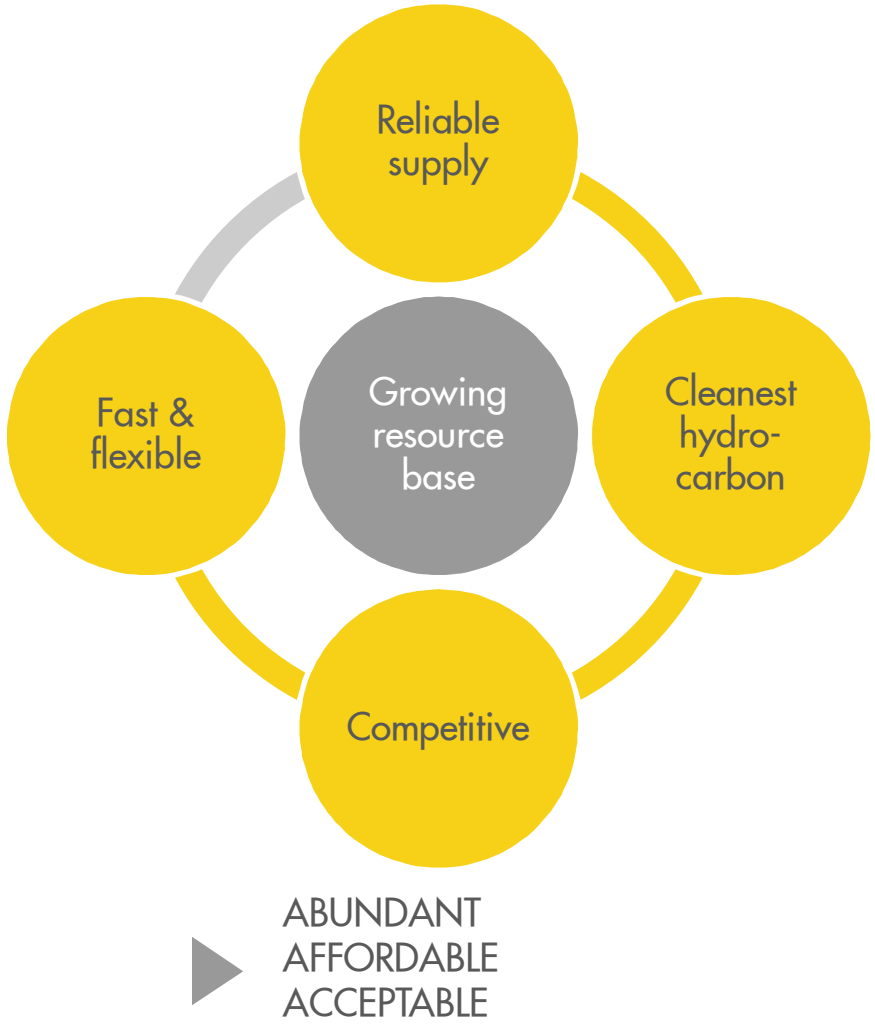


- Conventional and unconventional recoverable gas resources can supply >250 years of current global gas production
- Tight/Shale gas and CBM are transforming the global gas market
- Shell believes that increased use of natural gas, replacing coal, for electric generation is crucial to lowering global CO2 levels

	REMAINING RECOVERABLE RESOURCES (TCM)	EQUIVALENT IN YEARS OF CURRENT PRODUCTION
Conventional	405	130
Tight/Shale Gas and CBM Resources	380	123
Total	**785**	**253**

Source: IEA World Energy Outlook, WoodMackenzie, Shell Interpretation

GAS IS UNIQUE—REPRESENTS OPTIMAL BALANCE



Positive global support for gas

- Economic and jobs potential
- Balanced tight/shale regulation
- Contribution to a low-carbon future

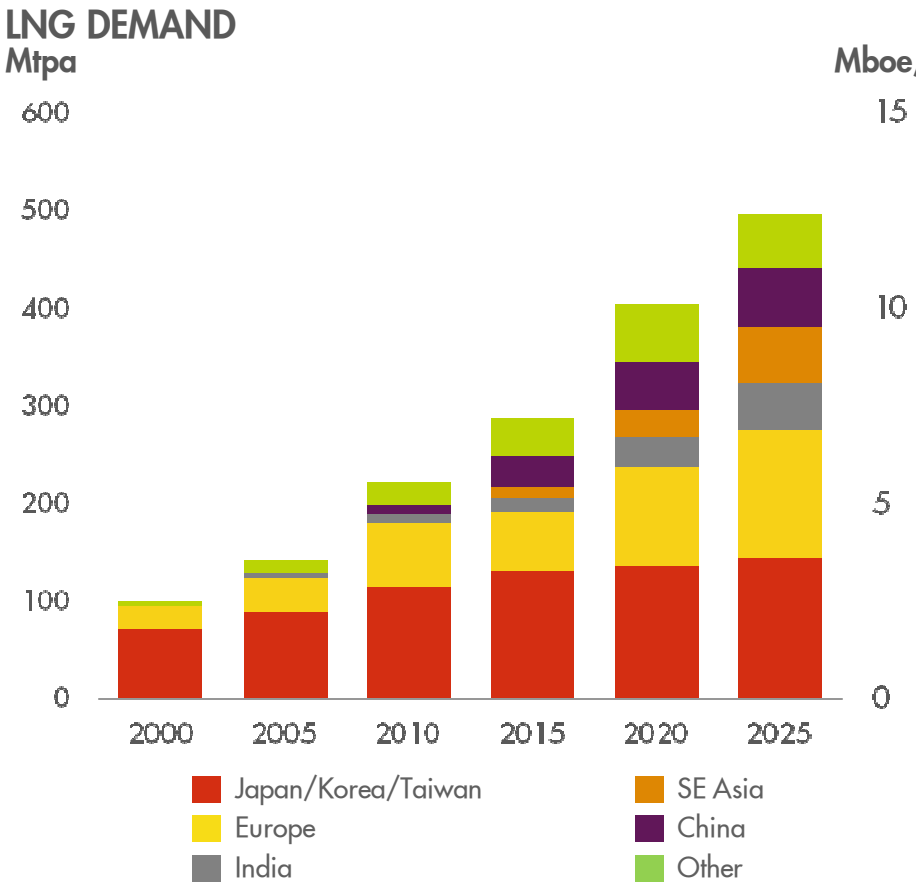
New supply chains emerging

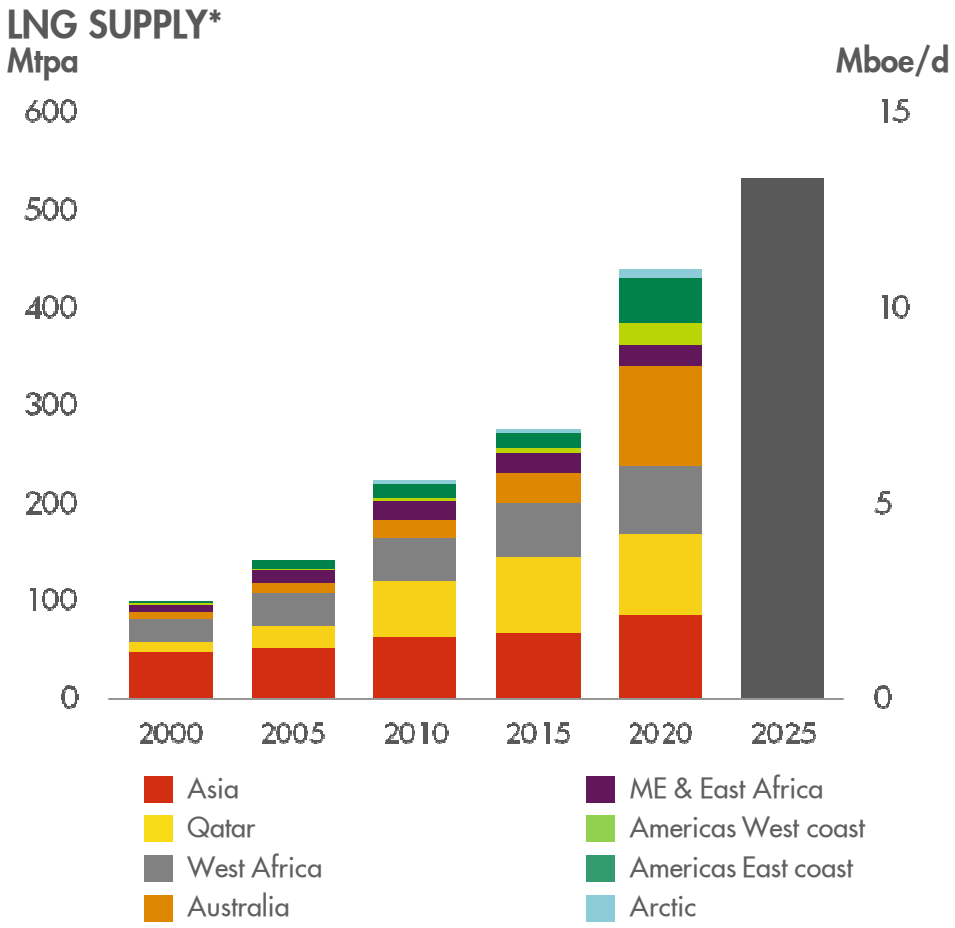
- LNG from North America
- Tight/shale gas in Europe, Africa, Asia Pacific

New market opportunities

- Gas in transport
- Replacing liquid fuels in industry

LNG SUPPLY AND DEMAND DYNAMICS





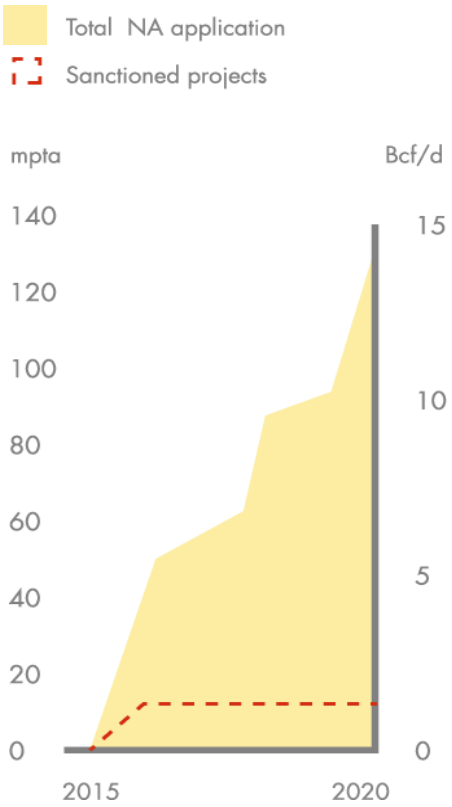
* Risked view of all LNG supply projects

DEMAND DOUBLE 2010 – 2020
SUPPLY RESPONSE
>$700 BILLION IDUSTRY INVESTMENT 2010-2025

US SHALE GAS TRANSFORMING SUPPLY PICTURE

INDUSTRY LNG EXPORT PLANS

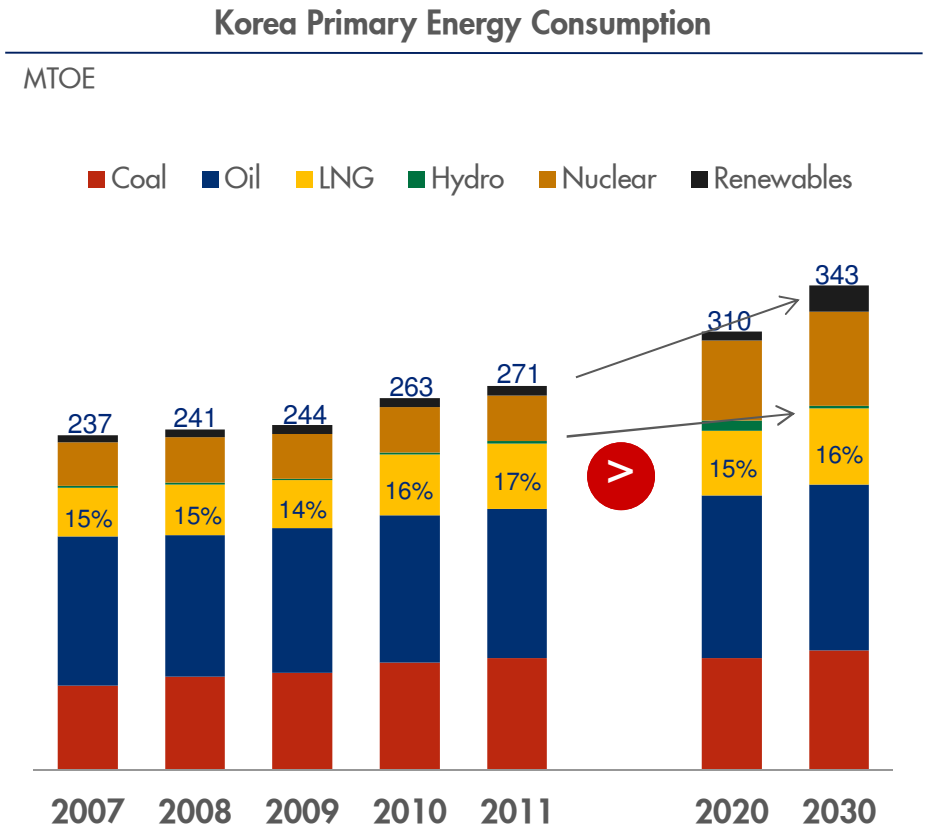
NORTH AMERICAN LNG EXPORT DEVELOPMENT



MAJOR OPPORTUNITY FOR AMERICA GAS INDUSTRY

- PERMITTING
- >$300 BLN INDUSTRY FINANCING REQUIREMENT
- PRICE AND MARKET CONSIDERATIONS

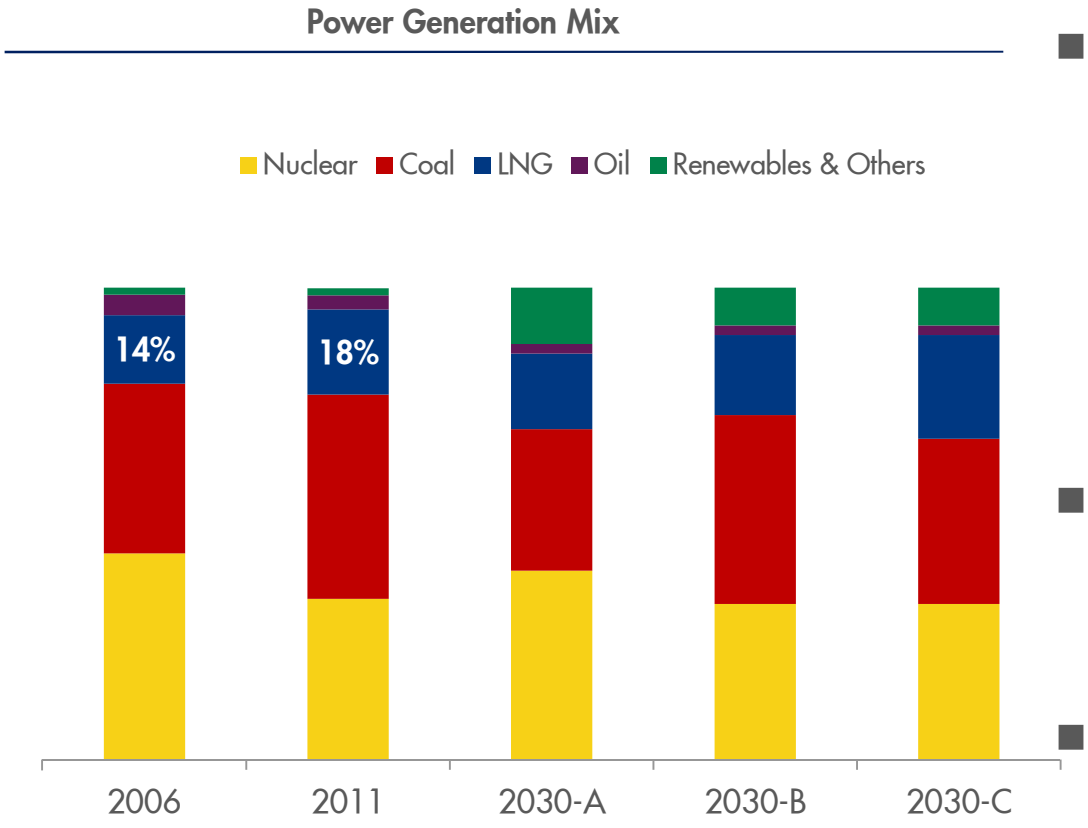
KOREA'S ENERGY POLICY RELYING ON NUCLEAR AND RENEWABLES TO DELIVER LOW CARBON ENERGY SYSTEM



- New Energy Policy directions rightly recognizes need to re-orient from previous focus on stable energy supply for economic growth and living standards to 'higher quality' energy for sustainable development
- Projections show almost exclusive reliance on nuclear and renewables to deliver this
- Natural gas's role as unique fuel: clean, abundant and competitive not being leveraged fully

Source: Korea Energy Economics Institute

KOREA CAN LEARN FROM EUROPE'S EXPERIENCE



- Case A – Reliance on nuclear and RES to deliver 'higher quality' energy for sustainable development has risks:
  - Social acceptance for rapid nuclear growth amidst governance issues
  - Heavy subsidy required to accelerate RES growth (e.g. Europe)
- Case B – Nuclear and RES fall short of targets and coal makes up shortfall; Korea with polluting/high carbon energy system—uncompetitive in a carbon-constrained world
- Case C – 'Clean' gas makes up for shortfall; Korea's energy system robust/competitive in a carbon-constrained world; providing 'higher quality' energy

Analytical work for Europe demonstrated that gas can provide more cost-optimal path to achieve a competitive low carbon energy system

Note: Cases A, B, C for 2030 are ***hypothetical only*** where A represents high nuclear & RES; case B is where nuclear and RES fall far short of expected targets and high carbon emission coal makes up the shortfall; case C is where low carbon emission gas makes up shortfall

Source: Korea Energy Economics Institute, KPX; Shell

THE CHOICE IS CLEAR: GAS IS UNIQUE, IT IS *THE* FOSSIL FUEL OF THE FUTURE





OR