Communicating carbon pricing
Sharing the experience of Royal Dutch Shell plc

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WARNING: Uncertainties ahead

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Shell has a long history in this space
Always walk the talk

2000 – Shell develops and implements an internal carbon value risk assessment

2000-2002, Shell demonstrates cap-and-trade with an internal pilot system

2009 – Shell offers clear support for the US Congress to enact cap-and-trade

2015 – Shell becomes an early member of the World Bank CPLC

2017 – Shell becomes a founding member of the US based Climate Leadership Council

2018, Shell publishes the global cost of carbon profile used in the Sky Scenario

1999 – Shell helps found IETA

2001 – Shell creates an Environmental Products trading Business

Shell executes the first ever trade in the EU ETS

Shell demonstrates linkage between systems with trades in the UK and Danish systems
Use powerful examples to demonstrate impact

Carbon pricing policy implementation in Australia

Total annual greenhouse gas emissions (excl LULUCF)

LULUCF = Land Use, Land Use Change, and Forestry

Carbon pricing period
Don’t confuse external policy with internal risk management

The term ‘carbon pricing’ is used interchangeably to describe both;

- The prevailing price in a government implemented system, such as a carbon tax;
- The carbon value used internally by a company to assess risk on projects operating under existing or anticipated government implemented systems.

These are not the same thing. It can lead to confusion, for example;

- That companies have an internal ‘carbon tax system’.
- That companies drive change on the basis of risk assessment (only partly true in some circumstances).

Better to differentiate;

- Government led / Government implemented carbon pricing systems.
- Internal carbon value (for risk assessment)
Always follow anti-trust guidelines (1)

Whilst you should obtain your own legal advice, it is generally legitimate to discuss with other industry participants and share genuinely public domain information to support the adoption and effective operation of government regulated carbon pricing programs and systems, including;

- The use, or not, of a government led carbon price and costs/benefits of same.
- Impact of carbon pricing at a very high level on the industry’s ability to innovate and offer new products.
- Impact of government led carbon pricing on the industry’s transition to clean energy.
- Experience and views on mechanisms to reduce carbon emissions.
- Efforts to influence governments to adopt carbon pricing mechanisms.

A broader and more in-depth discussion can be held with government representatives.
Always follow anti-trust guidelines (2)

Whilst you should obtain your own legal advice, participants must not discuss or agree on any competitively sensitive matters relating to carbon pricing in any industry in which they compete.

- Profits, margins, premiums, prices, surcharges, discounts on specific products or services, including the impact of carbon pricing and / or the use of internal carbon screening.
- Unit/variable costs (but not carbon costs) associated with specific products or services.
- Whether and at what level (percentage or absolute value) to incorporate the cost of carbon in setting prices for products they sell.
- Specific investment decisions (e.g., to build a new plant) and competitive strategies and the impact of carbon pricing on such decisions.

A broader and more in-depth discussion can be held with government representatives.