Statement of
Colette Hirstius
Senior Vice President, Shell Gulf of Mexico.

before the

Committee on Energy and Natural Resources
United States Senate
March 10, 2022

Chairman Manchin, Ranking Member Barrasso, and Members of the Committee, thank you for the opportunity to testify today regarding energy security for the United States and our allies. I am Colette Hirstius, Senior Vice President of Shell Gulf of Mexico for Shell Energy Resources Company, a subsidiary of Shell USA, Inc., which is the U.S. Subsidiary of Shell, plc, headquartered in London. I was born and raised in Louisiana and am raising my own three teenage children to understand and respect its natural environment and its rich, diverse culture, from Grand Isle to our neighborhood in New Orleans. This role is a homecoming for me, as I previously worked internationally for the better part of a decade to support Shell's Group Strategy team as well as our lines of business – from Integrated Gas to Exploration; from Trinidad and Tobago to the Middle East and Africa.

My current role does not directly involve business outside of the United States, and I am best prepared to discuss those domestic energy issues about which this Committee has timely held this hearing, of course in the context of current and very troubling global events. However, my work very much sits within a global oil marketplace, and I will have some things to share about how that fits together. My business also sits within Shell's larger U.S. portfolio, every part of which is working as hard as I am both to decarbonize and accelerate the energy transition while supplying Americans with reliable energy. I can share thoughts about that larger U.S. portfolio. And finally, Shell USA, Inc., while clearly a separate legal entity with its own leadership, is part of the larger family of companies owned by Shell, plc. Although I don't speak for those other entities, I can share what I know, what is being communicated, and how I understand our U.S. operations and strategies to fit.

All of us at Shell reacted with horror at the unprovoked attack on Ukraine, where Shell colleagues live and work. We are shocked by the senseless loss of life and military aggression, which threaten European security and global stability. In response, Shell announced its exit from Russian oil and gas – including LNG and oil projects as well as the Nord Stream II pipeline and joint ventures with Gazprom and related entities. As stated plainly by our CEO last week, "Exiting these joint ventures is the right thing to do, and a decision we take with conviction, regardless of any financial implications that come with it. We cannot – and we will not – stand by." We are furthermore in action now to untangle our operations from the dominant supply position Russia has held in the market. You will all have seen that this is not easy and not without serious tradeoffs. The same barrels we are working to stop are the very ones which our

allies overwhelmingly rely on to fuel trucks, run factories, deliver medicine, and even to aid in the defense of Ukraine. This global energy disruption has also highlighted the importance of moving toward a future in which global economies are not as dependent as they are today on fossil fuels. Shell remains committed to our Powering Progress strategy, where we are working with our customers and across sectors to accelerate our own progress to provide more and cleaner energy solutions, and to support the transition to net-zero emissions in the United States and globally, in step with society, by 2050. Addressing these twin imperatives – ensuring energy security and promoting the global energy transition to lower carbon – is arguably the critical challenge of our time.

Shell and the United States

Energy security for the United States and its allies has been brought into stark focus over recent days. It seems more apparent than ever that the current stability and sustainability of global supply has, in certain ways, deteriorated – requiring realistic and resilient solutions for the immediate, medium, and long term. At Shell, we remain fully committed to a transition toward a lower-carbon energy system. This transition is well underway, but it is and will continue to be volatile. The energy needs of the world have to be met as we go, including the need for oil and gas. As the Senior Vice President of Shell Gulf of Mexico, and as an American, I have a strong preference that we work to meet these global energy needs with energy from places with stable, allied governments and strong environmental regulations.

Working together, industry, governments, policymakers, and consumers must move toward a world that meets a growing global energy demand and stabilizes supply against highly disruptive scenarios like the one we are currently facing, while at the same time accelerating the transition to net-zero carbon emissions. The events unfolding in Ukraine and the global response that is required have made meeting those dual challenges all the harder. As a proud participant in the American energy industry, I firmly believe we can rise to the challenges we face. Policymakers must balance the need for economic stability and recovery from a pandemic with the imperative to stand against unprovoked aggression and needless violence in the strongest possible way – all while continuing to reduce emissions aggressively. As Americans, we are at our best when we come together to tackle just this sort of challenge. We have done it before, and we can do it now. As an energy company with more than a 100-year history in the United States, Shell USA will play our part.

These are challenges for all of society across the world. I am very proud that Shell is leading, investing, and innovating to find solutions for the world's biggest energy challenges, like those we are discussing at this hearing.

In the United States, Shell's assets span all 50 states, leading the sector in energy, petrochemicals, and refined products. Today, we provide millions of Americans with the energy needed to heat and cool their homes and power the economy. We provide much of this energy through our platforms in the Gulf of Mexico. Additionally, for more than 90 years we have been in the business of providing fuel and jobs at our Louisiana refining and manufacturing facilities. Furthermore, our chemical complex at Deer Park, Texas makes the building blocks of everything from fertilizer to medical supplies to the masks we are all so grateful have become less prevalent. And our soon-to-open Chemicals complex in Monaca, Pennsylvania will use ethane from the

Marcellus region to produce 1.6 million tons of polyethylene each year, which will be used in everyday products, from food packaging and containers to light-weight automotive components essential to enable the energy transition. Shell has been honored to be part of the engine fueling the American economy for a century. We reach our customers through a number of platforms, but most notably through 13,000 branded retail stations. We also offer the leading brand of motor oil in the United States, Pennzoil, with our premium product Pennzoil Platinum made from natural gas. We are excited to play a key role in the move to net-zero carbon emissions while providing the oil and gas needed by society for many decades to come. And this discussion centers in on how to fit that need into a world in transition.

Addressing Demand

Energy is essential for survival, mobility, health, cooking, heating and cooling, lighting, travel, and many other aspects of modern life. Every product or service that we use to improve our lives comes from a business or organization that needs energy. For the last century, that energy has overwhelmingly come from fossil fuels. To make meaningful progress in reducing greenhouse gas emissions, society has begun to address the way it uses hydrocarbons. Likewise, if energy is either prohibitively expensive or simply cut off from consumers, the consequences can be drastic in terms of both human suffering and the environment. Access to energy paves the road out of deep poverty. Currently, it is estimated that perhaps one billion people, or roughly 13% of the global population, do not have access to electricity. Much of the increase in energy demand that is anticipated over the coming decades is related to population growth and a decrease in energy poverty. Shell's Powering Progress strategy is intended to support this outcome and drives many of our actions. Today's discussion centers on security of supply for the United States and its allies, especially given the geopolitical constraints that have already placed a major risk premium in global commodity markets and, when combined with necessary economic sanctions and actual supply risk, are visiting serious consequences on many sectors of society. While we must not lose sight of our climate goals, we must be honest with ourselves that there are no easy or standalone answers to avoiding or resolving a crisis like this one. It will take all sectors and all governments being realistic, thoughtful, flexible, and bold to position ourselves for the future.

The energy system is complex, and knock-on effects of world events are not easy to predict. A few weeks ago, not many would have predicted how the recent developments would impact the energy system. European gas was last week trading at about 200 Euros per kWh (equivalent to about $60 per million btu, over ten times the cost of Henry Hub natural gas in the United States); commodity prices like this are crippling to energy-intensive industries and create serious follow-on effects. For instance, this will mean less available fertilizer, with impacts on the continent's food security and exports. This reality sits on top of the fact that 30% of the world's seaborne grain comes from the Caspian Region. Also, within the past week, factors including risk premium on natural gas cargoes helped cause Newcastle grade coal from Australia to command $450 per ton, more than twice the previous highest price ever. By contrast, Powder River Basin coal brought $21.65 per ton in the same period.

Meeting the demand for reliable energy – while simultaneously addressing climate change – is a huge undertaking and one of the defining challenges of our time. For example, hospitals, laboratories, and manufacturing plants, as well as universities, businesses, sewage

plants, and power stations, continue to require today's fuels to meet their energy needs. Fuel is needed to power trucks, airplanes, and ships that move people and commerce around the globe. Petrochemicals are needed for everything from clothing to cell phones, from hand sanitizer to the syringes, vials and solutions which make up COVID-19 vaccines. In short, today's energy sources are deeply integrated into every part of our lives.

These practical realities may be the reason that virtually every credible study – whether from governments, academic institutions, financial houses, or independent analytics firms – project that oil and gas will remain in the global energy mix in the future, even as society transitions to net-zero emissions. Therefore, it is important to improve energy efficiency and minimize the emissions from both their use and associated upstream energy production. For instance, our oil production in the Gulf of Mexico is among the lowest greenhouse gas intensity in the world. Still, we are working to further reduce the carbon intensity and improve the energy efficiency of those production activities. We are working with sectors and customers which use large amounts of energy to identify and enable custom decarbonization pathways. To that end, we have a role to play in helping to supply the market as best we can, given the supply and pricing constraints now so apparent in the system.

Responding to the Crisis of Today While Positioning for Strength in the Future

Today it is expected that there will be many questions about how quickly we can resolve energy supply constraints, how quickly we can bring more natural gas to Europe, and how quickly we can produce volumes of oil sufficient to put downward pressure on gasoline prices in our own communities. Certainly, Shell USA, Inc. would hope to play a role in helping. LNG could play an important role, as identified in the IEA's recent 10-point plan to reduce the EU's reliance on Russian natural gas.[1] The United States is now the world's largest LNG exporter with around 100 million tons per year of liquefaction capacity, and has the potential to grow given the country's natural gas resource base is estimated by the Potential Gas Committee to be over 3,000 trillion cubic feet, or roughly a century's worth of production at current levels. [2] Furthermore, before any of the events in Ukraine and even before we began to see the commodity markets grow so intensely volatile, Shell has been taking serious steps to accelerate bringing its energy projects online as fast as possible to keep pace with growing demand. Shell's Gulf of Mexico business unit expects to bring online the Powernap project in the next several weeks. More significantly, Shell has announced that it will bring online a new production platform, the Vito project, by the end of this year. I am also asking our Gulf of Mexico team to do everything they safely can to accelerate this project.

The Gulf of Mexico is a strong example of a strategic national asset that can play a key role in the federal government's objectives of stabilizing supply against highly disruptive scenarios like the one we are currently facing, and accelerating the transition to net-zero carbon emissions. Policies should take into account that global demand for oil has not necessarily peaked; that production from many wells, certainly those in the Gulf of Mexico, declines rapidly; that development of a deepwater project, while accelerated from historically longer time cycles, still takes a period of years from lease sale to first production. So, future lease sales through a consistent and predictable leasing program are necessary to keep production at current

[1] https://iea.blob.core.windows.net/assets/1af70a5f-9059-47b4-a2dd-1b479918f3cb/A10-PointPlantoReducetheEuropeanUnionsRelianceonRussianNaturalGas.pdf
[2] http://potentialgas.org/

levels. In this sense, stopping or delaying all federal projects and leasing is counterproductive to our shared goals of meeting current demand in the lowest-carbon ways possible – and, pertinently, in ways that improve global relations and the security of our country and our allies.

We can and must talk about immediate and near-term solutions. If we do not take serious steps toward the combination of secure, clean, diverse, affordable, and accessible energy sources – which I know both sides of the aisle in this Committee have been committed to pursuing – the world risks being back in this situation again, at some point in the future. At worst, we would never fully emerge or recover from it.

We offer three thoughts regarding the challenges posed in today's hearing. Simply put, meeting the complex energy demands we presently face requires acceleration and growth across virtually every aspect of the U.S. energy system – requiring a full recognition of this great nation's capacity, fortune, and responsibility to lead. To reiterate, no single response is sufficient; each is incremental; and without a unified effort our nation risks falling short of this moment. Acceleration and cooperation will be urgently needed on these and many more solutions.

First, I cannot emphasize enough that we need not and cannot, in this critical moment, lose our foothold on the pathway toward diversification of energy supply and lower-carbon sources – in part so that no one nation and no one source can dominate or unduly control the supply to other reliant nations or even continents. For Shell, this means diversifying our own portfolio into a wide array of new energy sources, which we expect to remain growth areas for the foreseeable future – including several key recent developments:

- Shell's recent acquisition of solar and energy storage provider Savion.
- Substantial wind power investments and partnerships in Texas and offshore Massachusetts and New Jersey, to name a few; including our recent winning bids for the New York Bight totaling $380 million in just one lease sale; all adding up to more than 4 gigawatts of wind projects in our portfolio and in development.
- Renewable natural gas ventures in Oregon, Idaho, and Kansas.

These investments and many others like them will grow to help diversify and thereby secure energy supply, and will go great lengths towards meeting our net-zero ambitions – simply reflecting that we can address the clear need for more security of supply from all sources without abandoning the need and commitment to combat climate change through emissions reduction. Shell is also holding our executives, including me, accountable for these reductions. The compensation for more than 16,500 senior employees is tied to performance against Shell's energy transition strategy.

Second, in this same moment, there are levers we can and should pull now to address the ongoing crisis. We should deploy our strategic petroleum reserves in the United States in concert with our international partners. We should advance the approval of backlogged LNG export permits in the United States to supply our allies, especially those in Europe. And, critically, we should move forward with permitting of otherwise ready oil and gas projects which could come online within weeks or months. One specific example involves California, which is presently slated to import between 10 and 15 million barrels of oil from Russia this year. If the current

moratorium on oil and gas permits in California were lifted, it is estimated (although not guaranteed) that up to 50,000 barrels per day would come online in a matter of months, if not weeks, and this would have the capacity to replace the state's incoming Russian cargoes.

Finally, medium- to long-term solutions should also be considered with an eye towards improving the efficiency and lowering the carbon footprint of those hydrocarbons which the world will continue to use. The current situation in Ukraine is an unfortunate reminder that it is in the United States' national interest (and that of our allies) to implement an energy policy that includes the responsible production of oil from federal lands and waters, while accelerating a transition to net-zero emissions. The solution would expressly involve the Interior Department ending its pause on federal oil and gas leasing and instead directing urgent attention to accelerating and completing its legal and administrative work necessary to restart federal lease sales – and it should do so with appropriate environmental safeguards and fiscal terms in place. Failure to take these steps immediately will result in a weakening of our energy security in the near future. But taking these steps will bring a wide spectrum of positive impacts: national and energy security, domestic investment and jobs, revenue generation, reducing carbon emissions, responsible and sustainable development of energy resources, and protection of the environment. Even as the world transitions from fossil fuels, there are appreciable benefits to this key element of the U.S. energy supply. Again, deepwater Gulf of Mexico production is among the lowest greenhouse gas intensive in the world, and the carbon and environmental footprint continues to improve as operators like Shell use existing infrastructure to produce hydrocarbons in increasingly efficient ways.

This effort should also include the support for and deployment of CCUS technology, including an acceleration of clear policies and regulatory regimes which enable operators, both onshore and offshore, to move forward with plans as soon as possible; the continuing and intensifying improvement of energy efficiency of the upstream and downstream production processes; and the use of nature-based solutions for offsetting emissions in a way which empowers communities and protects the natural environment.

Another (and closely related) element of mid-to-long-term solutions should also be to ensure, as is the general practice both under the U.S. federal onshore and offshore revenue sharing regimes, that a substantial portion of the revenues from production go directly to the benefit of communities where the operations take place. The Gulf of Mexico Energy Security Act's support for large-scale coastal protection and climate resilience work is a fine example which Shell has supported since its inception and should be expanded upon. This should in turn help support, if regulation and permitting allows for it, investments in infrastructure like ports, roads, waterways, pipelines, and coastal protection systems at the heart of our current energy production which provide the foundation upon which we venture further into offshore wind, renewables and other new energy businesses. But it is clear that a combination of regulatory barriers and legal challenge are creating risk and delay for a variety of infrastructure projects, which in turn has somewhat constrained our ability as a nation to optimize flows of all forms of energy from one location to another. I am told that this Committee is examining infrastructure constraints and hope that reasonable and appropriate action to debottleneck and enable faster buildout.

The thoughts above do not purport to represent "all the answers," but rather a series of meaningful actions which we can see as likely to help and where this Committee has a degree of influence. To reiterate, acceleration and growth are required across virtually all of Shell's U.S. lines of business.

* * *

We are committed to a leadership role in both the energy transition and continuing to provide the life-sustaining and life-enabling products Americans need. Shell is proud of its history providing energy to consumers in the United States and around the world, and we look forward to enabling a future where we all move to net-zero emissions as well as ensure stability of supply and, we insist, a more peaceful world because of that stability. I hope we, as Americans, are driven by an eagerness to participate in a new age for energy – to build a new future through the sheer force of our ingenuity. This progress is already well underway and the prize before us is not only a lower carbon future, but renewed global leadership for the United States in technology and energy innovation, and a more secure economic future for us and our allies.

In the immediate, medium, and long term, a more stable and resilient energy system requires a more stable and resilient energy policy – it is necessary but not sufficient to react effectively to the problems of today if we will only be facing them again in a few years or, at worst, never fully recover. We can succeed in a way that empowers and enriches our communities and society as a whole if we react wisely now to provide needed energy for our current and foreseeable demand and ensure we are able to provide even more and cleaner energy, stably and sustainably, in the future.

Thank you for the opportunity to be here today. I would be happy to answer your questions.