

Malcolm Brinded

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The Rt. Hon Dr Vincent Cable MP
Secretary of State, Department of Business, Innovation and Skills
1 Victoria Street
London
SW1H 3ET

March 19, 2012

Dear Secretary of State,

Thank you for taking the time to attend our presentation on Shell's strategy last month. Graham Van't Hoff and I much appreciated the opportunity to brief you on our business and the issues facing the company, which I hope was useful to you in your role as "contact Minister for Shell" in HM Government - an excellent initiative which we wholeheartedly support.

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We also touched on the current state of discussions in Brussels on the Fuel Quality Directive. You will recall Graham Van't Hoff expressed our disappointment with the UK's abstention at the Fuel Quality Committee meeting on 23 February, given that - as you yourself noted in our discussion - the UK Government shares many of our concerns about the significant reporting burden, discriminatory nature, and questionable environmental benefits of the proposal as currently drafted. Following opposition from many Member States to this proposal in the February meeting, the Commission is now reviewing this proposal with a view to a decision by the Environment Council in June. Puzzlingly, the Commission appears determined to move ahead on this without input

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from Member States - despite the fact that an alternative proposal was submitted to the Committee by Italy which calls for the use of an average carbon intensity value, one each for petrol and diesel. Averages would be based on an independent assessment of scientific data and best estimate available for the weighted average carbon intensity of the total feedstock imported into the EU from different countries.

This approach would significantly reduce the reporting burden as it would not require individual chain of custody reporting, is based on sound scientific assessment and (in its second of two options) non-discriminatory towards oil sands, but would reflect any increases in the use of more carbon intensive crudes (including oil sands) within Europe through periodic recalculation of the average values. The Italian proposal has widespread industry support, but we believe also would be acceptable to many Member States. There is, however, no guarantee that the Commission will take on board any of the concerns put forward to date by Member States or recognise the support that this alternative proposal has.

Any proposal tabled by the Commission at the Environment Council will require a blocking majority to overturn. Such a majority will be extremely hard to achieve without a shift in the current UK position of neutrality/abstention to a clear vote against.

We very much hope that BIS will continue to work actively to represent the concerns of business within Government as a final UK position is formulated ahead of the Environment Council, and we stand ready to support officials in any way possible in that effort. We judge it particularly important that a change in position is reached and communicated to other Member States well ahead of time to maximize the chances of encouraging others in the same direction, which would ensure that the Commission responds to the concerns of the UK and other Member States on its current proposal.

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Once again, my sincere thanks for the time you and your colleagues gave us at this session. We look forward to future such opportunities.

Yours, with most sincere best wishes,

Robert B. Lee

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