



DRAFT MPRDA BILL 2013 (B15 – 2013)

Shell Comments to Parliamentary
Committee on Mineral Resources
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CAUTIONARY NOTE

The companies in which Royal Dutch Shell plc directly and indirectly owns investments are separate entities. In this presentation “Shell”, “Shell group” and “Royal Dutch Shell” are sometimes used for convenience where references are made to Royal Dutch Shell plc and its subsidiaries in general. Likewise, the words “we”, “us” and “our” are also used to refer to subsidiaries in general or to those who work for them. These expressions are also used where no useful purpose is served by identifying the particular company or companies. The term “Shell interest” is used for convenience to indicate the direct and/or indirect (for example, through our 24% shareholding in Woodside Petroleum Ltd.) ownership interest held by Shell in a venture, partnership or company, after exclusion of all third-party interest.

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These forward-looking statements are identified by their use of terms and phrases such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “objectives”, “outlook”, “probably”, “project”, “will”, “seek”, “target”, “risks”, “goals”, “should” and similar terms and phrases. There are a number of factors that could affect the future operations of Royal Dutch Shell and could cause those results to differ materially from those expressed in the forward-looking statements included in this presentation, including (without limitation): (a) price fluctuations in crude oil and natural gas; (b) changes in demand for the Shell’s products; (c) currency fluctuations; (d) drilling and production results; (e) reserve estimates; (f) loss of market share and industry competition; (g) environmental and physical risks; (h) risks associated with the identification of suitable potential acquisition properties and targets, and successful negotiation and completion of such transactions; (i) the risk of doing business in developing countries and countries subject to international sanctions; (j) legislative, fiscal and regulatory developments including potential litigation and regulatory measures as a result of climate changes; (k) economic and financial market conditions in various countries and regions; (l) political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities, delays or advancements in the approval of projects and delays in the reimbursement for shared costs; and (m) changes in trading conditions. All forward-looking statements contained in this presentation are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers should not place undue reliance on forward-looking statements.

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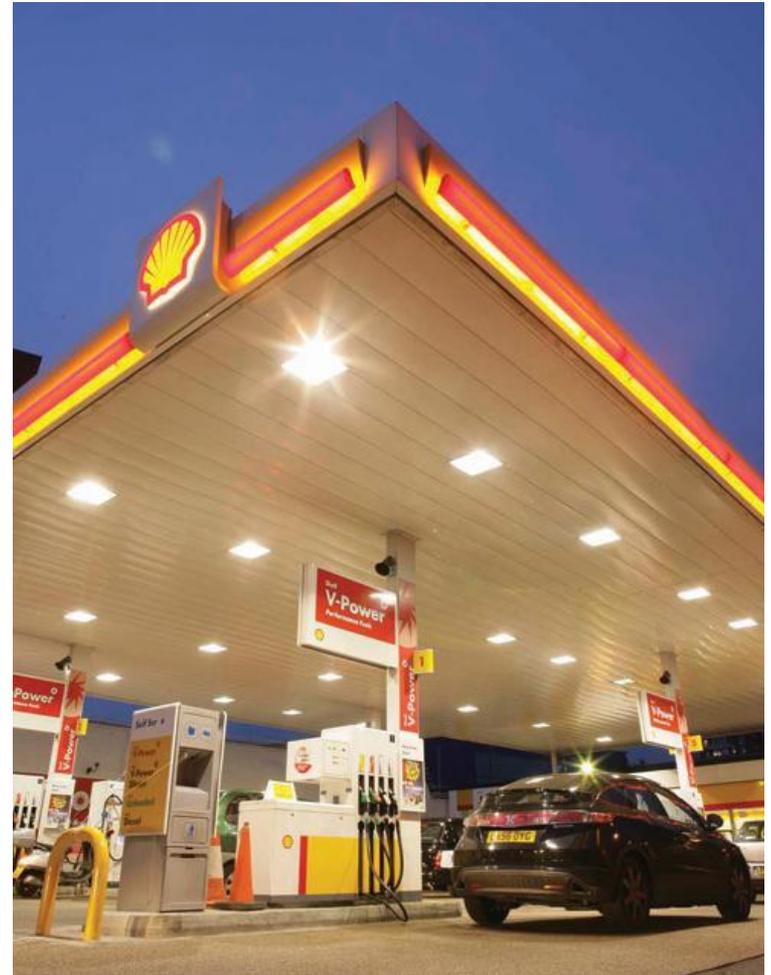
The United States Securities and Exchange Commission (SEC) permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms in this presentation, such as resources and oil in place, that SEC’s guidelines strictly prohibit us from including in filings with the SEC. U.S. Investors are urged to consider closely the disclosure in our Form 20-F, File No 1-32575, available on the SEC website www.sec.gov. You can also obtain these forms from the SEC by calling 1-800-SEC-0330.

AGENDA

- Shell in South Africa
- Upstream investment opportunities
- Key concerns on the draft MPRD Amendment
- Suggestions to address concerns

Shell in South Africa

- Shell has been in South Africa for 110 years and we employ some 1700 people on a full-time basis
- Large Downstream presence e.g.
 - Second largest fuel retailer
 - Durban-based JV refinery
 - Market leader in lubricants and bitumen
- Two new exciting Upstream opportunities
 - Deep water Orange Basin
 - Karoo shale gas



UPSTREAM INVESTMENT OPPORTUNITIES

- Shell has a global portfolio of oil and gas opportunities competing for funding
- Both offshore Orange Basin and onshore Karoo Shale stand at the threshold of substantial investment decisions
- Combined investment in exploration alone may require decision on some US\$ 500 million (ZAR 5 billion)
- Decision will take into account potential future returns in relation to project risks
- Project Risks include geological/technical uncertainty, financial/commercial risk and contractual uncertainty
- Risks can be reduced by a certain, stable and hence predictable investment climate
- Full phase production (success case) means multiple billions of US\$ local FDI



FACTORS ENABLING INVESTMENT

- Clear and stable legal & fiscal regime
- Competitive return on investment
- Enabling environment that encourages BBBEE
(equity, local content, enterprise development, skills development)



KEY CONCERNS ON THE MPRD AMENDMENT BILL

- Three main concerns:
 - Uncertainty in relation to **Equity Ownership** provisions in **Mining Charter, State Participation and Free Carry** and how it applies to the oil and gas industry
 - Absence of **Regulations** accompanying the Bill that indicate how the legislation will be implemented
 - The degree of **Ministerial discretion** in the implementation of the **MPRDA**

SHELL'S SUGGESTIONS TO ADDRESS CONCERNS

CONCERN	HOW IT CAN BE ADDRESSED
<p>Clarity between State Free Carry, State Equity and provisions in the Mining Charter</p>	<p>Shell fully supports government's broad based black economic empowerment agenda and its state participation aspirations in oil and gas projects.</p> <p>Clarity is needed on scope, mechanism and interplay between the three items to provide investors confidence to commit to long-term investments with certainty about outcomes</p>
<p>Absence of Regulations</p>	<p>Without regulations it is extremely difficult to assess impacts on operations – it is critical that companies understand upfront how certain clauses will be implemented. There needs to be stability over time.</p> <p>Regulations need to be available, and a mechanism needs to be in place to assure investors protection of their economic interest over time</p>
<p>Discretionary Powers</p>	<p>Current draft Bill includes several instances where the Minister has discretion to decide on aspects that have a long term impact on oil and gas operations and economics.</p> <p>To provide greater clarity and stability, these discretionary clauses should clearly be defined in the legislation</p>



- ✓ Certainty today
- ✓ Stability going forward
- ✓ Returns on investment

- ✓ Security of energy supply
- ✓ Stimulate local economy
- ✓ Create jobs, enhance education
- ✓ Local benefits (BBBEE)

