

FAO Ben Van Beurden  
Chief Executive Officer  
Shell plc  
Shell Centre  
London  
SE1 7NA

19 May 2022

Dear Ben,

As you know, Odey Asset Management LLP, through funds that it manages, became a shareholder in Shell plc (“Shell”) at the beginning of 2021.

The engagement that we have had with you, and your Chairman, has been admirable and we commend Shell for this highly engaged approach to its owners.

We note the controversy surrounding Resolution 20 at the approaching Annual General Meeting on 24 May – Shell’s ‘Energy Transition Strategy’. We do, in fact, have some sympathy with those questioning its transparency and apparent ambiguity. Whilst we intend to support this Resolution, we have communicated to Shell our views of the possible areas of improvement, in particular concerning audit integrity and independence, as well as the scope of assets and transactions included. We hope these changes will be implemented soon.

However, we feel Shell should go much further than its current approach.

Indeed, we believe Shell can do so in a manner that will deliver further value to all its stakeholders, *including* its shareholders. It is a myth that the energy transition must come at a cost to us and fellow owners. In this regard, we believe that taking a stronger, championing position towards climate change and the energy transition will turn the perceived threat of climate change into an opportunity for Shell – allowing the company to excel and outperform its peers from a financial perspective, as well as a societal perspective.

To meet these goals, we propose that Shell becomes the industry ‘*Carbon Champion*’ by employing core principals of good governance within its Energy Transition Strategy to achieve the goal of societal trust of the company. In particular, we make the following proposals:

1. Audit & Accountability

We propose that Shell finances a truly **independent auditor of carbon emissions** for the industry. This should be chaired, governed and managed by reputable experts in this field who are independent of Shell.

To finance the founding of this auditor, it is our request that Shell begins by allocating capital matching a level of our investment in Shell.

We propose that Shell works with other industry participants, including regulators, to introduce an industry levy to continue the annual funding of such an auditor in a sustainable manner. The PTM (“Panel of Takeovers and Mergers”) levy within financial markets in the UK proves a successful case study for the oil and gas industry to look to.

Such an auditor would allow direct accountability to rest within an independent organisation, creating transparency for all stakeholders, and clearly demonstrate Shell’s integrity and willingness to be held accountable through the energy transition. Companies within the industry choosing to opt-out of such scrutiny, by not subjecting themselves to such an audit, can be held to account by their stakeholders.

2. Fairness & Responsibility

We propose that Shell **drops its appeal against the Hague District Court ruling** to reduce its absolute emissions by 45% by 2030.

Further, we propose that Shell concurrently litigates at the higher European level to impose that same ruling to apply for all other energy companies that operate and/or trade fossil fuels within the EU. Success of such an application would ensure equal treatment of industry players.

Should the EU reject this application by Shell, then Shell would have fair grounds to appeal the Hague District Court ruling in future.

3. Transparency & Integrity

We propose that Shell publicly lobbies the US government to impose a **carbon intensity tax** (on a Scope 1 and 2 basis) for all physical oil and gas transactions, on a per barrel of oil equivalent basis, that are transacted using the US dollar.

Given Shell’s relative carbon intensity, successful implementation of such a levy would create margin enhancement for Shell relative to peers and put a direct cost on carbon intensity.



Conclusion

Overall, we strongly believe that the changing environment presents Shell with an exciting opportunity to become the global #CarbonChampion. We believe our proposed actions would signal how serious Shell is in *leading* the industry through the energy transition, to the benefit of all its stakeholders.

With best wishes,

Henry Steel  
Fund Manager