

Three Decades of Scenario Planning at Shell

Peter Cornelius, Shell International

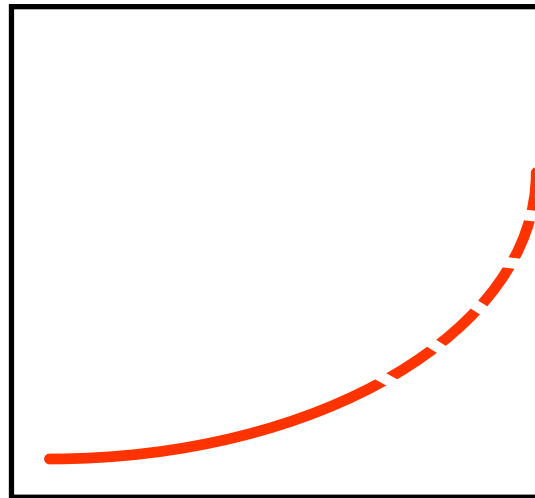


In the Long Run

Berlin, October 18-19, 2004

IN THE BEGINNING THERE WAS EXTRAPOLATION

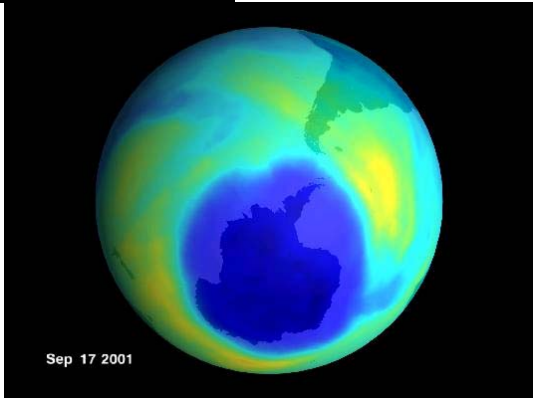
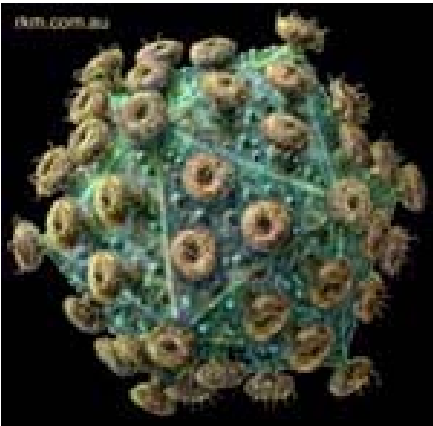
**Demand
for oil**



**AND THIS CAN BE A
POWERFUL LEVEL OF
UNDERSTANDING**

**The oil shocks were
little blips in a more
powerful trend**

BETTER PREPARED FOR LOW PROBABILITY HIGH IMPACT EVENTS



LESS TRAPPED BY CONVENTIONAL OPINION



In 1990 who predicted:

Elected east European ex-communists leading their countries into the EU

A European civil war with 200,000 dead and ethnic cleansing

Mapping of genome completed

The US economy rebounded

Japan in a 12 year slump

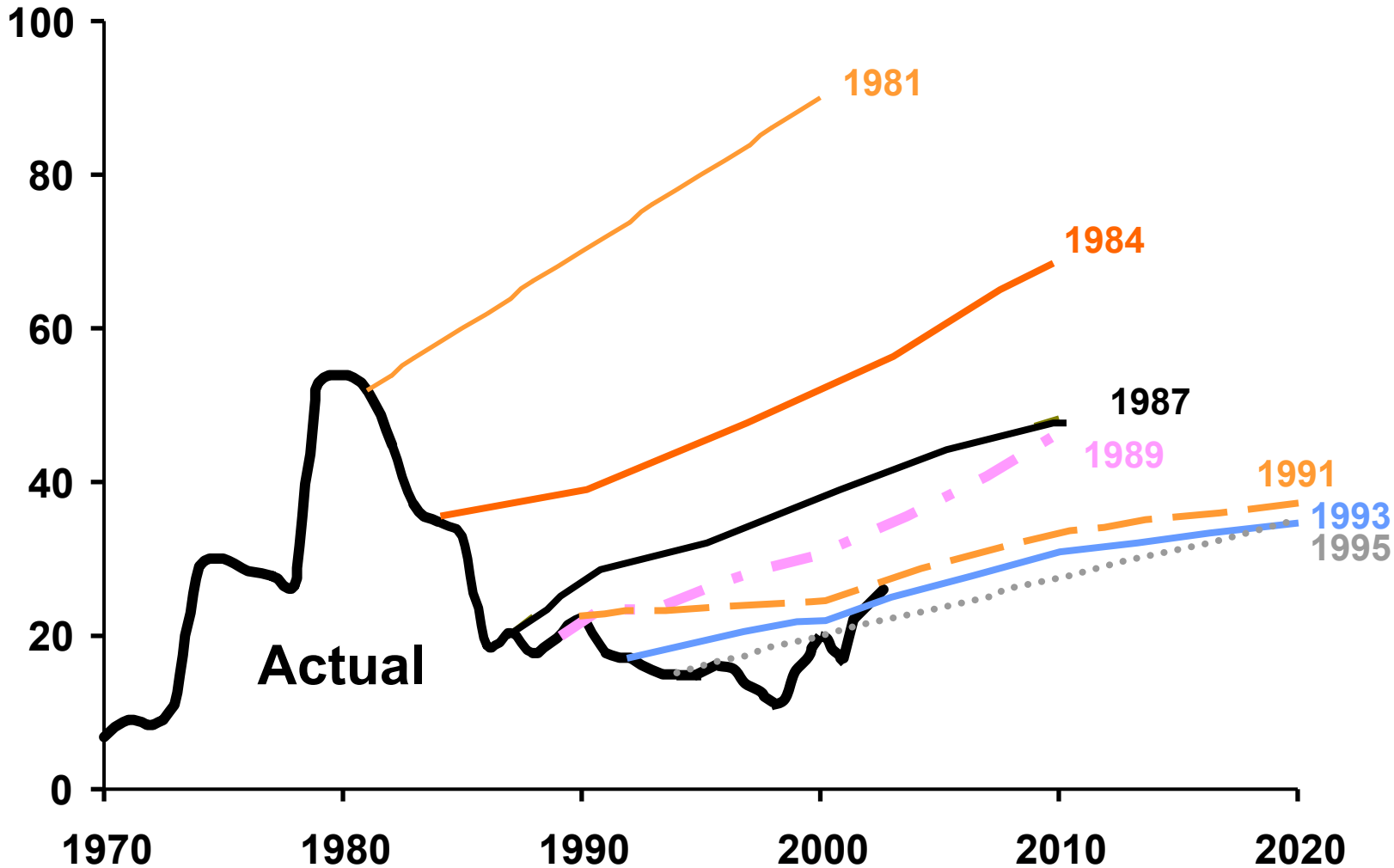
Half a billion Internet users

Terror attacks in US

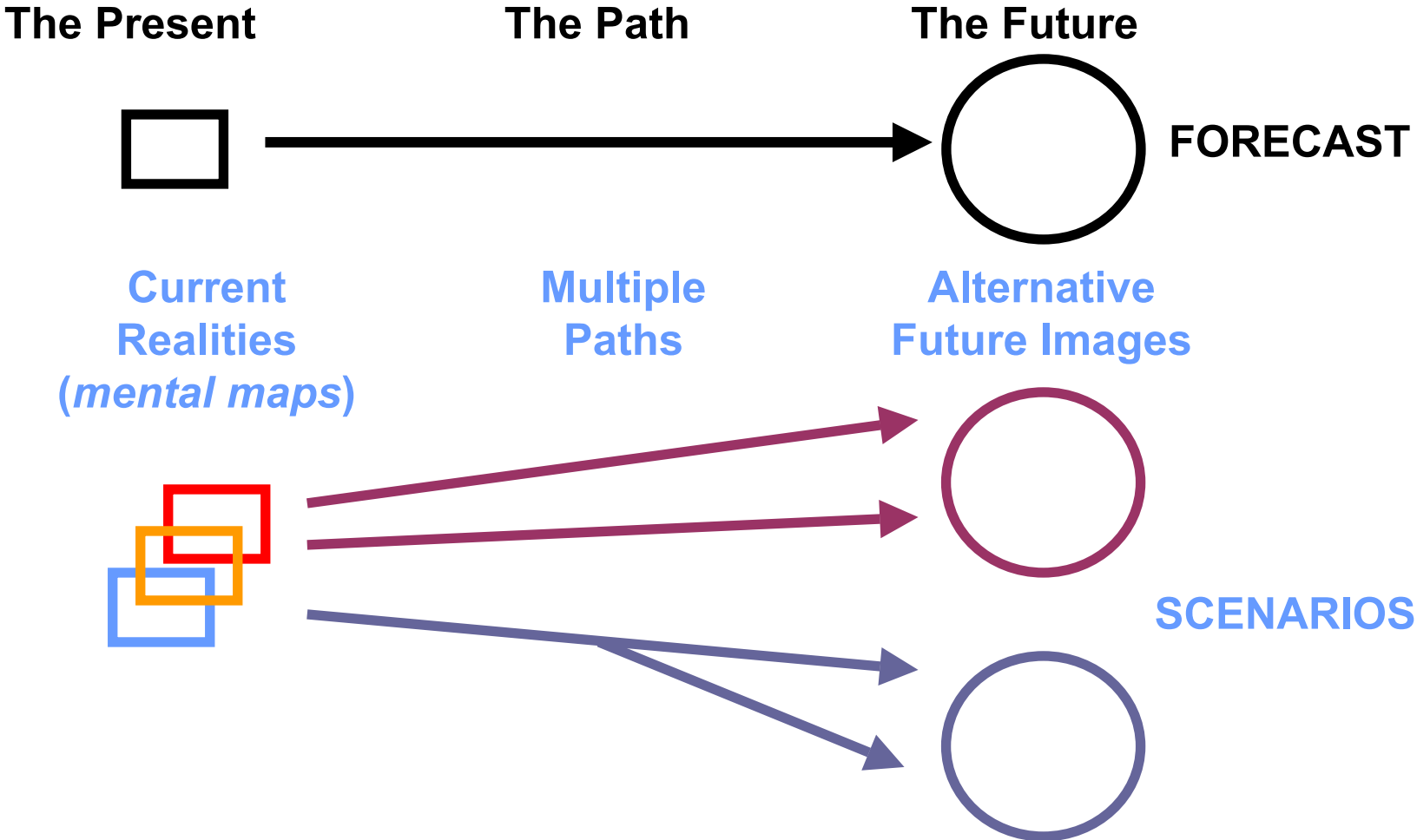
France, Russia and China allies against US

Oil Prices Have Not Followed Expectations

US\$/bbl (1990)

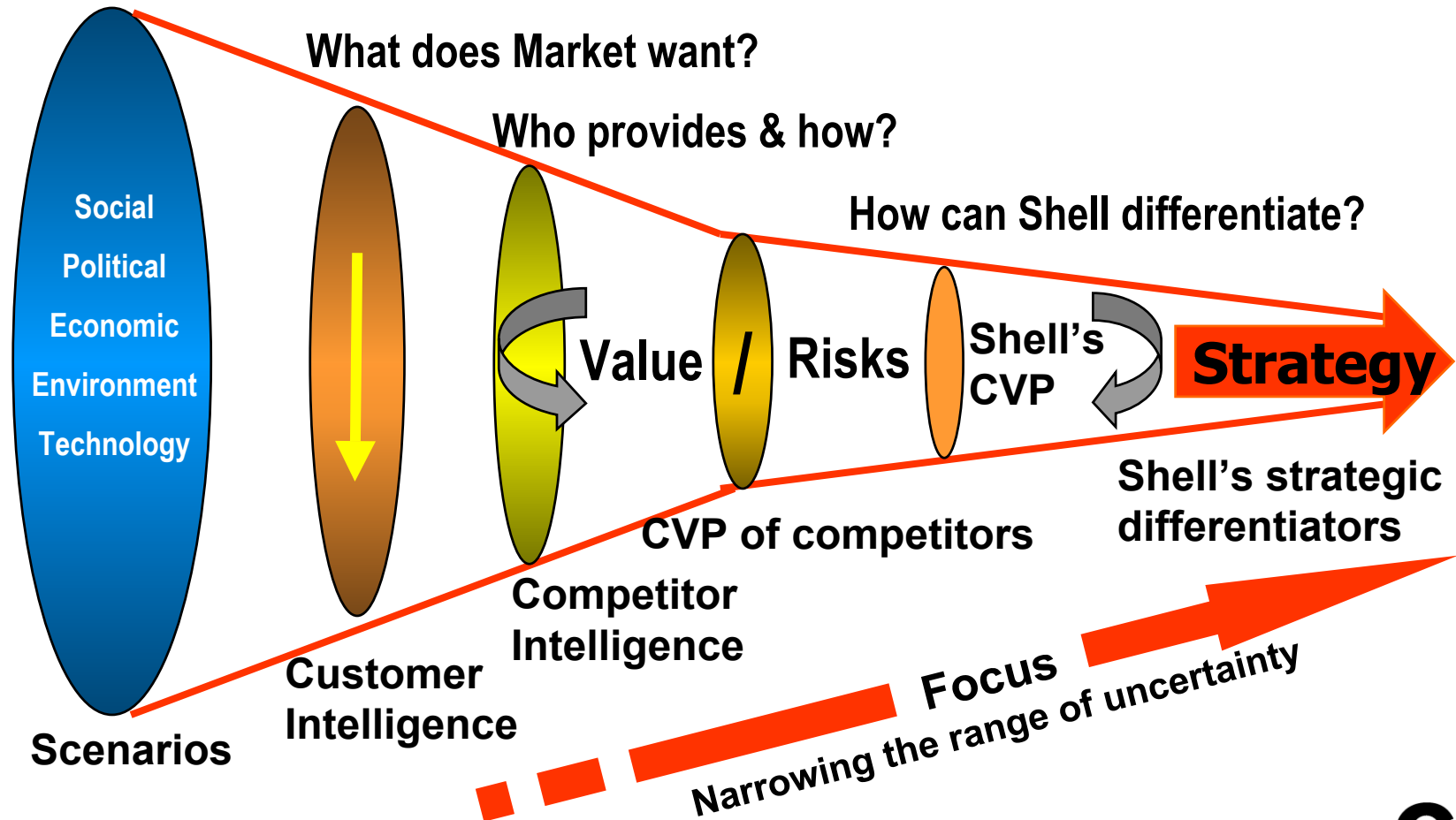


Scenarios versus forecasts



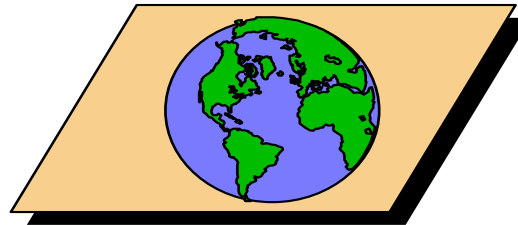
How intelligence supports strategy

Understand macro environment



Different Scenario Levels

Bringing Scenarios to the Business

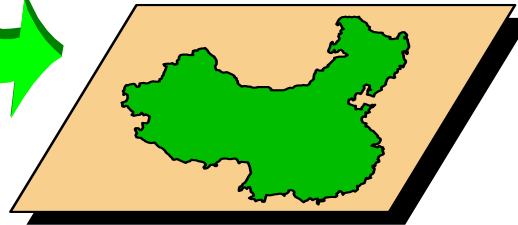


Global Scenarios

Global Strategies
General trends

- Country Issues
- Competition etc.

Implications at
country or
business level

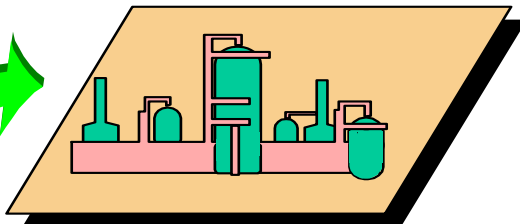


Focused Scenarios

Country or
Business
Strategies

- Competition
- Price & margin trends
- Technical & management risk

Implications at
project level



Project Scenarios

Investment
decisions

Capitalising on uncertainties: scenarios at Shell



THE RAPIDS

- ▶ Pioneering of scenarios to prepare the organization for uncertainty and change
- ▶ Focus on energy markets (oil)
- ▶ Internal publication only

TRANSITION

- ▶ Broadly based global scenarios
- ▶ Energy focus is combined with political and economic analysis
- ▶ Internal publication only
- ▶ Workshop with business units

TINA: THERE IS NO ALTERNATIVE

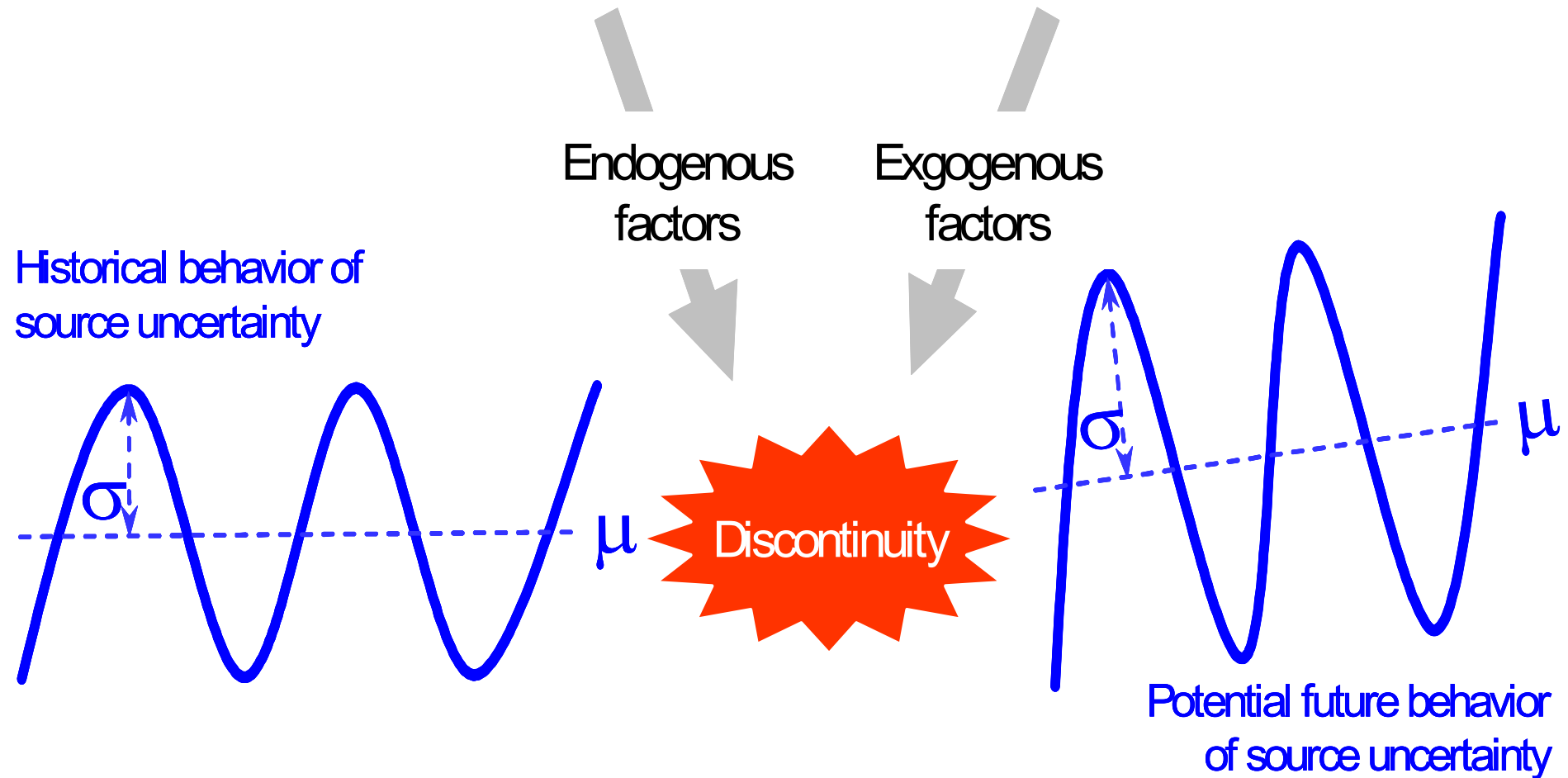
- ▶ Scenarios involve external stakeholders & incorporate their views
- ▶ Deeper analysis of social trends and environment change
- ▶ Internal and external publication
- ▶ Workshop with business units & externals

PEOPLE & CONNECTIONS

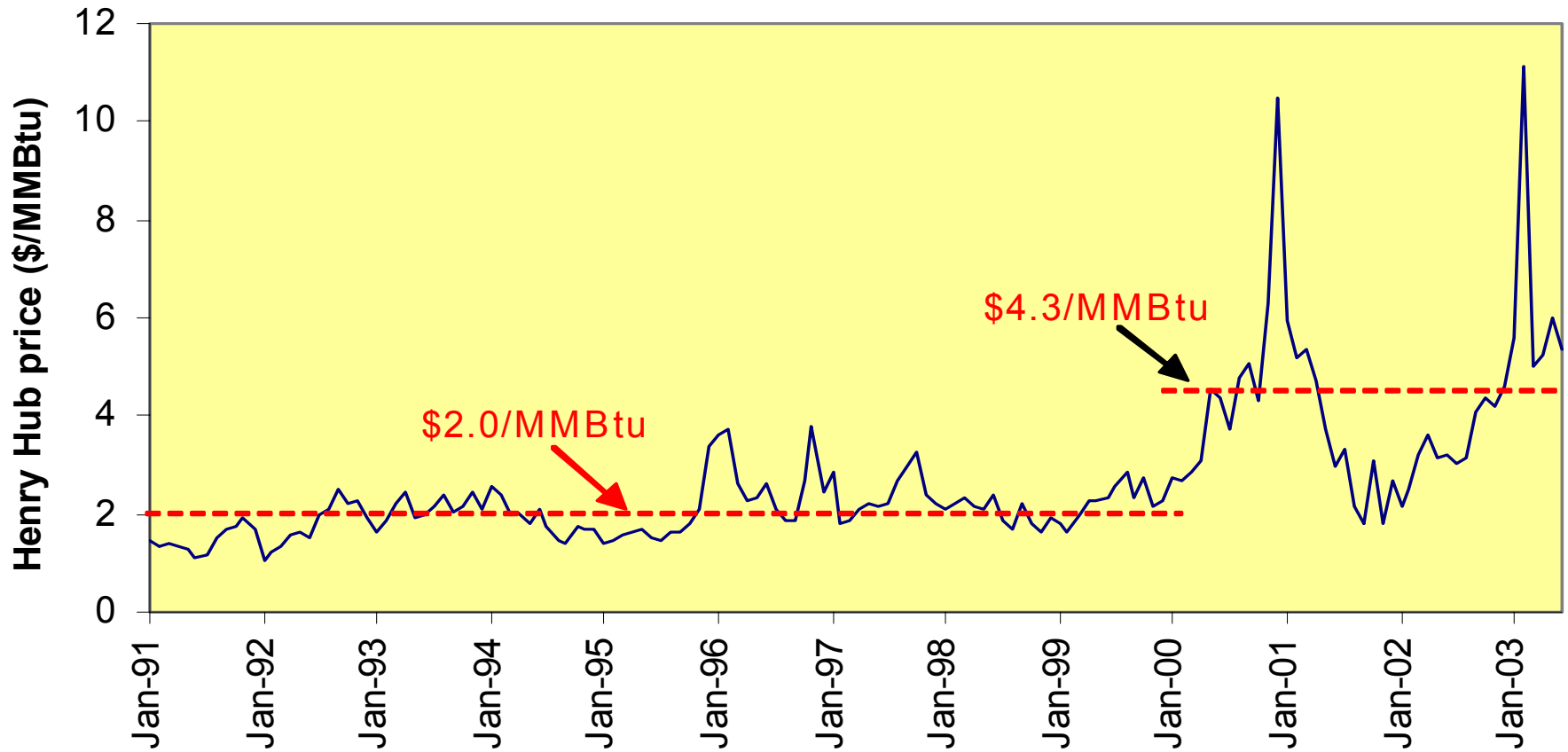
- ▶ Global scenarios are used to develop focused scenarios on specific business initiatives
- ▶ Scenarios are used systematically to test business strategy robustness
- ▶ Internal and external publication



History as a Predictor of the Future



Historical Gas Prices in the US (Henry Hub)



Qualitative Causal Thinking

