

## Shell Oil president discusses new fuels, energy security

Deborah Halber, News Office Correspondent

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Shell Oil isn't just about oil anymore. The multinational company has invested \$1 billion in wind over the last decade, owns companies working on solar and hydrogen technologies and will soon announce the acquisition of an entity that uses municipal waste to produce biofuel.

"With these, we could go a very long way toward meeting energy security requirements," according to John Hofmeister, president of Shell Oil Company. But conservation has to take hold "in our hearts, minds and behavior of who we are as a people. We have to teach our young people that energy is a precious commodity. We're doing a disservice to young people, because instead of teaching about energy, we're allowing ignorance to reign."

Hofmeister spoke on "Energy Security ... What Does It Take?" at the fall 2006 Hoyt C. Hottel Lecture in Chemical Engineering held at MIT on Nov. 3. The Hottel lecture, named for a former faculty member, is sponsored by the Department of Chemical Engineering and focuses on energy issues.

Hofmeister, who was named president of Houston-based Shell Oil in March 2005, said he represents "an industry some would say has all but zero credibility." Yet Shell, he said, is exploring new technologies to find untapped and unconventional oil and gas reserves, investing in alternative sources such as wind and solar and not simply "listening to its cash registers go ka-ching."

Consumers accuse Shell and other major oil companies of price gouging, a characterization Hofmeister feels is unfair in the current era of limited supply. Meanwhile, he said, the company goes "tin cup in hand" to beg legislators for more access to untapped domestic oil and gas reserves to make the United States less reliant on foreign oil.

Unlike others in the petroleum industry, Shell believes that global warming is a real issue, he said.

Even though Shell invests around 5 percent of its total budget in alternative energy sources, Hofmeister warned it will take 20-25 years before these fledgling technologies meet even 10-15 percent of the country's energy needs. The alternatives to fossil fuels are still based on "immature technologies" that markets are not quite ready for, he said.

Meanwhile, "I do believe energy security is at a point of national crisis," Hofmeister said, although Shell does not "subscribe to the theory" (based on work by geophysicist Marion King Hubbert) that world oil production will peak in 10-15 years.

More than 112 billion barrels of oil and gas--"more oil and gas than to be had in the entire Middle East"--can be tapped from federal lands on the outer continental shelf, offshore Alaska and from the Gulf of Mexico, he said. And while finding future oil in other places will be more technically difficult, technology will change the game. "Technology will help us not have to face this issue which peak oil suggests," Hofmeister said.

Even so, untapped reservoirs will not be enough to meet America's future needs, so Shell is pursuing unconventional sources in Canada.

The trillions of barrels of untapped oil and gas around the world present a "carbon management issue" that Shell would "at least like the opportunity to try" to address, he said. For instance, electrical utilities are committing to clean, efficient gas-turbine technology, but natural gas supplies are low compared with increasing demand. Meeting this demand for additional liquified gas would mean building regasification terminals that no one wants in their back yard, he pointed out.

Shell is working on creating a biofuels infrastructure in select markets in the Midwest to make ethanol available at the pump to vehicles that can use blends of biofuels. Although the United States plans to produce 7 billion gallons annually of ethanol by 2010, we would need to produce 15 billion gallons to meet even 10 percent of the country's transportation fuel needs, Hofmeister said.

"We think there needs to be more regulatory push and more market pull" for alternative sources to take hold, he said.

Shell would like to see a national framework of carbon management principles, Hofmeister said, and wants to be included in the debate "to help think through what different policy alternatives would be like."

*A version of this article appeared in MIT Tech Talk on November 15, 2006 (download PDF).*

URL: <http://web.mit.edu/newsoffice/2006/shell-hofmeister.html>



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On January 11, 2007, the World Affairs Council of Kentucky and Southern Indiana will continue its Global Economic Forum Series with guest speaker Mr. John Hofmeister, President of Shell Oil U.S., whose topic will be "The Challenge of US Energy Security." This Economic Forum series complements our ongoing Global Issues Forum Series, which began in the fall of 2005, and will feature periodic programs on international economic issues featuring well-known speakers on international business and economic topics.

John Hofmeister was appointed Shell US Country Chair and president of Shell Oil Company in March 2005.

Before that, he was senior vice president of corporate affairs and human resources for Shell Oil Company.

Prior to joining Shell, Hofmeister served as vice president of International Human Resources for AlliedSignal Inc. He was responsible for developing and implementing AlliedSignal's Asian and European human resources strategy and infrastructure for its Aerospace, Automotive and Engineered Materials businesses. Hofmeister currently serves on the boards for the American Petroleum Institute and the National Urban League. He is also a member of the National Academy of Human Resources and is chairman of the Advisory Committee of the Centre for Advanced Human Resources Studies at Cornell University.

He received a bachelors and master degrees in political science from Kansas State University.

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