

Shell chief says all energy sources must be tapped

Nigel Wilson | *May 19, 2008*

SHELL Australia is best known for its dominance in oil and gas, but chairman Russell Caplan acknowledges that every source of energy needs to be tapped in the future.

That includes Australia's vast reserves of coal as the world enters a new phase of huge demand for energy at a time when the traditional sources are quickly being depleted.

"It is the issue for this generation and maybe the next," Caplan tells *The Australian*. "It looks like every source of energy, wherever, however, it's got to be tapped, including those that are fossil-based."

Caplan says Australia has to find ways of doing this, and there will be technical and economic difficulties. "It is important for Australia, because if we don't, as a country, crack this one then I shudder to think of the prospects for the next generation with all this coal."

Shell has not exactly been sitting on its hands as the world calls for cleaner energy.

In February, its parent company, Royal Dutch Shell, said it would maintain a broad portfolio of renewable resources including biofuels, hydrogen, solar, wind and nuclear power. That came after company chief executive officer Jeroen van der Veer said in January that supplies of easy-to-access oil and natural gas would fail to meet global demand for such after 2015.

Shell last week joined the International Energy Agency's carbon capture and storage research project in Canada as one of the many co-sponsors for the final phase of the \$200 million study. The project is looking at long-term storage of man-made carbon dioxide in mature oil reservoirs.

Carbon capture is crucial to Nicholas Stern's call for zero-carbon electricity generation by the middle of the century, and the European Union last year promised to have 12 large-scale plants running by 2015.

Sitting in Shell Australia's Perth office, Caplan dispels the notion that after four decades at the company, there are few challenges ahead for him.

And how times have changed since he entered the industry looking for travel and a second-hand car.

He describes the energy challenge facing the world as "the big one". As for Shell Australia, one of the bigger tests it faces is developing the massive Gorgon project, where it has a 25 per cent stake.

"The gas is there, discovered and you have all the normal economic and other difficulties, but getting the alignment off all of the interests in order to actually facilitate development looks to be as difficult as ever, probably more difficult," Caplan says.

But as someone who has weathered many a change in direction since being involved in petrol retailing in Victoria in the 1970s, Caplan is philosophical.

"We really are a very creative lot, so I think on the technical side we -- not just Shell, but the industry -- have demonstrated an ability to engineer a way through cost difficulties and other things."

For part of his career, Caplan was Shell's representative on the North West Shelf gas project during crucial negotiations that led to Japanese companies becoming the foundation customers for what is now Australia's biggest resources project. Shell Australia recently sold its oil interests in the project for close to \$300 million to Woodside.

Caplan's more than four decades travelling through Europe, Africa and Asia with Shell has led him to the view that you only get to know a country and its people when you live there.

That's meant living in Britain, the US and Australia since he joined Shell as a 21-year-old newly married law graduate in January 1968.

In 1968, Shell was a coalition of national fiefdoms, which led to more independence for young employees. However, Caplan is under no illusion about how many different interests needed to come together to help the company achieve its North West Shelf dream.

"The thing about the NW Shelf is that many people legitimately claim they had a big impact on it, and that's one of the good things about it," he says without rancour. "They were in government, they were in the public services, they were in the customer base, they were in the project development base.

"Sir Charles Court (WA premier when the project was confirmed) was right, in his way, and Kevan Gosper (Shell's chairman at the time) will say it was all his, and he's right in his way.

"You can go through a number of people and I would say they were all right in what they say.

"At the end of the day I think that's why it's so hard because these are big issues. They are very, very hot and they are conducted in the full glare of publicity and what suffers from that is time."

Additional reporting: Kevin Andrusiak