

**Submitted Testimony of Hilary Mercer
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Testimony before:

**PENNSYLVANIA SENATE COMMUNITY ECONOMIC AND RECREATIONAL DEVELOPMENT COMMITTEE
April 14, 2021, 1 pm (Virtual)**

Good morning:

Thank you Chairman Yudichak Vice Chairman Argall and the members of the committee for inviting me here today. I am honored to address the committee and to share Shell's story about our major investment in the Western Pennsylvania economy – as well as Shell's commitment and relevant actions related to sustainability.

But first, Shell begins each presentation we make noting we are not making any forward-looking statements which have impact on Shell's financial performance or stock price. That is the essence of this slide.

Now onto the presentation.

Why did we choose Western Pennsylvania? I will break it down into four main reasons. First, location advantage – in that the Marcellus and Utica ethane supply is under our feet. That is our feedstock we will run through the plant.

Second, another location advantage in that 70 percent of the North American customer base is within 700 miles radius. This is an advantage as it provides more proximate location for customers than traditional Gulf Coast producers.

Third, taking the first two factors into account, we believe this provides a competitive advantage for Shell and more reliable supply for our customers

And fourth, we analyzed and ultimately recognized that there was sufficient local skilled workforce to build the plant. Noting that, at this stage of the testimony, I would like to say, "Thank you, Building Trades."

Moving on to this diagram, here you will see a simple overview of the plant we are building and how it will operate post-construction.

Let me provide a few highlights

The plant will be fed ethane via a pipeline which will come from both the west (Ohio) and the south (Washington County, PA)

The ethane cracking unit will receive that ethane and convert it into ethylene.

That ethylene will be sent to one of three polyethylene units, where chemical reactors will convert the ethylene into polyethylene pellets. From there the final products will go to our logistics area where they will be loaded into train cars or onto trucks for delivery to our customers.

The plant's annual production capacity will be 1.6 million metric tons of PE.

Having looked at what we are building, let's now pivot and look back to earlier times in the project. To understand the project, it is important to understand where we started, pictured is the old Horsehead Zinc smelting site, prior to Horsehead it was owned by St. Joseph Lead company with nearly a century's worth of industrial smelting activities.

As we look at this next photo taken midyear 2017, we see more of the transformation, and it is remarkable. As part of an agreement with the Commonwealth, Shell invested \$80 million in environmental work to repurpose an industrial site under Act 2 guidelines. Much of that \$80 million was spent to manage the site's water emissions profile and prevent runoff from the site's historic use of zinc, lead, and other compounds into the Ohio River.

We are more than 70 percent complete in terms of our above-ground construction. Since before the time COVID-19 hit about a year ago, we had completed the placement of all the large vertical structures onto the site. At this stage, we are connecting the various pieces of kit together via hundreds of miles of pipe and building out the electrical scope across a 386-acre manufacturing core within the site.

Of course, I can't provide a presentation in April 2021, without touching upon how we have managed an active construction site during a global pandemic.

I will touch on a few key milestones in our journey from the past year plus.

On March 18, 2020 – we were at our peak of approximately 8,000 workers onsite, and we initiated a full site shutdown. For the next seven weeks, we had minimal staffing on site – between 300 and 500 workers who were necessary to preserve and maintain critical equipment onsite, as well as perform a thorough deep cleaning of the site.

We also used this time to establish the protocols to allow for the safe return of the site's workers including temperature screening before coming onsite, the mandatory use of facemasks, increased hand sanitizing stations and lunchroom protocols that allow workers to maintain social distancing by limiting one person per table. We later added plexiglass dividers to the lunchroom tables, which allowed us to seat 2 persons at each table for lunch.

With a thorough deep cleaning done and these protocols in place - starting May 4, we began reintroducing workers to the site at a rate of roughly 300 a week. We paused adding new workers on June 30 and did not resume adding additional workers until July 20, at which point we had established an onsite testing lab. With that testing lab, we were able to determine that workers tested negative for COVID-19 before allowing them back to the site.

Fast forward to the first four workdays of 2021, from January 2nd through the 5th, we shut down the site to allow everyone with badge access to the site to receive a COVID-19 test. We tested more than 7300 workers and less than 2 percent returned positive results. This was a service to both our workers and the community – as it prevented people who were largely asymptomatic or perhaps pre-symptomatic from re-mobilizing to the worksite at the start of the year and out of public environments as they sought appropriate counsel from medical professionals.

I will now shift my remarks from COVID-19 management into sustainability. I will start by noting Shell is building this plant and reentering the plastics business at a time the industry is facing sustainability challenges

We recognize those challenges must be met because the potential negative environmental impacts are too great not to act...and because polyethylene and other products are ubiquitous within our economy and our ways of living.

At Shell, we believe the solution to the plastics pollution problem is the creation of a circular economy, wherein plastic waste is marshalled, and then broken down into its chemical components, where it can then be used either as a fuel source or a feedstock for a new generation of plastic.

And I am proud to tell you that not only have we endorsed a plastics circular economy. We have actually begun to do so at one of our plants on the US Gulf Coast, with others to follow in different parts of the world.

As we continue into a more sustainable future, I think it's important to note that many of the finished products made from petrochemicals routinely use less resources and have a lower-carbon footprint than glass, paper or metal products they replace. Plastics allow us to make insulation more efficient. They lighten the weight of cars and airplanes. We even need plastics to make wind turbines and solar panels.

At Shell we talk about thriving through the energy transition. What that means in practice is that we'll transform our product mix over time. We plan to move in step with society as it makes progress toward achieving the goal of the Paris Agreement, of keeping global warming well below 2 degrees C.

In the more traditional oil and gas realm, Shell has stated its positions on both carbon emissions and methane emissions to align with its environmental priorities.

In the case of methane emissions, Shell supports the direct federal regulation of methane for onshore oil and gas production and has since 2015. Addressing methane emissions is critical to the sustained role of natural gas in the energy transition.

In the case of carbon emissions, Shell is aiming to offset our net carbon footprint – the amount of greenhouse gases which come with each unit of energy we sell – by 2050, with interim goals between now and then. Shell was also the first major oil company to propose linking executive pay to short-term net carbon footprint targets.

Additionally, Shell recently announced it would be investing between \$2-3 billion annually in renewable energy investments.

We aim to do all of this... and more... at the same time as we continue to expand access to energy across the world so that more and more people can enjoy the social and economic benefits that come with it. The energy transition is the most dynamic force shaping the future of our business, and each of us will be tested by our ability to help strike that delicate balance between providing cleaner energy while also providing more energy.

And yet the challenges of the energy future go far beyond reducing greenhouse gas emissions while meeting rising demand. We must also keep pace with technology. Not just because technology makes us

more energy efficient but because competition drives our industry, and technology can make the difference between success and failure.

And that brings me to my conclusion. Before taking some questions, I would like to thank members of the Committee for inviting me here today.