



Cleaner energy to power collective action of Asean economies



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INCREASING borderless transaction, falling trade barriers and intense competition have brought about major realignment of priorities among economies of the world. Establishments of trading blocs and regional integration are fast becoming norms to attract business and promote growth.

In Asia the negotiations for the proposed Regional Comprehensive Economic Partnership (RCEP) is off the grounds. The Asian Development Bank (ADB), in its ADB Outlook 2013, said the RCEP, which includes all the 10 Asean economies plus their six free-trading agreement partners, namely, Australia, China, India, Japan, South Korea and New Zealand, would create the world's largest free-trade bloc with huge impact to the world economy. The RCEP economies have a combined total of 3.5 billion population, a gross domestic product of \$21.4 trillion and trade receipts of \$12 trillion.

Besides RCEP, the Asean Economic Community (AEC) has also emerged. Already in its advanced stages with a target implementation by 2015, the AEC envisions the creation of a single market and production base characterized by free movement of goods, services, capital and skilled labor.

Based on a recent Economist Intelligence Unit report, the 10 Asean economies, with a combined population of more than 600 million, have already attracted seven times more foreign direct investments than India and almost the same amount as China, which makes the AEC a formidable economic powerhouse. Asean economies are even projected to record 6 percent to 7 percent economic growth this year and in 2014 based on ADB estimates.

Given the drive toward regional integration, one is hard pressed to ask whether this is good for business and whether businessmen have already factored in RCEP or AEC in their decision-making processes. A recent survey conducted by Economist Corporate Network in partnership with Balcer and McKenzie reveals that a good number

of businessmen considers AEC an important factor in corporate strategy and will be beneficial to business.

The manufacturing businesses have made use of Asean Trade in Goods Agreement as they are able to manufacture goods from one location and ship those goods to different parts of the region with very little or without barriers. Harmonization of standards e.g. customs standards via Single Window, is also being cited as another benefit of integration. Shell, on the other hand, looks at regional integration from a number of different perspectives.

One such perspective is that we look at AEC as an opportunity to further improve ourselves, enabling us to compete more, through operational excellence.

Hence, we benchmark our product and services against the best of the best in the world. Benchmarking is our way of knowing where we are vis-à-vis our peers and competitors.

For example, our Shell Tabangao Refinery in Batangas undertakes a comprehensive benchmarking exercise every two years via a third-party provider, Solomon Associates.

The Solomon benchmarking encompasses performance indicators in the areas of product yields, energy, maintenance and equipment reliability, utilization of existing capacity, staffing, operational and capital expenditures, net cash margin and return on investment. The results of the Solomon study include a comparison of a site's performance on the key metrics versus its peers, according to similarity in configuration, or geographical division.

Shell Tabangao Refinery has consistently placed in the top quartile on a number of key metrics compared with not only its Asean counterparts but also with the rest of the world.

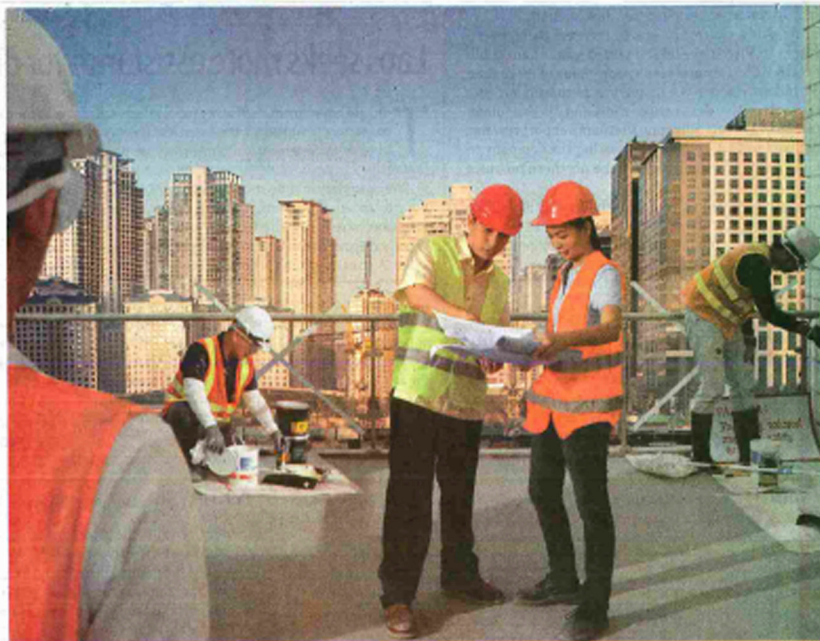
Shell also looks at AEC and its growing energy demand as an opportunity to help broaden energy mix in Asia and ensure a more secure supply of energy. Another major crucial factor in the success of AEC is the provision of cleaner energy and the promotion of energy efficiency. All these are necessary for sustainable development.

One of the energy sources that Shell develops is natural gas, the cleanest burning fossil fuel. In the Philippines Shell's Malampaya Deep Water Gas-to-Power Project is a clear example of how Shell responds to the growing need for cleaner energy.

The project benefits the country not just by reducing oil imports but also in assuring a more stable supply of energy and a cleaner source of power. Malampaya supplies as much as 40 percent of Luzon's electricity requirements. More important, its environmental impact is remarkable. Based on Malampaya's supply to 2,700 megawatts of power generation, an estimated 1.35 million kilograms of CO₂ per hour is reduced as compared to energy generation using coal or fuel oil. To date, the project is implementing Phases 2 and 3 to extend the life of the project.

Another project that Shell is seriously considering is the construction of a liquefied natural gas (LNG) import facility to further promote and broaden the use of natural gas in the country. Singapore and Thailand already have LNG import facilities, while Malaysia, Vietnam and Indonesia are also in the process of installing such facilities.

The opportunities that AEC will provide are significant and Shell, an energy company with more than 100 years presence in a number of Asean countries, is committed to be at the forefront of developing and delivering cleaner, smarter and innovative energy products and technologies in keeping with its sustainable development platform.



LET'S POWER OUR GROWING WORLD WITH CLEANER ENERGY.

Within the emerging world one fact is rapidly emerging, their requirement for energy is growing too. At Shell we're increasingly focused on delivering natural gas - the cleanest-burning fossil fuel. The Shell-operated Malampaya Deepwater Gas-to-Power Project, for example, extracts and processes natural gas offshore. Then it's piped to power plants onshore where it is used to generate around 40% of electricity for Luzon, the Philippines largest island. When used to generate electricity, natural gas emits around half the CO₂ of coal, so Luzon gets cleaner power and reduces its need to import fuel. In the drive to develop a better mix of energies, we believe natural gas is a fuel that's here to stay. Let's broaden the world's energy mix.



LET'S GO.