



United Against Nuclear Iran  
f.a.o. Ambassador Mark D. Wallace  
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United States of America

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Dear Mr Wallace,

Thank you for your letter dated December, 17<sup>th</sup>, 2009 to Mr Peter Voser, Chief Executive Officer. Please find our response below including our policy and practices regarding Iran, specific disclosures we have made in our 2008 Annual Report and Form 20F.

## Iran

### *Policy and practices*

Iran is a major resource holder. It has the world's second largest natural Oil and Gas resources. At current global gas usage, Iran's gas is enough to supply the entire world for about 10 years. Given the size and global importance of Iranian hydrocarbon resources, the Group finds it hard to see a future in which production of these resources would not, at some point, play an important role in the global energy supply and demand balance.

Major new projects to deliver hydrocarbon resources to customers can easily take more than ten years to prepare, and require the completion of a number of phases of feasibility work before any final decision can be taken. It is hard to predict how circumstances in any one country will evolve over that period. Some countries that today appear stable may become less stable and vice versa. It therefore makes sense for Royal Dutch Shell and other international energy companies to prepare a portfolio of possible new energy projects in a variety of different locations, and to leave a 'Final Investment Decision' on whether to proceed until the last practicable moment.

This policy of preparing as many potential projects as possible serves broader international interests. If such preparations were not conducted, there would then be a significantly higher risk of a future 'energy shock' where prices rise rapidly because of an inability to provide adequate supply to meet demand - which in turn could allow those countries with significant natural energy resources to exert greater leverage over the world economy than they do today.

Against this background and in common with other energy companies, we are obliged to take a long-term view of the business. This long-term view means that it is prudent to be investigating opportunities now.

We apply our Business Principles in all countries in which we operate, recognising that the challenges vary from country to country. These principles lay down strict rules with regard to (inter alia) upholding peoples' human rights and zero tolerance to bribery and corruption. The application of our principles is underpinned by a comprehensive set of assurance procedures. We recognize that there is export controls and sanctions legislation in various jurisdictions targeting Iran. We have established programmes to manage compliance with such applicable laws, including the US Export Administration Regulations and the Iranian Transaction Regulations. However, as discussed in our Form 20-F for the year ended December 31, 2008, conflicting US and European Union regulations in this area, complicate compliance matters for European companies.

We have not yet taken a decision as to whether to proceed with the Persian LNG project. As stated before and as with all projects, decision timing is fundamentally driven by the need to ensure first class decision quality. Our main concern is getting the remaining significant commercial and engineering work right. When we come to make a decision, we will take political considerations into account.

Naturally, we are following international developments closely and keeping a wide range of government and other stakeholders informed.

#### ***Disclosures***

We have made specific disclosures on our operations in Iran in our 2008 Annual Report and Form 20F as specified below:

- In early 2007, Shell and Repsol entered into a service contract with respect to development of the South Pars fields for the Persian LNG project. However, the parties will not reach a final decision on whether to proceed with the project until the remaining significant commercial and engineering work is complete. Shell Exploration B.V. (Shell interest 100%) has a 70% interest in an agreement with the National Iranian Oil Company (NIOC) concerning the Soroosh/Nowrooz fields. The development phase is completed and all permanent facilities were handed over to NIOC in 2005. Since then, the Soroosh/Nowrooz fields have been producing with NIOC responsible for all aspects of the operations. The term of the agreement expires when all petroleum costs and the remuneration fee have been recovered, which is expected to occur by 2012.
- A project framework agreement for the Persian LNG project (Shell interest 25%) was signed in 2004 with Repsol and the National Iranian Oil Co. to take forward the Persian LNG project to the next stage of design. Under this agreement, it is envisaged that Shell would acquire a 50% interest in a project to develop phases of the South Pars field in the Northern Gulf and a 25% interest in the midstream liquefaction company. Front-end engineering design work for the offshore facilities and for the liquefaction plant continued during 2008. The parties will not reach a final decision on whether to proceed with the project until the remaining significant commercial and engineering work is complete.
- Since 1966, a Shell entity has a 25% interest in Pars Oil Company, a joint venture that blends and markets lubricants. Pars Oil Company owns 51% in Pars and Shell Company (PASH), which markets and distributes Shell branded lubricants in Iran. A Shell entity also has a 49% in PASH.

We have received legal advice that, contrary to the assumption in your letter, the company is in compliance with its disclosure and listing obligations. The assertions otherwise in your communications are misleading and we request that you correct these communications and refrain from making misleading statements.

Yours sincerely,

A handwritten signature in blue ink that reads "MMB Brandjes." The signature is written in a cursive style with a horizontal line underneath the name.

Michiel Brandjes  
Company Secretary  
General Counsel Corporate