

The Origin of Scenario Planning



Origins of Modern Scenario Planning



- *Invented by researchers at the RAND Corp. In the 1950s*
- *Developed as a way to consider the impact of complex exogenous variables on an economic system*
- *First applied to business planning by Shell in the 1960s*

Major Drivers of Application to Oil Exploration & Production

- ***Market Price Risk***
 - Evolution away from bilateral contracts
 - Development of a broad and deep market for crude oil
- ***Political Risks***
 - Expropriation of assets
 - Cartel behavior by oil producing countries
- ***Investment cycle***
 - Decades
 - Billions of dollars



Successes by Shell

- *First to anticipate 1970s oil crisis. First to plan for second- and third-level implications*
- *Example:*
 - Political developments would drive crude oil supply constraints
 - Supply constraints would mean excess refining capacity
 - Excess refining capacity would cause the value of refining assets to drop...
 - ...even as the value of crude reserves increased



Shell Continues to Use Scenario Planning



World Energy Model

Find out how the World Energy Model can explore different plausible future energy scenarios all the way to the year 2100.



Sky Scenario

The **Sky** Scenario illustrates a technically possible, but challenging pathway for society to achieve the goals of the Paris Agreement.



New Lens on the Future

Our New Lens Scenarios explore two possible ways the 21st century could unfold, with dramatically different implications for society and energy.



GIS WebTech