



Shell Canada Limited

COMPENSATION PROGRAM BACKGROUNDER—JULY 14, 2005

Since late last fall, the Government of Nunavut's Petroleum Products Division (PPD) and Shell Canada Limited have been working hard to investigate, understand and solve a gasoline problem. This has been a complex issue. The research and resolution had to consider the unique situation created by extreme weather, the types of vehicles, and the use of those vehicles.

The PPD and Shell conducted numerous field and lab tests both in Nunavut and in a simulated "cold-box" in Edmonton throughout December, January and February. At the beginning of March 2005, Shell representatives presented their findings to the Nunavut Legislature.

Although the gasoline was a custom-made, premium plus fuel that met Canadian General Standards Board and Government of Nunavut requirements, the investigation found increased spark plug fouling in communities supplied from Shell's Scotford Refinery. Scotford-supplied communities include:

Arviat
Coral Harbour
Hall Beach

Baker Lake
Rankin Inlet
Igloolik

Chesterfield Inlet
Repulse Bay
Sanikiluaq

Corrective Action

The investigation confirmed Shell and the PPD's decision in March to introduce an additive into the gasoline supply in these communities. Reports since then indicate that engine performance has improved.

Further, Shell and the PPD have agreed on certain modifications to the 2005/ 2006 supply to prevent problems in future winters.

Compensation Program Details

Spark Plug Compensation

Shell and the PPD will be implementing a comprehensive spark plug compensation package for affected PPD customers shortly. This program will include:

- Reimbursement via gasoline vouchers for fouled spark plugs at \$6 a piece for up to 30 spark plugs per claimant with no receipt required;
- Full reimbursement via gasoline vouchers of the actual cost of spark plugs to claimants who have receipts for 30 or more fouled spark plugs.

Copies of the application for gasoline vouchers will be sent to all communities noted above. Information will be made available in newspapers and on community radio. The program will

run until September 30, 2005 to provide an opportunity for all affected PPD customers to come forward to receive the compensation in the form of gasoline vouchers, which will be valid for one year.

Investigation Protocol

In addition to the spark plug compensation program, Shell is making its claims process available to PPD customers who may wish to pursue claims for engine damage. This application form will also be available in the affected communities and will require claimants to provide documentation including vehicle information, maintenance records and warranty claims, as well as the damaged parts themselves. If the investigation shows a potential fuel-related impact, fair compensation will be forthcoming to the affected claimant.

Shell, in a gesture of goodwill, continues to cover the agreed-upon costs associated with the investigation and resolution as well as the proposed compensation program.