Testimony of

Peter J. Robertson

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Peter J. Robertson
Vice Chairman
Chevron Corporation
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Chairman Leahy, Ranking Member Specter, Members of the Committee. My name is Peter Robertson, and I am vice chairman of Chevron Corporation. I am here to represent the more than 59,000 Chevron employees (of whom 27,000 work here in the U.S.) and more than 1.5 million stockholders who put their trust in our company each day. I am proud to be a part of an industry so vital to every American's way of life and to the development and growth of economies around the world.

Given the many challenges our country faces on the energy front, I appreciate the opportunity to appear before you today. I will address the factors behind rising oil and gasoline prices, discuss some realities of the highly competitive global energy market, and outline what Chevron is doing to ensure reliable supplies of energy to U.S. consumers.

Although Chevron has been firmly rooted in California for almost 130 years, our operations and customers span the globe and extend across the entire energy spectrum. Globally, we produce approximately 1.7 million barrels of crude oil per day--less than 2 percent of global demand. Chevron's U.S. production of approximately 410,000 barrels of crude oil per day represents about 8 percent of U.S. total.

We refine, transport and sell petroleum products. Chevron is the sixth-largest refiner in the U.S., producing about 5.8 percent of the country's refined products. And we blend ethanol into almost 40 percent of the gasoline we sell in the U.S.

Chevron is a leading producer of renewable energy. We're the world's largest producer of geothermal energy (operating 1,250 megawatts), and we're pursuing next-generation biofuels and other alternatives with a number of important strategic partnerships.

Chevron is unique among major oil companies as a leading provider of energy efficiency services and clean energy solutions in the nation. Our subsidiary, Chevron Energy Solutions, has a strong track record of providing solar power to large commercial clients across the country. To date, it has handled more than 800 projects, helping clients lower their energy consumption and costs by nearly 30 percent on average.

Chevron strives to be a strong partner in the communities where we operate. Our company supports more than 11,000 large and small businesses throughout the country. Last year alone, we spent $10.8 billion with our business partners in the U.S. and supported 2,000 charitable organizations across 43 states and the District of Columbia.

It is precisely Chevron's size and scope that allow us to successfully compete for the energy resources the world and America needs.

Strong global demand, weak U.S. dollar have driven up oil prices.

As we meet today, the question on the minds of most Americans is, "Why are gasoline prices so high?" The short answer? Because global crude oil prices are so high.

The price of oil has risen recently to above $125 a barrel - a record level and double its price at this time last year. Given that the largest portion of the cost of gasoline is crude oil, gasoline prices have risen to record heights. According to the Department of Energy, a gallon of regular gasoline retailed on average for $3.72 in the first week of

May, with the price of crude oil accounting for about $2.65 of this amount. Federal, state and local taxes averaged 47 cents per gallon, making the combined effect of crude costs and taxes $3.12 per gallon or 84 percent. (See Appendix chart #1) While the price of crude oil has soared, it is important to understand that the market forces of demand, supply and competition have prevented gasoline prices from keeping pace. That average gasoline price for the first week of May rose 20 percent over the price for the same week last year - a relatively small amount compared to the jump crude has experienced.

Consumers and businesses feel the effects of high crude oil and gasoline prices from the supermarket to the airport. Chevron is both a producer and a user of energy, and we are concerned about escalating oil prices just as any other energy consumer is. To address these concerns going forward, it is important to understand the many factors affecting the price of oil--and, therefore, the price of transportation fuels.

There are fundamental factors affecting the current price of oil, including rising demand, the reduction in the supply system's spare capacity to deal with unforeseen disruptions, the value of the U.S. dollar and the associated flight to commodities, and rising risk--both above ground and below ground.

We have reached a point where worldwide demand is straining the global energy system. Demand in non-OECD countries--what we typically think of as developing nations--is experiencing robust growth, pushing up overall global demand despite essentially flat or slightly lower demand in OECD countries. In fact, growth in non-OECD regions has accounted for over 80 percent of the rise in oil demand since 2000, including rapidly increasing demand throughout Asia, particularly in China and India. The expansion has been driven by exports and infrastructure investment, and has consumed commodities at an unprecedented rate. It is important to highlight that in many important energy-consuming non-OECD countries government treasuries have subsidized price (Appendix chart #2)--a factor that has contributed to additional stress on supplies and price.

The Middle East is also in the middle of a substantial investment cycle, a process that has kick-started oil product demand growth in the face of rising oil prices. Thus far, non-OECD oil demand growth has shown few signs of softening despite the U.S. economic slowdown.

It is this economic growth overseas, especially in India and China that has helped hundreds of millions of people to rise above the poverty level to a better quality of life. These basic human aspirations and the resulting energy demand growth are forecasted to continue. Global energy demand is projected to increase roughly 50 percent by 2030, with demand in the Asia-Pacific expected to grow 90 percent over the same period (See Appendix chart #3). And, according to the Department of Energy, demand in the U.S. is also forecasted to grow by 16 percent over the next 20 years.

The accelerated increase in demand since 2004 has reduced the global spare capacity of crude oil, creating a tighter relationship between supply and demand and heightened concerns in markets around the world (See Appendix chart #4). Falling or flat U.S. production is a contributing factor and adds to these pressures. According to the Department of Energy, U.S. crude oil production has fallen approximately 40 percent since 1985, while U.S. consumption has grown more than 30 percent to more than 20 million barrels per day today. In real barrels, U.S. oil production is now approximately 5 million barrels per day-- down from approximately 9 million in 1985. The narrowing of spare production capacity in the world means that even when a relatively small amount of resource is at risk of disruption due to a variety of factors, it can affect the price of oil.

This heightened market sensitivity is exacerbated by other risks. "Below ground risk" is increasing as energy is harder to find and more expensive to produce. "Above ground risk" is also occurring around the world. At home and abroad, access to new supplies has been restricted, making it increasingly difficult for the energy industry to invest and expand operations. And calls for increased taxation only serve to shrink the capital base available for energy development. As the recent National Petroleum Council study pointed out, our country's greatest concern relative to future supplies stems not from a lack of hydrocarbon resource but, rather, from the risks to our ability to expand production in a manner timely enough to meet growing demand. Policies restricting access to new areas with resources in the United States combined with naturally declining mature crude oil and natural gas fields have increased U.S. reliance on imports from international sources. (See Appendix chart #5).

Demand and supply pressures on oil prices are compounded by the weakening of the U.S. dollar. The higher oil price is in part a market adjustment that reflects the weakening purchasing power of oil exporting countries that sell their oil

in U.S. dollars but buy goods with stronger currencies such as the euro. Additionally, the weak dollar--and concern by stock investors over the subprime issue and its impact on the stock market--has contributed to a flight to commodities by investors seeking better returns (See Appendix chart #6). Oil has gone up along with many other commodities such as gold, corn, copper and even coal.

In the U.S., consumers have begun to respond to the high fuel prices by using less. Recent figures from EIA suggest that petroleum product demand in the U.S. has fallen 1.4 percent over the first two months of the year, compared with the same period last year. Gasoline production at U.S. refineries was at record levels over the first quarter of 2008, leaving inventories at their highest levels in a decade. Capacity increases at existing refineries have added the equivalent of 10 new refineries over the past decade. Overall refining capacity has increased by 20 percent since 1985 even though there are 57 fewer refineries (See Appendix chart #7). That retail fuel prices still remain high underscores the fact that many factors are in play, and, unfortunately, there are no short-term fixes to today's price levels.

Finally, it is important to note that the U.S. transportation fuel markets are not only well supplied but also highly competitive. We are the sixth largest U.S. refiner and operate five of the nation's roughly 150 refineries. Our market share is less than six percent. Marketing operations are similarly competitive. Chevron is the fourth largest U.S. branded marketer operating under the Chevron and Texaco brands. We have roughly 9,700 of the country's 168,000 branded stations. And it's important to note that 95 percent of our stations are operated by independent business people, who must compete aggressively against at least 40 other companies.

Energy companies are making very little money on retail gasoline sales despite the high price environment. Energy company earnings from the first quarter of 2008 tell the tale. Chevron's U.S. downstream operations - that part of our business responsible for refining, marketing and transportation of gasoline and other refined products - effectively broke even. That portion of our business lost money over the last six months of 2007.

Over the years the Federal Trade Commission has scrutinized our industry carefully. Summarizing its oversight of the industry in 2004, FTC concluded: "In sum, mergers have contributed to the restructuring of the petroleum industry in the past two decades but have had only a limited impact on industry concentration. The FTC has investigated all major petroleum mergers and required relief when it had reason to believe that a merger was likely to lead to competitive harm. The FTC has required divestitures in moderately concentrated markets, as well as highly concentrated markets."1 (See Appendix chart #8)

Energy challenges are immense - so is the infrastructure needed for supplies

To understand today's energy reality, I would emphasize that the energy system is global, vast and complex. For each minute we spend here today, the world will consume the equivalent of 7 million gallons of oil-equivalent. For decades it also has delivered energy to over a billion people around the globe efficiently and reliably. The infrastructure that produces energy in one part of the world and delivers it to another is highly interconnected--physically and to the global markets that set oil prices. Each depends upon the other. Although the United States is a key producer and the leading global consumer, we are only one part of this global system and cannot be isolated or immune from issues that either shape or upset global market dynamics.

There has never been a more urgent need to be realistic about the energy system's interdependence and its size and scale. We also need to recognize the magnitude of resources--both financial and organizational--needed to keep it running. Today's energy infrastructure requires substantial ongoing investment to sustain production, tap new sources and meet growing demand. In fact, in its 2007 Energy Outlook, the International Energy Agency has projected that the world will require $22 trillion in new energy investments by 2030, with $7 trillion needed to produce the resources--the crude oil, natural gas, coal and biofuels--needed to meet demand. Nearly half of these investments will be in developing countries.

As we strive to meet demand, we are overcoming increasingly extreme and remote environments while responding head-on to the challenges posed by climate change. Our industry has evolved over the last 100 years from drilling with relatively simple wooden derricks that barely scraped the earth's surface to complex offshore platforms that produce oil from reservoirs located miles below, where pressures can exceed 20,000 pounds per square inch and temperatures can surpass the boiling point. One new crude oil project on the frontiers of the Gulf of Mexico can cost more than $5 billion and take more than 10 years to bring onstream. A recent expansion of production at the Tengiz

field in Kazakhstan which added less than one percent to global oil supplies took more man hours of labor than the construction of the Panama Canal. We will need as many of these projects as we can get.

And costs are escalating. The competition for resources to meet that demand has resulted in rising costs for our industry. Costs in the upstream sector have doubled since the year 2000, reflecting higher prices for everything from steel, drilling rigs and offshore vessels to bulk materials, engineering, construction and labor. Similarly, the capital costs for our downstream refining, processing and chemical businesses are sharply higher.

Today's environment illustrates an industry truism: The era of easy access to cheap oil is over.

There are significant challenges and paradigms about energy that need to be resolved so that we can generate the kind of production at a scale needed to meet U.S. demand. These challenges will take time, money, new infrastructure and advanced technology to solve. For the foreseeable future it also will take contributions from all energy sources--traditional energy, renewables and energy efficiency.

Competing in the global marketplace requires scale and strength

Today's global resources are increasingly nationalized, and single crude oil and natural gas development projects run in the billions of dollars. The search for the next source of energy and delivering it to markets on six continents--whether oil or next-generation fuels from renewable sources--takes enormous capital, specialized expertise, advanced technology and human energy that characterizes Chevron.

From a global perspective, sovereign states and their national oil companies own the majority of the resources consumers need. Chevron ranks 18th in terms of its access to oil reserves. (See Appendix chart #9). U.S. energy companies need the scale that is necessary to partner and compete with these large national oil companies to gain access to critically needed energy resources that fuel America's cars, heat America's homes and power America's businesses.

The U.S. is advantaged by having large, well-capitalized oil and gas companies that can partner and compete with this group of national oil companies. And, policies that disadvantage U.S. companies' ability to compete in the global marketplace--such as proposals to levy addition taxes on the industry--diminish our ability to provide new sources of energy.

Chevron is aggressively investing to develop new energy supplies

We are actively responding to the energy demand of the United States and countries around the world--investing aggressively to develop energy supplies to meet today's and tomorrow's needs. Our activities span a diverse portfolio of energy interests, including traditional oil and gas, renewables, alternatives, energy efficiency services, and research and development in future energies. Between 2002 and 2007, Chevron invested approximately $73 billion back into the business to bring new energy supplies to market--investing what we earned. Some $22 billion of that sum was invested in our U.S. operations.

Our capital program for 2008 is close to $23 billion, an increase of nearly $3 billion over our 2007 investment, and nearly triple what it was in 2004. Globally, Chevron currently has 40 major capital oil and natural gas projects in the planning, engineering or development stage, each with a net Chevron share of the investment over $1 billion. These projects are critical to supplying the energy that the world needs and will be important to closing the gap between supply and demand, which is key to addressing the challenge of high prices. Out of this queue of 40 major supply projects, eight are located in the United States. And there are many other upstream projects under $1 billion that will have significant production once they come onstream.

A number of these projects are situated at the forefront of development and employ leading-edge technology. As alluded to earlier, factors such as size, organizational capability and the ability to assume the inherent risks in developing technology and undertaking large investments are essential assets when competing in today's global energy environment. Even though Chevron is relatively small compared with its nationalized competitors, it is a strong competitor. This is an industry in which size, technological capabilities and financial strength are the new "price of entry," and large-scale and frontier energy developments are the norm versus the exception today and in the future.

Let me highlight an example to illustrate what we do. We are working on several deepwater crude oil and natural gas projects in the U.S. Gulf of Mexico. One of these, known as Tahiti, offers a typical case study in the risks facing this business today in terms of timing, scale and cost. We acquired the Tahiti leases in the 1990s. In 2002, we used leading-edge technology to drill in 4,000 feet of water and found an estimated 400 million to 500 million barrels of recoverable resources. It will take seven years to build the infrastructure required to produce the oil and gas more than a 100 miles offshore. When Tahiti finally comes online next year, we will have invested $4.7 billion--and dedicated personnel and resources for over a decade to manage exploration, permitting, engineering and development --before realizing $1 of return on our investment. Once in production, Tahiti is expected to produce for up to 30 years. Tahiti is expected to add 125,000 barrels of oil and 70 million cubic feet of gas per day to the U.S. domestic supply.

Today in the United States, the major oil and natural gas projects we have under construction have a total peak production capacity of 420,000 barrels per day of oil-equivalent. All these projects are expected to be in production by 2010.

We are also aggressively developing and applying new technologies to extend the life of existing fields. This year we expect to spend nearly $1 billion on the sophisticated technology and ongoing development activities required to produce as many barrels as possible out of our 100-year-old Kern River field in California. This investment in our base business is a very important. Aside from sustaining our capability to provide oil today, these efforts help us understand how complex oil reservoirs work--knowledge and technology that we can apply around the world so that our partners also can enhance their oil recovery from known resources. In fact, one of the reactions to high oil price has been a renewed focus on existing fields industrywide, a trend that is helpful in the near term and should be encouraged.

Chevron is investing in critical downstream refining and marketing infrastructure

We are also investing in our refineries and marketing business to continue to improve our ability to supply the products U.S. consumers need. We are investing $2.3 billion in 2008 in our U.S. downstream assets. Since 2002, we have invested $5.2 billion and we have developed additional production capacity of more than 1 million gallons of transportation fuel production per day. Our investment in U.S. downstream refining and marketing assets in 2007 accounted for almost half of our 2007 global downstream capital expenditures, even though our U.S. operations only accounted for about a quarter of our downstream business earnings. We also are investing in refineries outside the United States, such as Pembroke, Wales, which can produce gasoline to meet U.S. and California specifications.

Chevron's refinery investments have focused on achieving several goals, including upgrading our capability to provide more transportation fuels from more diverse crude oil feedstocks, improving reliability and energy efficiency, enhancing environmental performance of our facilities, and producing cleaner burning fuels.

At present, we are working on major projects at each of our big three U.S. refineries. We are advancing through the permitting process for projects at our El Segundo and Richmond refineries in California. At Chevron's Pascagoula, Mississippi, refinery, construction began this year on a new gasoline production unit. The project will improve equipment reliability and utilization and allow the refinery to optimize product yields. Gasoline production at the refinery is expected to increase by approximately 10 percent, or about 600,000 gallons per day, upon completion of the project in mid-2010.

Focusing on the longer term, we have recently announced a research and development project to further advance refining technology. Known as VRSH, which stands for Vacuum Resid Slurry Hydrocracking, this technology will help us produce transportation fuels from heavy crude oil otherwise used for other lower-grade petroleum products. We spent almost five years working on the project in a lab setting testing the technology. We announced in March that we are beginning work on a pre-commercial plant at our Pascagoula refinery that will take two years to construct. We will learn more about the technology for a few years before we will be able to confirm whether we can build one of these plants at full scale. Once that decision is made, it will take another several years after that to complete. This kind of step-by-step process is needed to ensure we are making the right decisions. They take time.

We are committed to remaining a reliable supplier to our customers, but it is important to remember that investments are sensitive to local permitting decisions and market forces. For example, we hope to soon finalize the plans for the

Richmond refinery project The process of obtaining these permits has already taken more time than constructing a new state-of-the-art refinery we are investing in with partners in India or completing a major refinery expansion in at our joint-venture refinery in Yeosu, Korea.

At a more fundamental level, government policies--such as the recently passed energy bill with its very ambitious program for renewable fuels--have created new uncertainties over how much additional U.S. refining capacity may be needed to meet future U.S. demand. Nonetheless, we are aggressively investing in the critical energy infrastructure this nation needs to continue to reliably supply fuels to customers.

Diversifying energy and fuel sources

At the same time that we are investing at the forefront of traditional energy such as oil and gas, we also are pursing advances in renewable technologies that are needed to help diversify supply and meet the challenges of tomorrow. To add to domestic energy resources, Chevron and many other companies are making investments in renewable energy. Since 2002, Chevron has spent more than $2 billion to develop renewables and energy efficiency services. Between 2007 and 2009, our spending on renewable technologies and energy efficiency solutions will be an additional $2.5 billion.

Chevron is investing in new technology to unlock the enormous potential of cellulosic ethanol. In 2006, we formed a biofuels business to advance technology and pursue commercial opportunities related to the production and distribution of ethanol and biodiesel in the United States. We recently announced a joint venture with Weyerhaeuser Corporation to pursue the research necessary to commercialize production of biofuels from nonfood sources. Catchlight Energy will work to develop technology that will lead to commercial biofuels production.

And more research is needed. We have strategic biofuels alliances with Georgia Tech, UC Davis, Texas A&M, the U.S. Department of Energy's National Renewable Energy Lab and the Colorado Center for Biorefining and Biofuels. We also are participating with AC Transit in the San Francisco Bay Area (California) on a zero-emission hydrogen bus project.

Chevron is taking aggressive steps to increase energy efficiency

The energy challenges we face, globally or in the United States, cannot be met by addressing only the supply side. It is also important for all of us to realize that the most readily accessible source of new energy is conservation and efficiency. At Chevron, we embrace conservation as an important business strategy, and we are in our 17th year of a focused effort to increase our own energy efficiency. Since 1992, we have increased energy efficiency by 27 percent.

And through Chevron Energy Solutions (CES), we are delivering energy efficiency projects that benefit federal, state and local governments; the public; and the environment. CES has completed over 800 projects involving energy efficiency and renewable power in the United States. These projects have accounted for over $1 billion in energy and operational savings, helping clients lower their energy consumption and costs by nearly 30 percent on average.

Chevron Energy Solutions has implemented energy efficiency, energy management and related energy improvements at government facilities across the United States. These projects include U.S. military bases such as: Beale Air Force Base, California; Department of the Navy, Marine Corps Logistics Base, Georgia; Department of the Army, Picatinny Arsenal, New Jersey; and the Department of the Army, Corpus Christi Army Depot, Texas. CES also has developed energy efficiency, solar power and clean energy projects for the U.S. Postal Service, including its Processing and Distribution Center in Oakland, California, and Mail Processing Facility in San Francisco, California. Another California solar project at Contra Costa Community College near San Francisco is the largest of its kind at an institution for higher learning in North America. The project, when completed, will generate 3.2 megawatts of solar power and will save the college $70 million in energy costs over 25 years.

The National Petroleum Council Study: Urgent action is needed

There is no single or short-term solution to satisfy the world's growing appetite for energy--or to prevent the United States from being affected by the global energy dynamic. We are in a new energy era, one defined by increased demand and constrained supply.

We need a range of realistic solutions, and we need them at scale.

We literally need all the energy we can develop and to use energy more wisely. This includes oil, natural gas, coal and nuclear power. It also includes renewables. And, just as important, it includes a focus on energy efficiency. The U.S. Energy Information Agency forecasts that over the next 25 years oil, coal and natural gas will provide roughly the same 86 percent of the world's total energy mix as they do today. The energy industry and other parties are making investments in all these areas, and it is important that they continue. All are needed to provide important additions to our energy supply portfolio. And all will play an important role in meeting increased energy demand.

At a time when more supply is needed, the United States has been reluctant to access some of its own resources. Chevron and others have been talking about the constrained supply-demand dynamic for the last several years, urging greater access to U.S. resources, onshore and offshore--especially given the time it takes for projects to come onstream. Instead, we have been increasing our demand on exporting countries because of policy decisions made here at home. Any serious measures toward energy security must seek to reverse this equation. As the world's largest consumer of energy, actions we ask of other producers must be matched at home.

Energy underpins every aspect of our society and our growing economy. The scale and breadth of the U.S. energy system is unsurpassed in the world, as is our energy demand, which is forecast to soon to need 1 million barrels of oil an hour of supplies. A sustained, reliable supply is essential, and that is achieved by bolstering supplies and moderating demand. The Energy Independence and Security Act of 2007 had important measures to moderate demand. However, it missed taking the additional step we believe is also urgently needed-- improved access to "off-limits" oil and natural gas resources that we will need 10, 20 and 30 years from now.

Last summer, the National Petroleum Council (NPC) issued a sobering study called "Facing the Hard Truths About Energy," which outlines a comprehensive, integrated approach to U.S. energy security. The NPC study is a broad-based consensus effort representing the views of an impressive range of experts and stakeholders. Input was sought from more than 1,000 other stakeholders, in the U.S. and abroad; there were 350 participants with backgrounds in all aspects of energy including efficiency, economics, geopolitics and environment; 65 percent of participants were from outside the oil and gas industry, including nongovernmental organizations, academia, government, environmental and financial.

The NPC study highlights the need for an integrated national strategy given accumulating risks to the supply of reliable, affordable energy. The study highlights a number of "hard truths":

? Coal, oil and natural gas will remain indispensable to meeting total projected energy demand growth.

? The world is not running out of energy resources, but there are accumulating risks to continuing expansion of oil and natural gas production from the conventional sources relied upon historically. These risks create significant challenges to meeting projected energy demand.

? To mitigate these risks, expansion of all economic energy sources will be required, including coal, nuclear, renewables, and unconventional oil and natural gas. Each of these sources faces significant challenges--including safety, environmental, political, or economic hurdles--and imposes infrastructure requirements for development and delivery.

? "Energy independence" should not be confused with strengthening energy security. The concept of energy independence is not realistic in the foreseeable future, whereas, U.S. energy security can be enhanced by moderating demand, expanding and diversifying domestic energy supplies, and strengthening global energy trade and investment. There can be no U.S. energy security without global energy security.

? A majority of the U.S. energy sector workforce, including skilled scientists and engineers, is eligible to retire within the next decade. The workforce must be replenished and trained.

? Policies aimed at curbing CO2 emissions will alter the energy mix, increase energy-related costs and require reductions in demand growth.

The NPC study sets forth five core strategies to assist markets in meeting the energy challenges to 2030 and beyond. The United States must:

1. Moderate the growing demand for energy by increasing efficiency of transportation, residential, commercial and industrial uses.

2. Expand and diversify production from clean coal, nuclear, biomass, other renewables, and unconventional oil and natural gas; moderate the decline of conventional oil and natural gas production; and increase access for development of new resources.

3. Integrate energy policy into trade, economic, environmental, security and foreign policies; strengthen global energy trade and investment; and broaden dialogue with both producing and consuming nations to improve global energy security.

4. Enhance science and engineering capabilities and create long-term opportunities for research and development in all phases of the energy supply and demand system.

5. Develop the legal framework to enable carbon capture and sequestration (CCS). In addition, as policymakers consider options to reduce CO2 emissions, provide an effective global framework for carbon management, including establishment of a transparent, predictable, economy-wide cost for CO2 emissions.

The study further recommended that markets should be relied upon wherever possible to produce efficient solutions. Where markets need to be bolstered, policies should be implemented with care and consideration of possible unintended consequences.

The study is a catalyst for action. And action is needed now on all of the recommendations.

Changing the conventional wisdom on energy

We welcome serious dialog about measures that can be taken to help the consumer deal with these rising energy and fuel prices and develop a comprehensive energy policy.

Let me reiterate that the NPC study has given us sound, sensible and achievable solutions. To successfully implement these recommendations, we need to change our conventional wisdom about energy development and its use.

First, we need to value energy as a precious resource. Energy efficiency is the most immediate and important action that each of us can take to contribute to rising energy prices. The United States must become a nation of energy savers. In short we need a "Made in America" solution enabled by everything from human ingenuity, to "smart" buildings, to advanced vehicles and transportation systems. Increased energy efficiency and conservation will help reduce demand for energy and will reduce pressures on the system. Markets are indicating U.S. consumers are already taking action. Congress has a critical role to play to engage the U.S. public and put the United States at the forefront of responsible energy use.

Second, we need all the energy we can get from every available source. We must continue to bring traditional energy supplies to market, and invest in the critical energy infrastructure this nation needs, even as we are developing alternatives sources of energy.

Third, on the supply side, we need your help to open up the 85 percent of the Outer Continental Shelf that is now "off limits" to environmentally responsible oil and gas exploration and development. We cannot expect other countries to expand their resource development to meet America's needs when our government limits development at home. Along with access, it is also important to streamline permitting processes to enable new resource development, additional recovery in existing fields and continued investment in critical downstream infrastructure to progress in a reasonable timeframe.

Fourth, I would encourage careful evaluation of policies that can lead to unintended consequences and create inefficiencies in the gasoline supply system. Today we have 17 "boutique" fuel requirements across the country, requiring us to blend unique gasoline products for different states and different localities. More requirements on fuels are being added through renewable fuel mandates and proposed climate policies. For example, we are under a mandate to include rising levels of corn-based ethanol in our gasoline products and, over time, add significant quantities of cellulosic ethanol. At the same time that we are accommodating these new mandates, policymakers have proposed legislation to reduce greenhouse gas emissions that again is disproportionately burdensome on the transportation fuels sector. We urge you and your colleagues to reflect on how to advance these important national policies without inadvertently disrupting our ability to provide the gasoline and transportation fuels that the United States needs. Rationalization of these multiple requirements will create greater efficiencies in the fuel supply system.

Finally, we urge you to reject punitive measures on our industry. Regardless of intent, these will diminish our ability to invest in the long term solutions critical to maintaining this country's energy infrastructure and supplies, as well as our ability to develop diverse energy resources for the future. As reported recently by the Congressional Research Service, a similar measure in the 1980s resulted in lower domestic production and increased dependence on foreign sources. 2 Put simply, actions drawn more from emotion than sound policy will hurt everyone.

American energy companies operate at the frontier of geography, geology and technology. As the world's largest energy consumer, and as a country blessed with rich natural resources, Americans need our ingenuity and your leadership. With your help we can continue to develop the critical energy supplies and infrastructure needed to supply this nation and support this economy. Our collective actions today will demonstrate leadership on issues that are within our control. They will bolster us today, prepare us for tomorrow and set in motion a wave of innovation and responsible development for many years to come - to help us weather the powerful forces we cannot control.

How we as a country deal with our energy future is nothing less than an urgent matter of our energy and national security

Ultimately, polices should recognize the interdependence of the United States within the global energy system, while at the same time capitalizing on our country's own extensive energy endowment. These are not insignificant challenges, and they will require leadership and collaboration. We look forward to working with you to address these challenges.

Chevron will continue to do its part.

Thank you.

1 Federal Trade Commission, "The Petroleum Industry: Mergers, Structural Change and Antitrust Enforcement," August 2004

2 (Salvatore Lazzari, "The Crude Oil Windfall Profit Tax Of The 1980s: Implications for Current Energy Policy," Congressional Research Service, 3/9/06)