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Committee on the Judiciary
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Thank you Chairman Leahy, Ranking Member Specter, and members of the Committee.

Energy is essential to the U.S. economy and is a topic on many Americans' minds. They are raising important questions about how our industry is helping meet their vital energy needs at competitive prices.

I welcome the opportunity to respond to these questions, and to clear up some misconceptions regarding our industry. And to this end, I would like to make two points during my allotted time.

First, the prices Americans pay at the pump reflect the dynamics of an enormous, international market for energy – which means that in order for American energy companies like ExxonMobil to successfully compete, it is vital that we have sufficient financial strength and scale.

To meet the world's growing demand for energy of all types, an estimated total investment of \$22 trillion is needed between 2006 and 2030 – or roughly eight times the size of the estimated 2007 federal budget.

Within this vast global marketplace, competition is fierce. ExxonMobil is the largest U.S. oil and gas company – but we account for only two percent of global energy production, only three percent of global oil production, only six percent of global refining capacity, and only one percent of global petroleum reserves. With respect to petroleum reserves, we rank 14<sup>th</sup>. Government-owned national oil companies dominate the top spots.

For an American company to succeed in this competitive landscape and go head-to-head with huge, government-backed national oil companies, it needs financial strength and scale to execute massive, complex energy projects requiring enormous, long-term investments.

To simply maintain our current operations and make needed capital investments, ExxonMobil spends nearly one billion dollars a day.

Over the past 25 years, we have invested \$355 billion dollars in new energy projects – which is more than we earned during this same period. Over the next five years, we plan to invest at least \$125 billion more.

Our profitability in absolute terms is large, but it must be viewed in the context of the massive scale of our industry, and our dependence on high earnings in the current up cycle to sustain the huge investments required over the longer term.

The second point I would like to make addresses the concerns your constituents and our customers have about where their gas dollars are going.

Last year, the average price in the United States of a gallon of regular unleaded gasoline was around \$2.80.

On average, in 2007 approximately 58 percent of the price reflected the amount paid for crude oil.

Consumers pay for that crude oil – and so do we. Of the 2 million barrels per day ExxonMobil refined in 2007 here in the United States, 90 percent were purchased from others. Last year we spent over \$40 billion ourselves buying crude oil and feedstocks on the open market to fill our U.S. refineries.

Fifteen percent of the average price Americans paid at the pump last year reflected the amount collected in federal, state and local taxes.

The remaining 27 percent reflected refining, marketing and transportation.

For our refining and marketing business, that 27 percent would be more than 23 percent costs and less than 4 percent earnings — which translates to earnings of only about 10 cents per gallon of product sold. That is about one quarter of the amount claimed by taxes.

Since last year, the increase in gasoline price – and more – can be attributed to the rise in the cost of crude oil. Product prices have not risen as much as crude oil, so industry margins have been reduced. In fact, our U.S. refining and marketing earnings have actually been <u>cut</u> by more than half compared to last year, to approximately 4 cents a gallon sold.

Our margins are tight because our industry is very competitive. The Federal Trade Commission and other government agencies have repeatedly confirmed this fact.

When energy prices are high, the urge to point fingers at oil companies is strong.

But undercutting the ability of American companies like ExxonMobil to compete in a huge global marketplace only makes it harder for Americans to secure the energy they need at competitive prices.

We should instead work together to strengthen U.S. competitiveness and meet the needs of the American people we all serve.

Thank you.