Rex W. Tillerson
Chairman and CEO, Exxon Mobil Corporation
Senate Judiciary Committee Hearing
March 14, 2006

Thank you Chairman Specter, Ranking Member Leahy, and members of the Committee. I am pleased to appear before you today.

Energy is a topic on many Americans' minds. We know that your constituents need reliable supplies of affordable energy to fuel their vehicles, heat their homes, and run their businesses. And we know that they are raising important questions about how our industry is helping them meet these needs. After all, your constituents are our customers.

I welcome the opportunity to respond to these questions and yours today.

With respect to the Committee's specific question – whether mergers and acquisitions in our industry have contributed to higher prices at the pump – my answer is no.

In our view, the fundamental question is:

If Americans are to continue to have access to secure, affordable energy from today's global marketplace, what qualities must U.S. energy companies have to successfully compete?

First, we need companies that have the <u>scale</u> to manage a large and diverse portfolio of global projects and to compete with large foreign and government-owned companies.

Second, we need companies that have the financial strength to undertake the risk involved to make the enormous investments required to develop future energy supplies.

And third, we need companies committed to developing and utilizing leading-edge technologies to enable them to bring harder-to-reach resources to market. Furthermore, competitive companies must have the financial resources to make significant investments over time in research and development of new technologies to meet ever-changing environmental expectations.

I know at ExxonMobil we must utilize every aspect of our scale, all of our financial strength, and all of the talent and know-how of our 84,000 employees around the world in order to compete for access to new resources and to provide Americans with the energy they need.

Let's begin with scale. To understand why this is important, it is worth looking at the size of our market and the nature of our foreign competition.

Every day, consumers around the globe use 230 million barrels of oil equivalent from all energy sources. On a worldwide scale, oil is consumed at a rate of 40,000 gallons every second.

In the amount of time it takes me to make this brief statement, Americans alone will have consumed 6 million gallons of oil to drive to work, take their children to school, heat their homes, and perform countless other everyday tasks.

At current market prices, the bill for the world's oil and natural gas consumption is more than $2.5 trillion a year. That's greater than the U.S. government's entire annual budget in 2005.

Call it the law of large numbers. Each unit of energy consumption is relatively small. But multiplied by the billions of people who consume these units daily, it adds up to the world's largest industry, with enormous volumes, revenues, costs, earnings and investments.

ExxonMobil is the largest non-government company in this industry, so naturally our financial numbers are large, too.

The most obvious example is our earnings – over $36 billion last year. No doubt about it, we had an unusual and outstanding year. Even so, we earned less than 10 cents per dollar of sales. Many large industries earned in excess of 18 cents per dollar of sales last year.[1] And I'm not here to say that's a bad thing.

To understand how our earnings top other industries but our margins do not, it's worth talking through the math.

Our revenues are large because we deal in tremendous volumes. But our costs – including taxes – are large, too. Last year, our costs totaled $335 billion. Subtract costs from revenues, and that leaves us with less earnings per dollar of sales than many other industries, even during periods of high prices. Moreover, we invest much of these earnings in developing future opportunities, most of which take a decade or more to show a return.

The bottom line is that the global market for energy is enormous. And it is rapidly getting larger. The International Energy Agency estimates that the world will need close to 50 percent more energy in 2030 than we currently use today.

[1] See, e.g., Appendix A, *How Do Oil Industry Earnings Compare to Other Industries?*

Why? Because, as economies grow, so do their energy needs. That is certainly true for developing countries like China and India. But it also holds for developed countries like ours.[2]

America's demand for energy, and oil in particular, has stirred controversy.

We should recognize, however, that ready access to competitively-priced energy has been the foundation of our nation's economic success and an engine of tremendous job creation. It is an important part of the American Dream, and vital to building better lives for our children and grandchildren.

Now, within this rapidly growing marketplace, the competition is intense.

It includes many foreign government-owned national oil companies. In fact, seven of the top ten oil and gas companies worldwide today, as measured by liquid production, are state-owned.[3] ExxonMobil is the largest non-government energy company – and we rank number five on the list. No other American company is in the top ten.

Increasingly, these national oil companies, benefiting from government support and preferential access to resources, are not only producing their own nations' reserves, but also competing against non-government companies like ours for access to *other* nations' resources.

For an American company to succeed in this kind of competitive landscape, it needs scale.

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[2] See, Appendix B, *Growing World Energy Demand*

[3] *Petroleum Intelligence Weekly (12/12/05),* Largest Crude Oil Producers 2004

ExxonMobil's scale enables us to put highly skilled professionals using the best technology on the most promising projects worldwide at competitive costs.

Having said that, we are not disproportionately large relative to the global market as a whole.

In fact, today we account for a *smaller* share of the world's total energy production than Exxon and Mobil together did eight years ago.

And what percentage of the world's total energy do we now produce? Believe it or not, less than two percent.[4]

It would take about 55 companies the size of ExxonMobil to meet today's world energy demand.

So the first requirement to successfully compete and manage the risks of these huge investments is scale. The second is financial strength.

Because of the scale, long-term scope and capital-intensive nature of our business, it involves enormous cash flows. Last year, ExxonMobil alone incurred $335 billion in costs. That's more than the federal government's entire Medicare bill in 2005.

Taxes are an important component of these costs. In fact, over the past five years, our U.S. tax bill, including all forms of taxation, *exceeded* our U.S. earnings by $22 billion. And with two-thirds of our operations outside the United States, our total worldwide tax bill last year was nearly $99 billion. That excludes the significant revenues host governments, including governments in the United States, receive through royalties.

[4] See, Appendix C, *ExxonMobil -- What Percentage of the World Energy Market?*

But the largest component of our costs is crude oil. Last year we spent $185 billion buying crude and products – making us the largest single net buyer of refining feedstock.

You might find that surprising, given that we are a major oil producer.

We do not, however, produce nearly enough to sufficiently feed our refineries. We produce about 2.5 million barrels of crude oil a day – about 3.5 million barrels less than we refine.

Understanding our costs helps put the prices Americans pay at the pump in perspective.

Last year, the average price in the United States of a gallon of regular gasoline was around $2.27.

On average, approximately 53 percent of that price reflects the amount paid for crude oil.

Twenty percent, on average, reflected the amount we paid in federal, state and local excise taxes.

The remaining 27 percent reflected refining, marketing and transportation. [5]

For our company, that 27 percent would be about 23 percent costs and about 4 percent earnings.

In other words, we only earned about 10 cents a gallon in our U.S. refining and marketing operations.

[5] See, Appendix D, *Where Do Your Gas Dollars Go?*

So, as you can see, the price we pay for crude oil in the global marketplace is the primary factor in the price Americans pay for gasoline.

Another important way we use our financial strength is in investing in future energy supplies for American consumers.

The International Energy Agency estimates that over $6 trillion in oil and gas investment will be needed for the period 2004 through 2030 to meet the world's growing energy demand.[6]

That is nearly half the size of the entire U.S. economy.

To help meet this need, ExxonMobil is investing at record levels. Over the last five years, we've invested $74 billion – a third of it here in North America, more than any other continent.[7]

We are investing in a $14 billion project to increase supplies of Liquefied Natural Gas, much of it bound for the United States.

Our investments in West Africa have, over the last three years, increased crude production capacity by more than 1 million barrels a day gross from that one region alone.

We have also invested $3.3 billion over the last five years in our U.S. refining operations, mostly to comply with new fuel quality standards.

And through efficiency gains and technology, we have increased our U.S. refining capacity faster than the industry average. Over the last ten years, our capacity expansions in the United States equate to three new, average-sized refineries.

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[6] See, Appendix E, *Total World Energy Investment Required: $17 Trillion*
[7] See, Appendix F, *ExxonMobil Investments 2001 - 2005*

For the future, we anticipate our investments through the end of this decade to approach $20 billion each year.

Compare our investment numbers to our earnings over time. Over the last fifteen years, our investments – totaling $210 billion – have *exceeded* our cumulative earnings.[8] That's right. For the period of 1991 to the present, we have invested more than we have earned.

Although scale and financial strength are needed, U.S. energy companies also need to continue to develop and deploy new technologies.

For ExxonMobil, this is not only the lifeblood of our future, but one of the hallmarks of our past success.

Technology is the great enabler to access the world's ever more challenging oil and gas resources.

It enables us to drill in water deeper than the Empire State Building is tall… bore horizontal wells under the ocean floor a distance from here to Alexandria, Virginia… and operate in temperatures colder than the all-time record lows of nearly every state in the Union.

And it enables us to develop and use these resources in a safe and environmentally-sound way.

Our approach to developing new technology is three-pronged.

In the short term, we are developing and deploying the new capabilities needed to access challenged resources and extending efficiencies to reduce greenhouse gas emissions.

[8] See, Appendix G, *ExxonMobil Long-Term Earnings and Investment History*

In the medium term, we are partnering with others to develop ways to help build engines and blend fuels that are cleaner and more efficient.

And over the long term, through projects such as the Global Climate and Energy Project at Stanford University, we are funding breakthrough efforts to accelerate development of commercially-viable energy technologies that can lower emissions on a worldwide scale.

Over the past five years, we have invested over $3 billion on these combined R&D efforts. That's nearly $2 million a day.

Such investments enable us to better access frontier resources – such as tight gas and oil sands found here in North America – and to produce energy for Americans faster, cheaper, cleaner.

Let me give you an example of our scale, investment and technology at work for Americans – the Alaska Natural Gas Pipeline.

If this historic transcontinental infrastructure project proceeds as we hope – and with the support of Congress, the executive branch, and the State of Alaska – it will create 6,500 jobs, entail some 54 million hours of work, and require between 5 and 6 million tons of steel.[9]

It will be the largest construction project of any kind ever undertaken in North America.

Along with our partners BP and ConocoPhillips, we look forward to seeing this project advance to the next phase.

[9] See, Appendix H, *Alaska Natural Gas Pipeline Project*

When it is completed, hopefully 10 to 12 years from now, it will provide Americans with a long-term, stable, secure new supply of clean-burning natural gas.

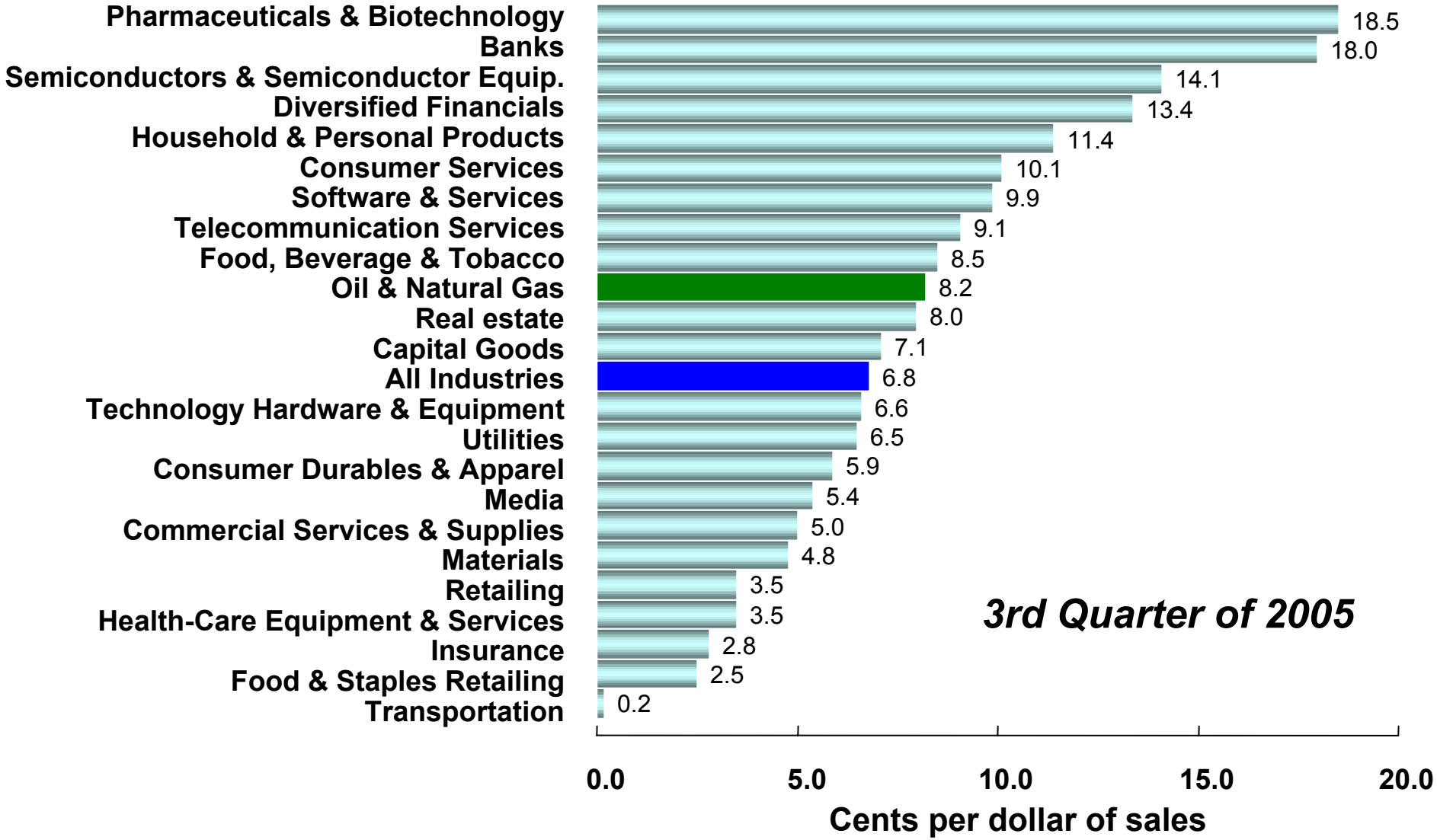
It will involve a massive investment – well over $20 billion, divided among ExxonMobil and our partners. We are able to undertake this risk and massive investment because we have the sufficient scale and financial strength.

In conclusion, when we look at the challenges ahead, we need U.S. energy companies that have the scale and financial strength to make the investments, undertake the risks, and develop the new technologies necessary to provide Americans with greater energy access and greater energy security.

ExxonMobil is one such energy company. And that is something our shareholders, our employees, our customers and our fellow Americans can be proud of.

Thank you.

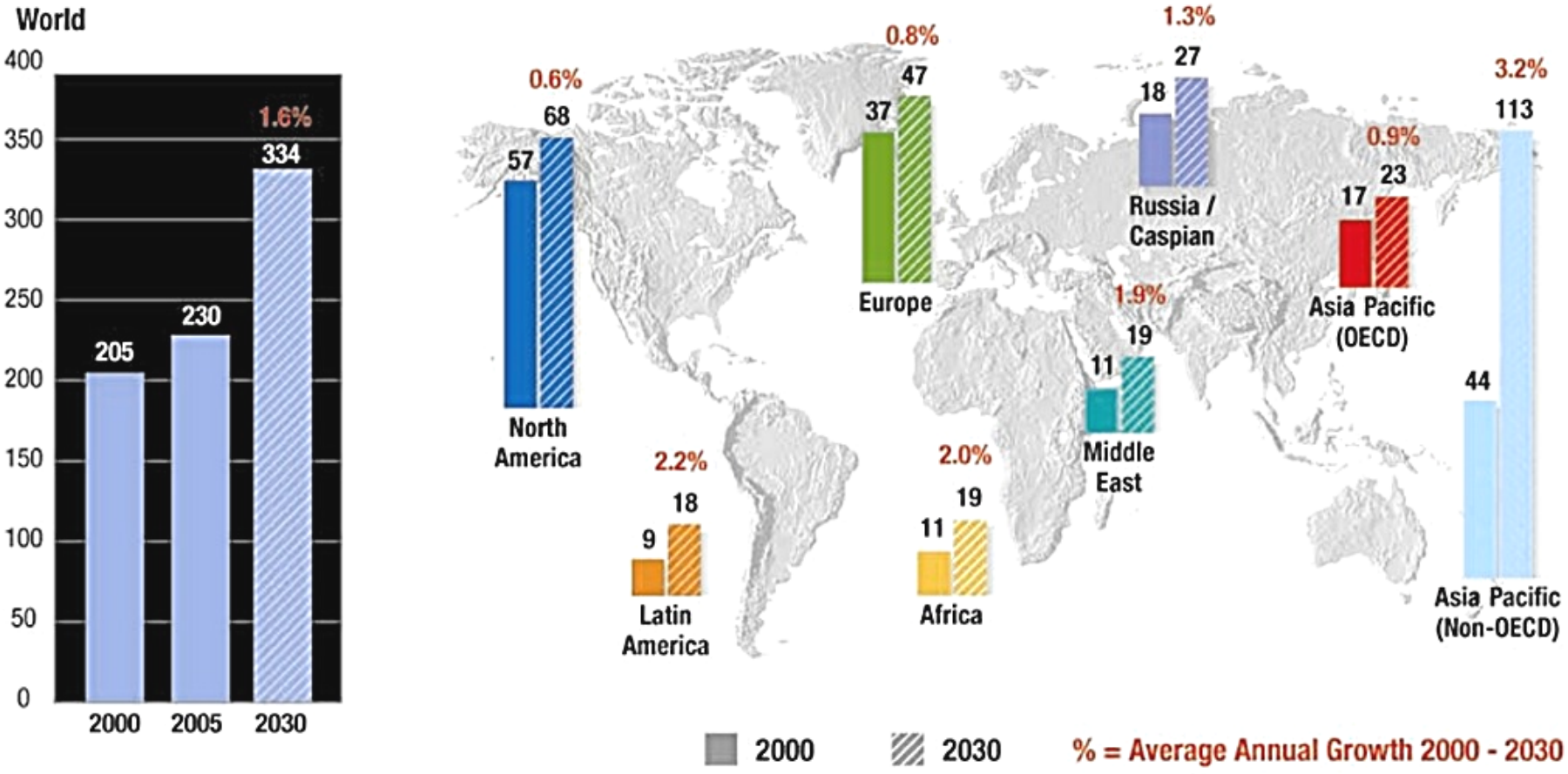
How Do Oil Industry Earnings Compare to Other Industries?



Source: Company filings as reported by Oil Daily for the oil and gas industry, and by Pricewaterhouse Coopers LLP from data compiled by Standard and Poor's Compustat for all other industries.

Growing World Energy Demand

Millions of Barrels per Day of Oil Equivalent (MBDOE)

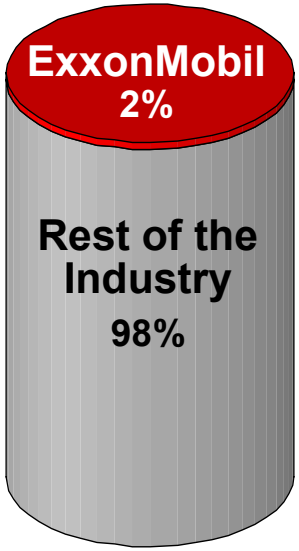


Source: ExxonMobil Outlook for Energy (2005)

ExxonMobil - What Percentage of the World Energy Market ?

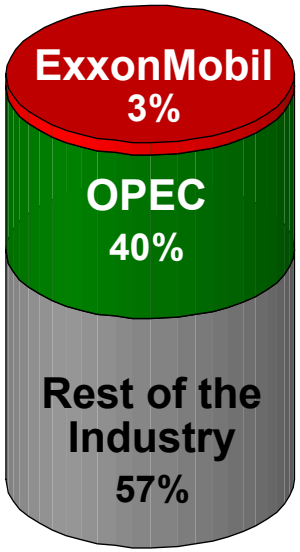
2005

Worldwide Total Energy



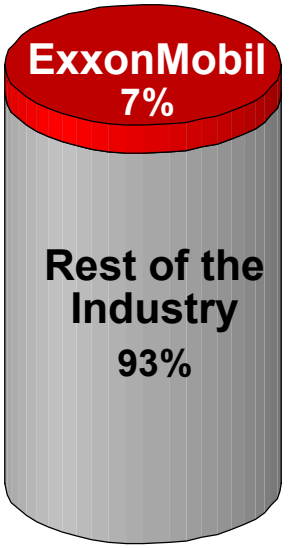
230 MBDOE

Worldwide Oil Production



84.1 MBD

Worldwide Refining Capacity

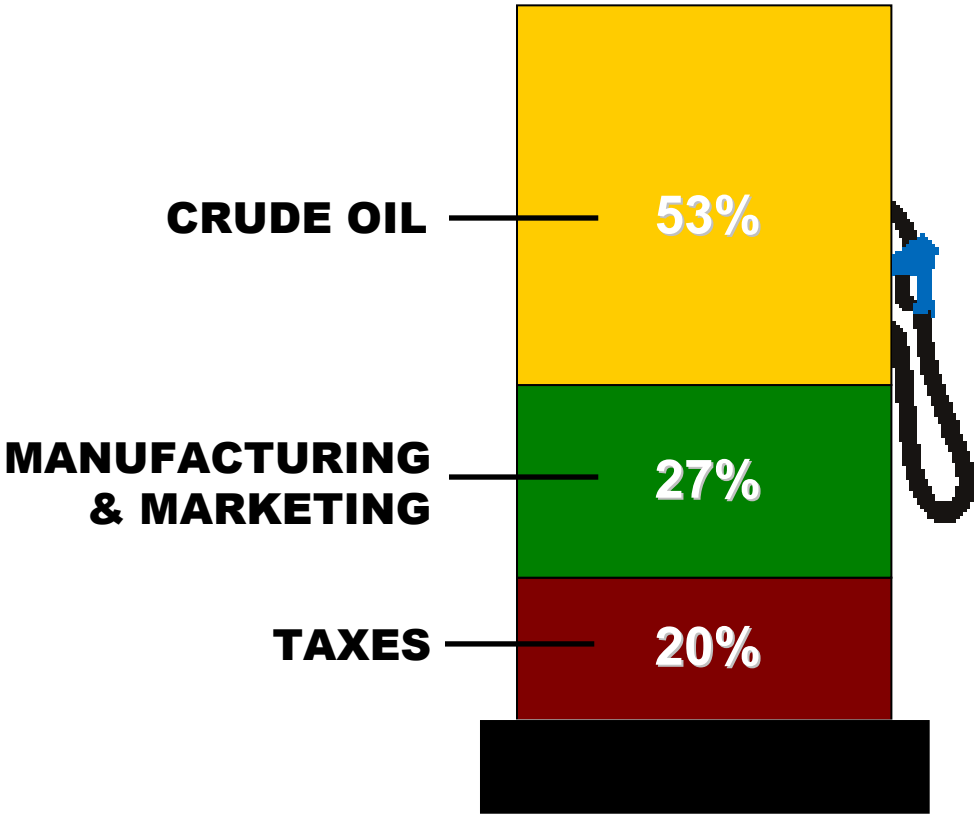


85.0 MBD

Source: EM Financial Reports, IEA, Oil & Gas Journal

Where Do Your Gas Dollars Go?

Average U.S. gasoline price: 2005

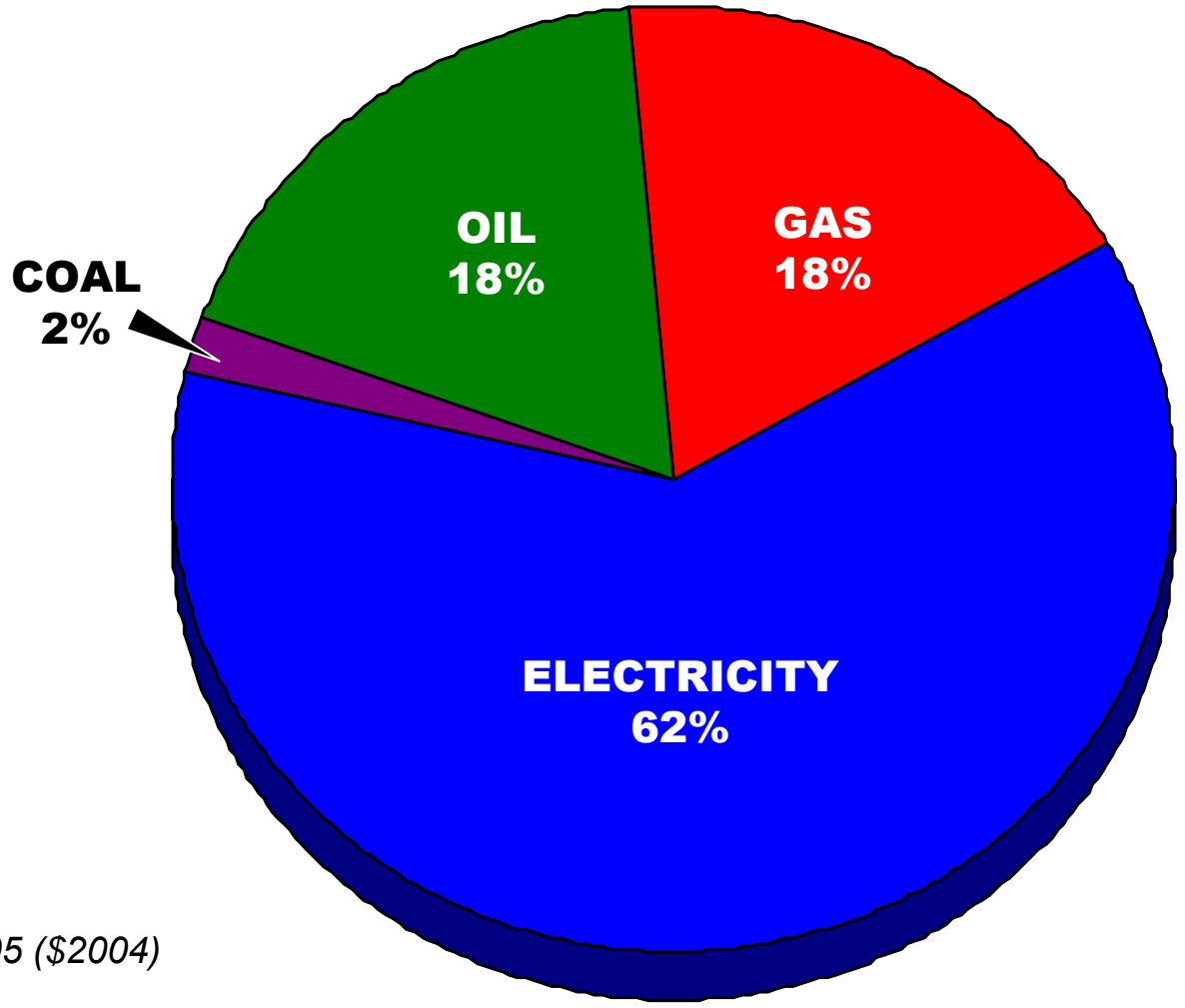


Source: Energy Information Administration, U.S. Dept. of Energy. The average 2005 price for a gallon of regular gasoline was $2.27.

Total World Energy Investment Requirement: $17 Trillion

World Energy Investment 2004-2030

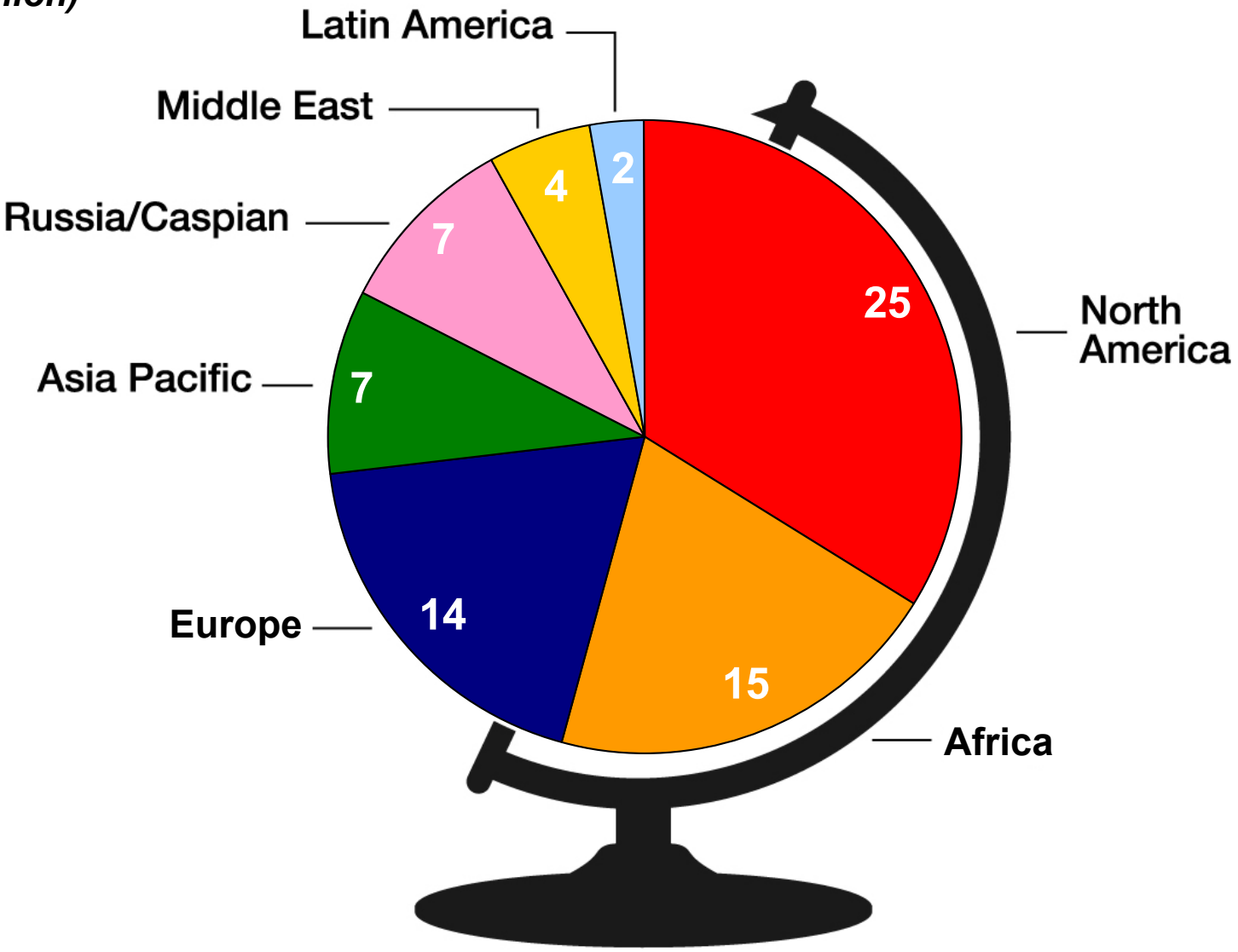
Over $200 billion per year required in Oil and Gas



Source: IEA 2005 ($2004)

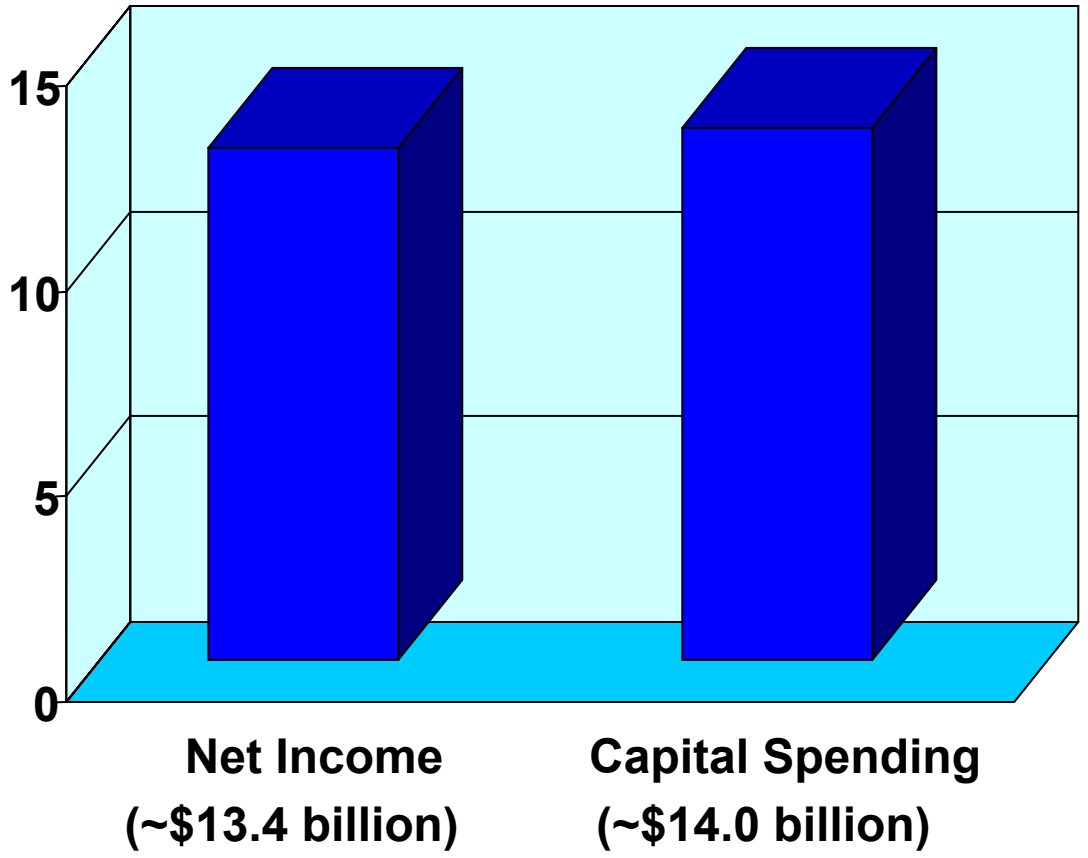
ExxonMobil Investments 2001-2005 ($74 Billion)

($U.S. billion)



ExxonMobil Long-Term Earnings & Investment History

15 Yr. Annual Average '91-'05 ($US Billion)



Source: EM Financial Reports

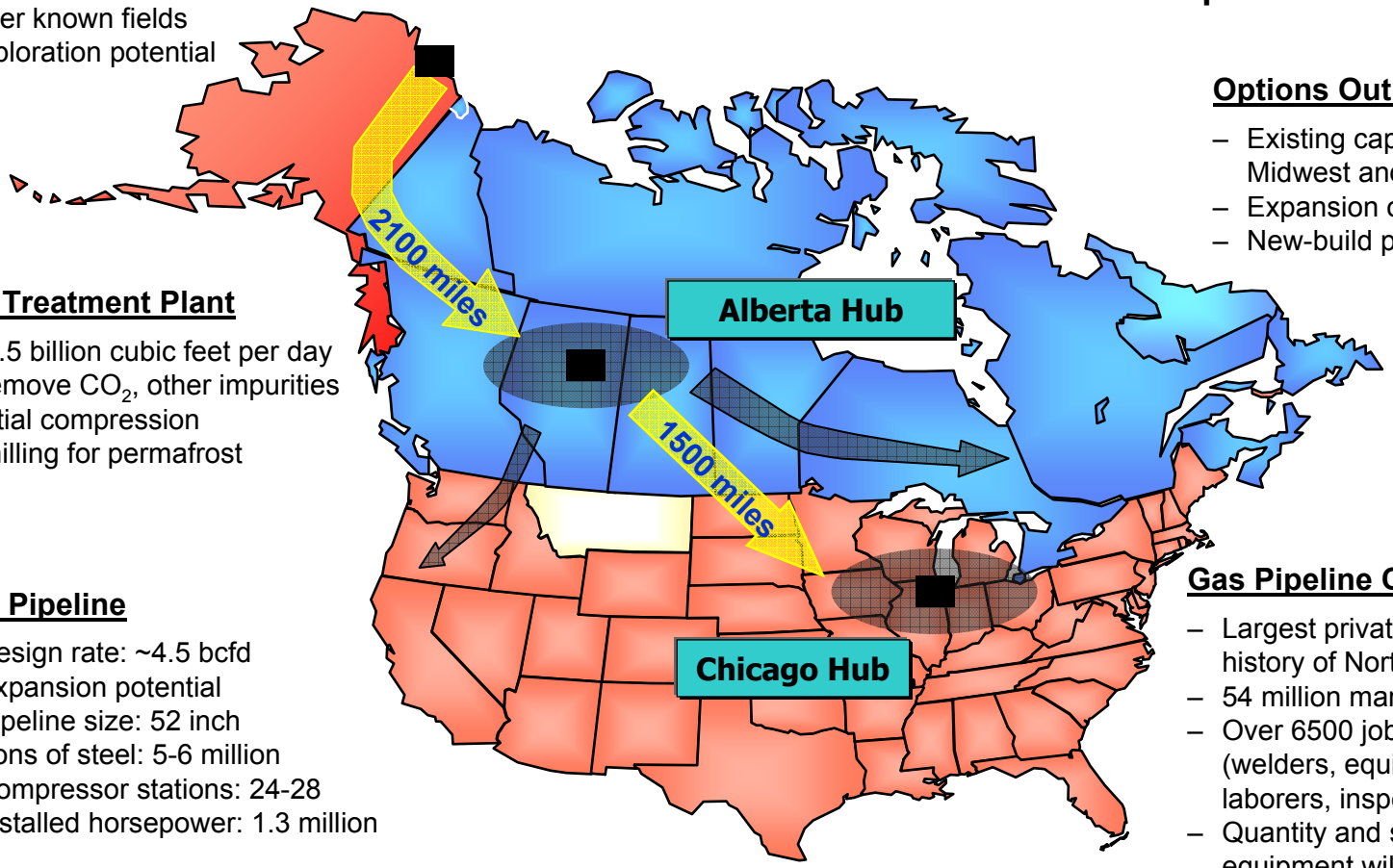
Alaska Natural Gas Pipeline Project

Total Project Costs ~ $20* billion +

State Ownership Investment ~ $4* billion

The Resource

- ExxonMobil is largest holder of ANS discovered gas resource
- Prudhoe Bay, Point Thomson and other known fields
- Exploration potential



Options Out of Alberta

- Existing capacity to West Coast, Midwest and East Coast markets
- Expansion of existing systems
- New-build pipeline to Chicago

Gas Treatment Plant

- ~4.5 billion cubic feet per day
- Remove CO_2, other impurities
- Initial compression
- Chilling for permafrost

Gas Pipeline

- Design rate: ~4.5 bcfd
- Expansion potential
- Pipeline size: 52 inch
- Tons of steel: 5-6 million
- Compressor stations: 24-28
- Installed horsepower: 1.3 million

Gas Pipeline Construction

- Largest private construction project in history of North America
- 54 million man hours of construction
- Over 6500 jobs in Alaska and Canada (welders, equipment operators, laborers, inspectors, etc.)
- Quantity and size of construction equipment will stretch industry capacity (trenchers, bulldozers, sidebooms, etc.)

*** In 2001$**