

ONE HUNDRED ELEVENTH CONGRESS  
**Congress of the United States**  
**House of Representatives**  
COMMITTEE ON ENERGY AND COMMERCE  
2125 RAYBURN HOUSE OFFICE BUILDING  
WASHINGTON, DC 20515-6115

Majority (202) 225-2927  
Minority (202) 225-3641

June 12, 2010

MEMORANDUM

**To: Members of the Subcommittee on Energy and Environment**

**Fr: Energy and Environment Subcommittee Staff**

**Re: Hearing entitled “Drilling Down on America’s Energy Future: Safety, Security and Clean Energy.”**

On Tuesday, June 15, 2010, at 9:30 a.m. in Room 2123 of the Rayburn House Office Building, the Energy and Environment Subcommittee will hold a hearing entitled “Drilling Down on America’s Energy Future: Safety, Security and Clean Energy.” The top executives of the five largest oil companies will testify regarding the impacts of the nation’s dependence on oil, the safety of drilling operations and the ongoing oil spill in the Gulf of Mexico, and actions to develop and promote the use of renewable and alternative energy sources that can reduce our overall dependence on oil.

**I. BACKGROUND**

*Energy Prices*

Oil prices have increased substantially over the last decade. In 2001, the average price of oil was just under \$26 per barrel. In 2008, oil prices averaged above \$99 per barrel for the year and reached a high of \$147 per barrel during the summer. Oil prices are currently above \$70 per barrel.

**Table 1 – Cushing, OK WTI Spot Price FOB (Dollars per Barrel)<sup>1</sup>**

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Avg. Price</b>	30.38	25.98	26.18	31.08	41.51	56.64	66.05	72.34	99.67	61.95

<sup>1</sup> EIA, Available at: <http://tonto.eia.doe.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=rwtc&f=a>

Increasing oil prices correspond to an increase in the retail price of motor gasoline. For 2001, the nationwide average for retail gasoline was \$1.42. For 2008, gas prices averaged \$3.25 with a high of \$4.11 in July 2008. Gasoline prices are currently averaging \$2.73.

**Table 2 -- U.S. Regular All Formulations Retail Gasoline Prices (Cents per Gallon)<sup>2</sup>**

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Avg. Price</b>	148.4	142.0	134.5	156.1	185.2	227.0	257.2	279.6	324.6	235.3

*Energy Security*

The United States' dependence on foreign oil has also increased over time. In 1995, the United States imported 45 percent of its oil. By 2008, that number had increased to 57 percent.<sup>3</sup> As a result, the U.S. economy spent roughly \$900 billion on petroleum products in 2008.<sup>4</sup> While prices and consumption have decreased in 2009 as a result of the economic downturn, the United States still imported nearly 52 percent of the oil it consumed last year. The United States possesses only 2 percent of the world's proven oil reserves but consumes roughly 25 percent of the world's oil.

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<sup>2</sup> EIA, Available at:  
[http://www.eia.doe.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=mg\\_rt\\_us&f=a](http://www.eia.doe.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=mg_rt_us&f=a)

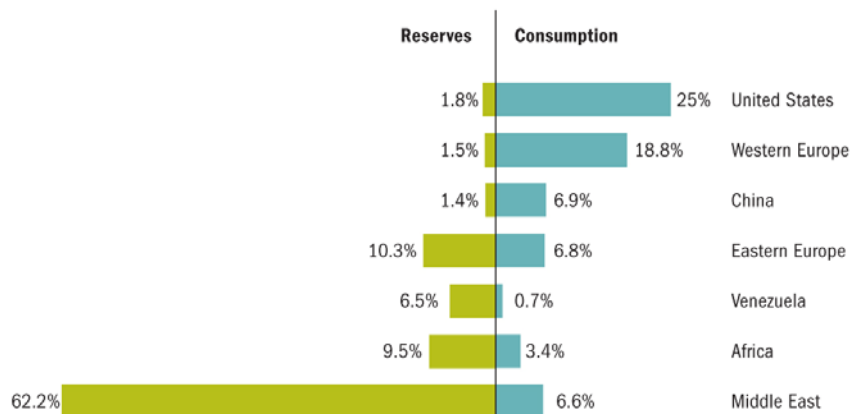
<sup>3</sup> EIA, *Annual Energy Outlook 2010*, (May 2010) (online at [www.eia.doe.gov](http://www.eia.doe.gov))

<sup>4</sup> [www.electrificationcoalition.org](http://www.electrificationcoalition.org) Coalition, *Electrification Roadmap* (Nov 2009) (online at [www.electrificationcoalition.org](http://www.electrificationcoalition.org)) Petroleum prices and petroleum consumption were lower in 2009 as a result of the recession.

**Figure 1: World Reserves of Oil<sup>5</sup>**

World Reserves of Oil		
	Billions of Barrels	Percentage of World Reserves
Saudi Arabia	262.73	22.3%
Iran	132.46	11.2%
Iraq	115.00	9.7%
Kuwait	99.00	8.4%
United Arab Emirates	97.80	8.3%
Venezuela	77.22	6.5%
Russia	72.27	6.1%
Kazakhstan	39.62	3.4%
Libya	39.12	3.3%
Nigeria	35.25	3.0%
United States	21.37	1.8%
China	17.07	1.4%
Canada	16.80	1.4%
Qatar	15.20	1.3%

**Figure 2: Oil Consumption and Reserves, Selected Countries<sup>6</sup>**



*Oil Company Profits and Investments*

At the same time that the price of oil has been increasing, so have oil company profits. In 2002, Exxon Mobil, ConocoPhillips, Chevron, Shell, and BP had a combined net income of more than \$28 billion for the year, with Exxon Mobil recording a profit of nearly \$11.5 billion in profit. In 2009, the same five companies recorded yearly profits amounting to more than \$64

<sup>5</sup> Environmental Action, *Drilling Deeper Into Dependence* (online at [environmental-action.org/drilling-deeper](http://environmental-action.org/drilling-deeper))

<sup>6</sup> *Id.*

billion. For 2009, Exxon Mobil recorded \$19.3 billion in profits. BP recorded nearly \$16.8 billion in profits, Shell \$12.7 billion Chevron nearly \$10.5 billion and ConocoPhillips made nearly \$4.9 billion in 2009.<sup>7</sup>

These five oil companies paid out more than \$37 billion in dividends to shareholders in 2009, with Shell paying \$10.7 billion in dividends and BP paying out nearly \$10.5 billion. ExxonMobil also repurchased \$19.7 billion worth of common stock in 2009.<sup>8</sup>

The five companies invested more than \$9.5 billion in exploration in 2009. BP's investments in exploration were the greatest amongst these companies, investing \$2.8 billion in exploration in 2009. Shell invested \$2.2 billion in exploration last year, while ExxonMobil invested more than \$2 billion.<sup>9</sup>

The five largest oil companies have invested in renewable and alternative energy with varying degrees of intensity.

Over the past five years, Royal Dutch Shell spent \$2 billion on carbon capture and sequestration (CCS) and alternative energies, including biofuels.<sup>10</sup> Shell has interests in wind projects that total 1,100 megawatts of generating capacity worldwide, including 450 megawatts of generating capacity in the U.S.<sup>11</sup> In 2009, Shell opened two hydrogen re-fuelling stations in New York, making a total of nine worldwide.<sup>12</sup>

From 2003-2007, BP invested roughly \$1.2 billion in solar, wind, hydrogen, and biofuels. In 2009, BP owned 711 megawatts of wind capacity and had sales equal to 203 megawatts of solar modules.<sup>13</sup>

Chevron is the largest producer of geothermal energy in the world, supplying 1,273 megawatts of installed electricity generating capacity in Indonesia and the Philippines.<sup>14</sup> Chevron Energy Solutions and Chevron Technology Ventures are also involved in several large

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<sup>7</sup> 10-K and 20-F Reports, February 2010.

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> Shell, *Shell Sustainability Report 2009*, (2009) (online at [www.shell.com/home/content/environment\\_society/reporting/s\\_reports/](http://www.shell.com/home/content/environment_society/reporting/s_reports/)).

<sup>11</sup> *Id.*,

<sup>12</sup> *Id.*, p. 30.

<sup>13</sup> *Id.*

<sup>14</sup> Chevron, *Chevron Corporate Responsibility Report 2009*, (2009) ([online at www.chevron.com/globalissues/corporateresponsibility/2009/reportingoncr/](http://www.chevron.com/globalissues/corporateresponsibility/2009/reportingoncr/)).

municipal and utility scale solar projects in the U.S.<sup>15</sup> In addition, Chevron owns the Casper Wind Farm in Wyoming, which generates 16.5 megawatts of electricity.<sup>16</sup>

ConocoPhillips announced two biofuels research agreements in 2007, including an eight-year, \$22.5 million program at Iowa State University (ISU) to develop new technologies for producing biofuels.<sup>17</sup>

### *Deepwater Horizon Oil Spill*

This hearing takes place on the 57th day of the ongoing Deepwater Horizon oil spill in the Gulf of Mexico. The Committee has held a number of hearings and briefings regarding the Deepwater Horizon oil spill. An updated timeline of events is attached (Attachment A).

### *Questions in Advance of the Hearing*

Each of the witnesses has been asked a number of questions in advance of the hearing. Those questions are provided in attachment B. Responses are to be provided by the witnesses in advance of the hearing.

## **WITNESSES**

### **Mr. Rex W. Tillerson**

Chairman and Chief Executive Officer  
ExxonMobil

### **Mr. John S. Watson**

Chairman and Chief Executive Officer  
Chevron

### **Mr. James J. Mulva**

Chairman and Chief Executive Officer  
ConocoPhillips

### **Mr. Marvin Odum**

Director of Upstream Americas and President  
Shell Oil Co.

### **Mr. Lamar McKay**

Chairman and President  
BP America, Inc.

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<sup>15</sup> *Id.*, p. 13-14.

<sup>16</sup> *Id.*, p. 17.

<sup>17</sup> Conoco Phillips, *ConocoPhillips Sustainable Development Report 2008* (2008) (online at [www.conocophillips.com/en/susdev/Pages/index.aspx](http://www.conocophillips.com/en/susdev/Pages/index.aspx)), p. 20.