



1220 L Street, Northwest  
Washington, D.C. 20005-4070  
202-682-8100

Red Cavaney  
President & CEO

January 10, 2003

The Honorable Spencer Abraham  
Secretary of Energy  
U.S. Department of Energy  
1000 Independence Avenue, SW  
Washington, DC 20585

Dear Mr. Secretary,

On behalf of the members of the American Petroleum Institute (API), I want to applaud President Bush's leadership in moving the country onto a new path to address concerns about climate change. We agree that the following three major areas of effort are required to effectively address the long-term risks of climate change:

1. Scientific investigations to better understand the impact of human activities on climate and potential mitigation actions;
2. Near-term cost-effective voluntary actions that will continue to reduce greenhouse gas (GHG) intensity in the US; and
3. Long-term technology development to identify innovative, cost-effective methods to reduce GHG intensity in the future.

As part of this new approach, the President challenged industry to join in new voluntary partnerships that will help reduce our nation's GHG intensity by 18% over the next 10 years.

Today, I am pleased to announce a broad new API program that will assist in meeting the President's goal. API's new Climate Challenge Program has three key components:

- Our Climate Action Challenge includes actions that help reduce our industry's GHG intensity in the near-term.
- Our Climate R&D Challenge focuses on research and development efforts to create new options for reducing GHG intensity in the longer-term.
- Our Climate Greenhouse Gas Estimation and Reporting Challenge creates a state-of-the-art, technically sound basis for measuring our progress and contribution to the President's goal.

A key element in the Climate Action Challenge is a commitment for continued improvement of the aggregate energy efficiency of our members' U.S. refinery operations by ten percent from 2002 to 2012. Over the last decade, our industry has made great strides in cost-effectively improving the energy efficiency of its facilities, while continuing to provide the energy needs of an expanding economy. Future progress will be particularly difficult because of the increased energy and capital requirements at refineries due to significant tightening of gasoline and diesel fuel specifications in the coming decade. As part of this program, API will look to the

The Honorable Spencer Abraham  
January 10, 2003  
Page Two

Administration to aggressively work to eliminate any potential regulatory barriers to progress in these areas.

API's Climate Action Challenge program contains broad goals such as 100% of oil and gas sector membership developing GHG management plans. It also contains more targeted goals for those key cost-effective government programs, such as 100% participation in Natural Gas Star and CHP Challenge. Expanding participation in the Natural Gas Star program would further reduce methane emissions from our natural gas production – a critical low-GHG fuel necessary for the economy's broader efforts to reduce the nation's overall GHG intensity.

Our Climate R&D Challenge tackles long-term possibilities, such as developing low GHG emission energy technologies, CO2 capture and sequestration technologies, and advancing the DOE FreedomCar program, which promises to significantly increase the energy efficiency of new vehicles while reducing new vehicle GHG intensities.

Finally, a critical element underlying all this is the API Climate Greenhouse Gas Estimation & Reporting Challenge. Estimating and reporting greenhouse gas emissions is extremely complex – far more so than is generally realized, particularly for a highly integrated industry such as ours. Under our GHG Estimation and Reporting Challenge, we are aggressively developing a comprehensive GHG estimation protocol that can be used worldwide to promote standardized and comparable estimates of emissions from oil and gas industry operations – wherever they occur. This protocol is critical for us, since there is currently no reliable way to relate our refinery energy efficiency goal or other climate change actions to the President's 18 percent GHG intensity reduction goal. Over the next year, we will be developing the tools for measuring our progress toward our refinery energy efficiency goal and how it relates to the President's GHG intensity goal. Additionally, as this protocol is adopted and as the data is carefully quality controlled to ensure accuracy and comparability, API will begin aggregating and reporting greenhouse gas emissions from our members' operations.

The attached document provides additional details about the API Climate Challenge Program. API and its members look forward to working with the Department of Energy and the rest of the Administration on this complex and evolving issue of climate change and to addressing barriers that inhibit progress towards these goals.

Sincerely,



Red Cavaney  
President and CEO

Attachment

Cc: James Connaughton, CEQ  
Gov. Christine Whitman, EPA