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Vice Chairman
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Statement Prepared for the House Select Committee on
Energy Independence and Global Warming
April 1, 2008

Chairman Markey, Ranking Member Sensenbrenner, 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 United States) 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, highlight what Chevron is doing to develop alternatives and traditional energy sources, and discuss the type of policies that promote the use of renewables and provide long-term energy security for Americans.

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 2.6 million barrels of oil- and gas-equivalent per day—less than 3 percent of global oil and gas volumes. Chevron's U.S. production of approximately 765,000 barrels of oil- and gas-equivalent per day represents roughly 5.4 percent of U.S. total.

We refine, transport and sell petroleum products. Chevron is the sixth-largest refiner in the United States, producing about 4.8 percent of the country's gasoline. And we blend ethanol into almost 40 percent of the gasoline we sell in the United States.

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 also a major 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, saving clients on average 30 percent on their energy consumption and operational costs.

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 United States.

It is precisely Chevron's size and scope that allow us to take risks in an environment in which global resources are increasingly nationalized, and single oil and gas developments run in the billions of dollars. The search for the next source of energy—whether it be oil or next-generation fuels from renewable sources—takes enormous capital, specialized expertise and the organizational capability that characterizes Chevron. Transforming raw materials into useable energy products and delivering them to markets on six continents takes substantial financial strength, advanced technology and human energy.

And yet, from a global perspective, sovereign states and their national oil companies own 94 percent of the resources consumers need. Chevron ranks 21st in terms of its access to oil and gas resources (*See Appendix chart #1*).

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

As we meet today, the price of oil has risen recently to record levels above \$100 a barrel. Given that the largest contributor to the cost of gasoline is crude oil, this has translated into record-high gasoline prices. In February, according to the Department of Energy, a gallon of regular gasoline retailed on average for \$3.03; the price of crude oil accounts for some 70 percent of this, or about \$2.11. Federal, state and local taxes averaged 40 cents per gallon, making the combined effect of crude costs and taxes \$2.51 per gallon, or 83 percent (*See Appendix chart #2*). Consumers and businesses feel the effects from the supermarket to the airport. Likewise, in the energy industry, we are feeling the effects—from increased energy costs to produce, refine and distribute products to more expensive steel to costlier rates for drilling ships. We are as concerned about escalating oil prices as any other energy consumer. 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. While demand in OECD countries essentially has been flat over the past few years, demand in non-OECD countries—what we typically think of as developing nations—is experiencing robust growth. In fact, growth in non-OECD regions has accounted for over 80 percent of the rise in oil demand since 2000. China's new "Industrial Revolution" has lifted all boats across non-OECD economies, especially Asia. 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 #3*), 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 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 associated energy 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 #4*). And, according to the Department of Energy, demand in the United States is also forecasted to grow by 16 percent over the next 20 years (*See Appendix chart #5*).

The accelerated increase in demand since 2004 has reduced the global spare capacity of oil, creating a tighter relationship between supply and demand and heightened concerns in markets around the world (*See Appendix chart #6*). Falling or flat U.S. production is a contributing factor and adds to these pressures. According to the Department of Energy, U.S. oil production has fallen approximately 40 percent since 1985, while U.S. consumption has grown more than 30 percent. In real barrels, U.S. oil production is now below 5 million barrels per day—it was 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 oil and natural gas fields have increased U.S. reliance on supplies from international sources.

These factors are not a new phenomenon. It has been something Chevron has been warning Congress about for some time. In 2004, we sent a letter to the

administration and leading members of Congress, trade associations and leading think tanks that said: “Today, we face a new reality in energy—one characterized by volatility, high prices and greater competition for resources that are shifting traditional alliances. Increased and sustained demand from China and India, declining supplies of traditional energy sources, and heightened geopolitical risks in the critical energy producing markets have contributed to this new reality in energy.”

This new reality and the impact 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 #7*). Oil has gone up along with many other commodities such as gold, corn, copper and even coal. While oil has reached record highs this year, a *Washington Post* article on March 20 reminds us that the tightening global energy-supply demand balance also has affected coal, which has increased in price by approximately 9 percent since the beginning of the year.

This has created a somewhat unusual situation that was observed by one economist speaking to the *Wall Street Journal*: “Crude futures prices,” he said, “have decoupled from the forces controlling the underlying physical flows of the commodity.” Or, more simply put, the weak dollar keeps prices high, even though the market has responded both with more supply to meet demand and, in some sectors, a lowering of demand. In fact, recent figures from EIA suggest that demand in the United States has moderated in response to the current high prices. That prices still remain high underscores the fact that many factors are in play and there are no short-term fixes to today’s price levels.

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 of 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 price. 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 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, and we are facing head-on the challenges posed by climate change. Our industry has evolved over the last 100 years from 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 well surpass the boiling point. One new 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. But one of these projects adds less than 1 percent of U.S. demand and illustrates an industry truism: The era of easy oil is over.

There are significant challenges 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 and new infrastructure and technology to solve. For the foreseeable future it also will take contributions from all energy sources—traditional energy and renewables and alternatives.

Biofuels offer an important resource in the future of transportation fuels. The challenge is one of commercial scale. One of the country's largest biodiesel facilities, located in Washington state, for instance, has an *annual* production capacity of 100 million gallons. This amount would serve the country's demand for transportation fuels for about six hours of one day. And it roughly equals the amount of transportation fuel that Chevron's refinery in Pascagoula, Mississippi, produces *in a single week*, and Pascagoula is one of approximately 150 refineries in the United States. This illustrates the kind of scale needed for biofuels to have a meaningful impact on the energy mix that serves the transportation needs of an economy the size of the United States.

Renewables and alternatives represent less than 10 percent of the global energy mix today and have seen a fourfold increase in global investment since 2004. Nearly \$150 billion has been poured into this sector in the past 12 months alone (*See Appendix chart #8*). The volume of renewables is expected to increase roughly 45 percent by 2030 to meet demand. Even so, their percentage of the total energy mix will remain close to the current percent, because the overall global demand is growing so quickly.

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 \$17 billion of that sum was invested in our U.S. upstream—or exploration and production—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 oil and natural gas capital projects in the planning or development stage, each with a net Chevron share of the investment of 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 (*See Appendix chart #9*). 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, not the exception, today and in the future.

Let me highlight a few key projects to illustrate what we do. We are working on several deepwater 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, when oil was in the \$20 per barrel price range. 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 on line, we will have invested \$4.7 billion—before realizing \$1 of return on our investment. Once in production, Tahiti is expected to produce for up to 30 years. At its peak, 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.

Another example is a research and development project on refining technology our company recently announced. Known as VRSH, which stands for Vacuum Resid Slurry Hydrocracking, this technology will help us produce transportation fuels from heavy 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 one of our U.S. refineries 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.

A final example is our Kern River oil field in southern California. We discovered oil more than 100 years ago in the San Joaquin Valley. At Kern River, 2 billion barrels later, we are still there. 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 this historic and important American resource. This investment in our base business is a very important part of our business. Aside from providing a flow of oil, these efforts help us understand how 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.

Today in the United States, we have five major oil and natural gas projects under construction, with 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.

At the same time that we are investing at the forefront of traditional energy such as oil and gas, we also are pursuing 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, alternatives and energy efficiency services. Between 2007 and 2009, our spending on renewable technologies and energy efficiency solutions will increase to \$2.5 billion.

New technology to unlock the enormous potential of cellulosic ethanol is needed, and that's where companies such as Chevron are already taking steps to achieve progress. 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. Chevron was selected by the U.S. Department of Energy to lead a consortium that has built five prototype hydrogen stations across the United States. We also are participating with AC Transit in the San Francisco Bay Area (California) on a zero-emission hydrogen bus project.

We are also investing in our refineries to continue to improve our ability to supply the products U.S. consumers need. At present, we are working on major projects at each of our big three U.S. refineries. Our U.S. downstream capital spending in 2008 will be \$2.3 billion. Since 2002, we have invested \$5.2 billion, which has resulted in additional supplies of more than 1 million gallons of transportation fuel production per day. 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.

However, our investments in refining are sensitive to market forces, market direction and local permitting decisions. Government policies—such as the recently passed energy bill with its very ambitious program for renewable fuels—have created uncertainty over how much additional U.S. refining capacity may be needed to meet future U.S. demand. We have recently canceled work on a major refinery expansion project, due in part to that uncertainty.

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 reducing our own energy intensity. Since 1992, we have increased energy efficiency at Chevron 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, with a nearly 30 percent savings on average per project.

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 will generate 3.2 megawatts of solar power and will save the college \$70 million in energy costs over the next 25 years.

The National Petroleum Council Study: Urgent action is needed

The committee has asked what we recommend both industry and Congress can do to help consumers address the challenges from high-energy prices. 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 need a *range* of realistic solutions, and we need them at scale.

We literally need all the energy we can develop. This includes oil, natural gas, coal and nuclear power. It also includes renewables. And, just as important, it includes 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, and renewables will be an important component in our energy mix. 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. We believe it is not productive to impose additional punitive taxes on companies such as Chevron at a time when investments are needed in all forms of energy to meet growing demands at home and abroad.

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. 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, 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, economywide 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 our conventional wisdom on energy

Mr. Chairman, you asked me to address the issue of what measures can be taken to help the consumer deal with these rising energy prices and promote the use of alternatives. 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. You and your committee have a critical role to play to engage the U.S. public and put the United States at the forefront of responsible energy use.

Second, I would urge you to be sensitive to the issue of scale and timeframe. I hope that I have been able to demonstrate Chevron’s commitment to the development of alternative sources of energy. This is an ambitious undertaking and one that we are embracing. But the scale of the energy system means that despite our combined efforts, renewables will meet less than 10 percent of demand in 2030, according to EIA estimates. We must continue to bring traditional energy supplies to market, 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.

Finally, 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 focused very heavily 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 at prices that are affordable. Rationalization of these multiple requirements will create greater efficiencies in the fuel supply system.

How we as a country deal with our energy future is nothing less than an urgent matter of our energy and economic security. Energy is vital to our nation's economic health. As such, a reliable, efficient and affordable energy supply system is a policy imperative. Realistic solutions must balance economic, environmental and security goals. Ultimately, policies 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.

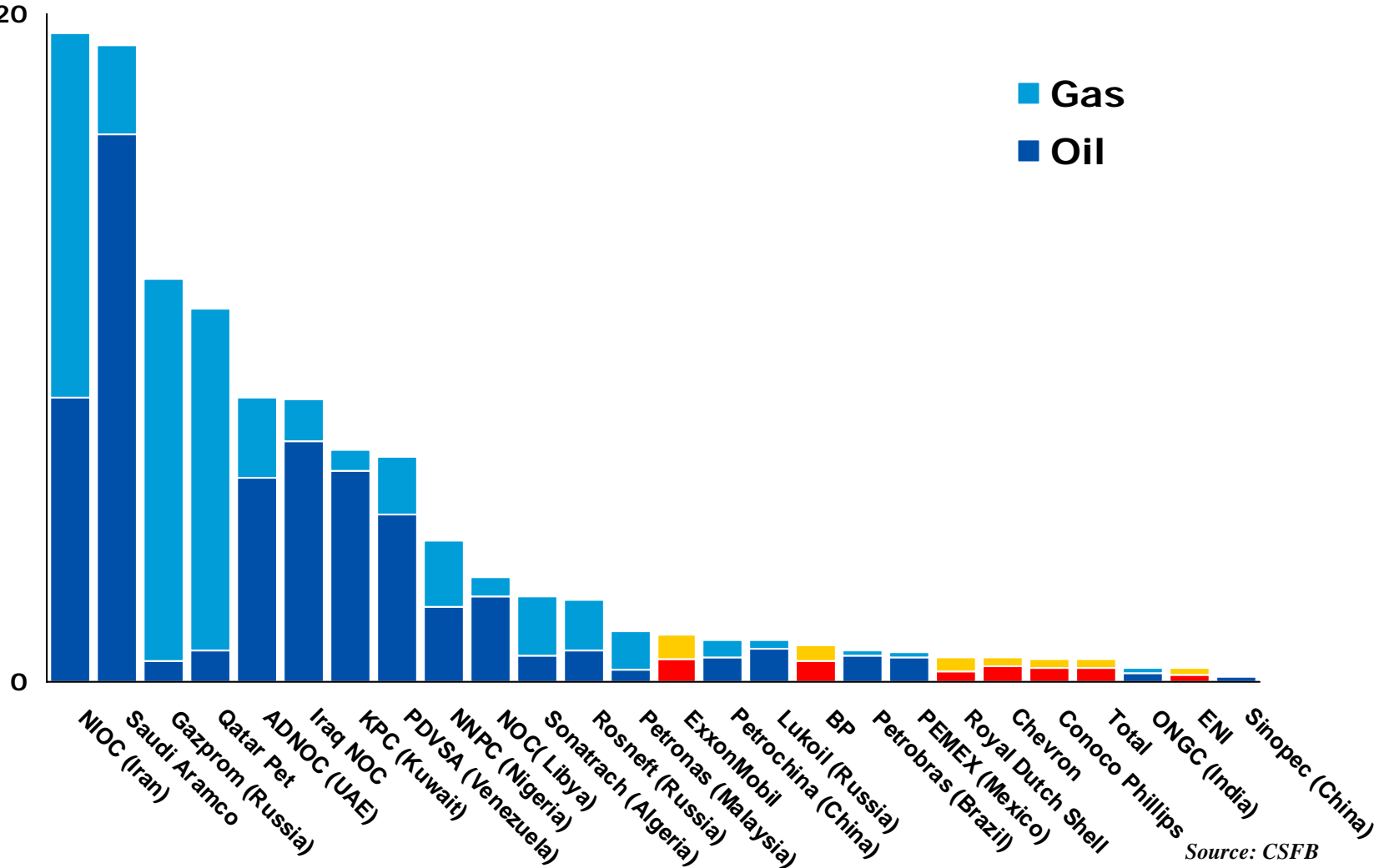
Chart 1:

National Oil and Russian Companies Control 94 Percent of World's Reserves



Billion Barrels of Oil Equivalent

320

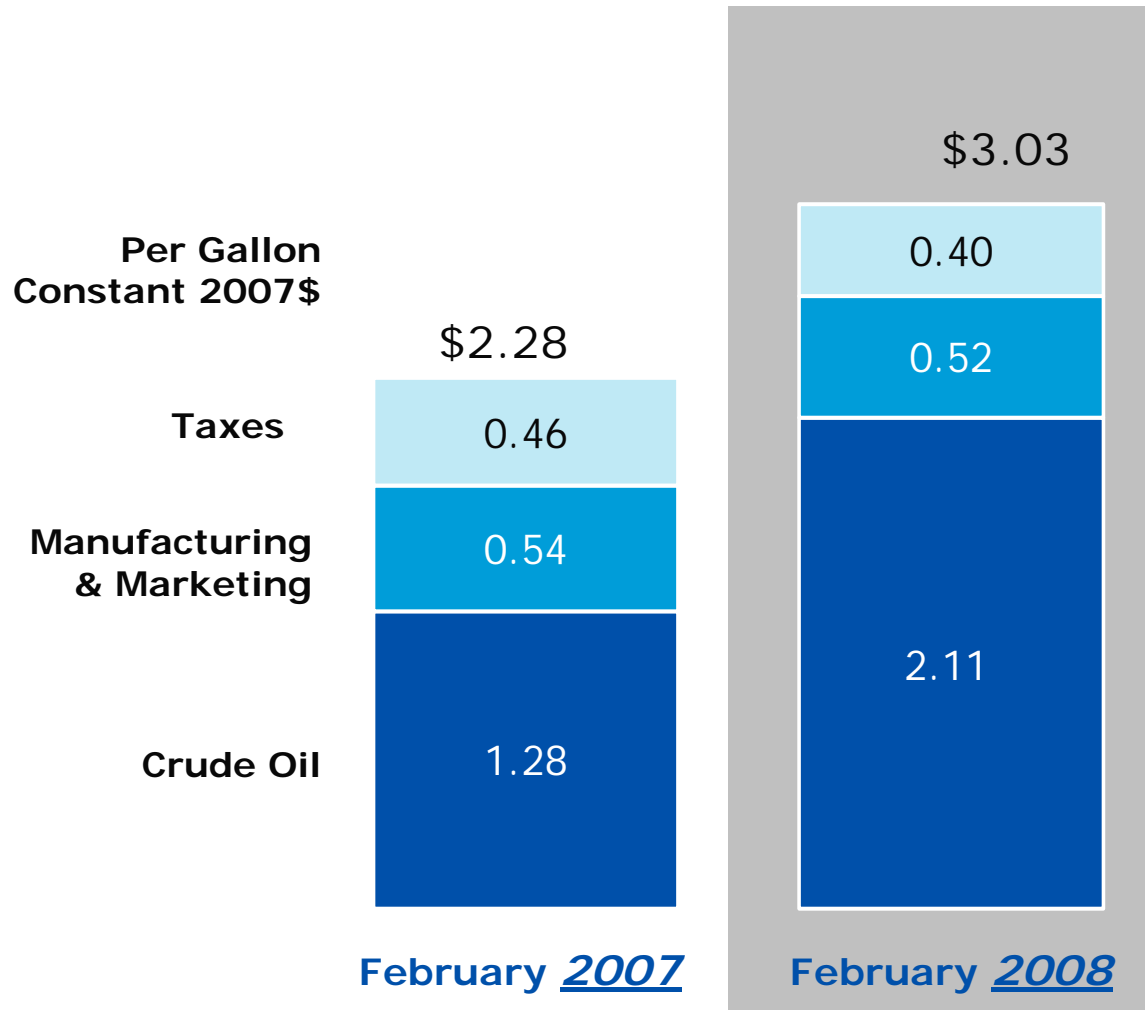


Source: CSFB

Chart 2:



What We Pay - Gallon of Regular Gasoline

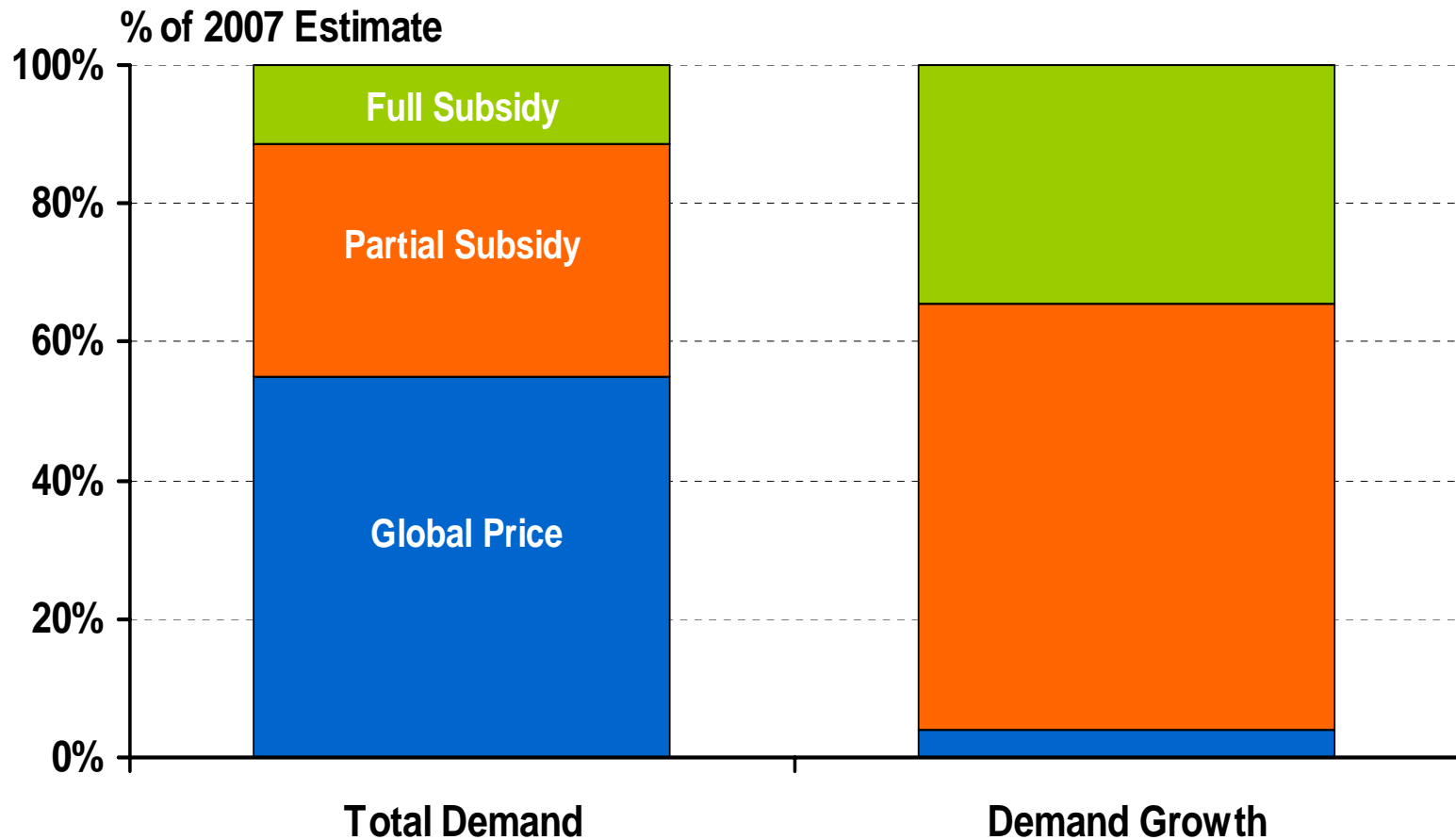


Sources: U.S. EIA/DOE Gasoline Fuel Update

Chart 3: Government Subsidies Artificially Support Demand Growth



Oil & Product Growth Occuring in Subsidized Areas



Source Data: IEA, PIRA

Chart 4:

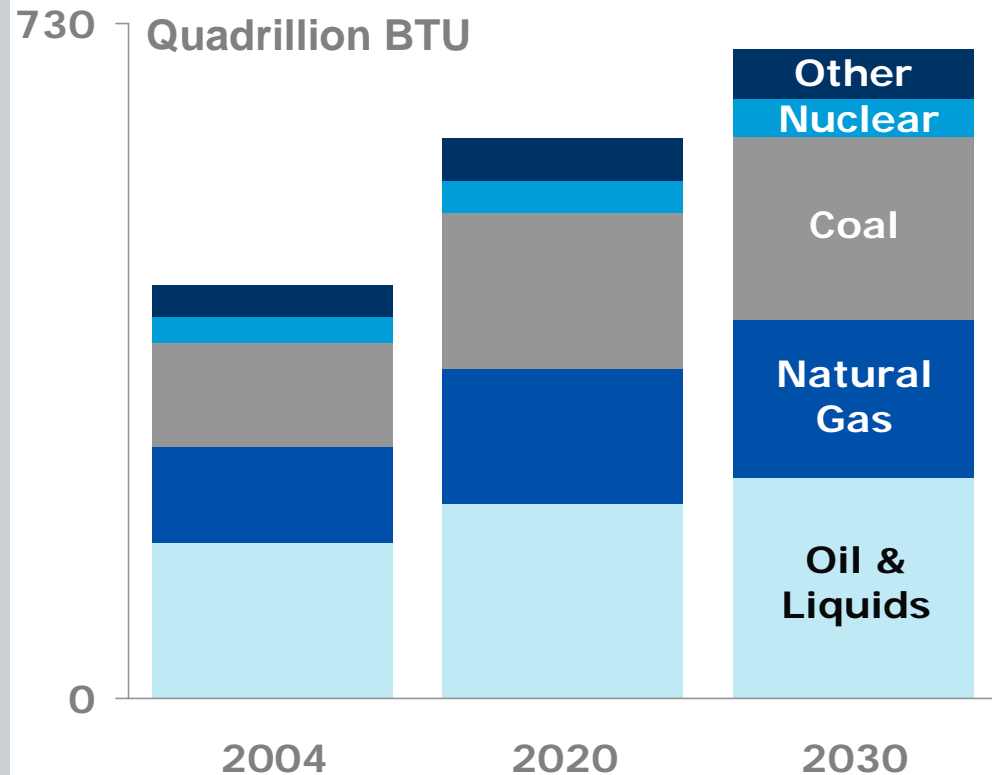


World Energy Demand Continued Growth

Fuel Mix

- Relative percentages don't change
- Hydrocarbons make up 86% of the fuel mix
- Oil remains the predominant fuel at nearly 34%
- Renewable growth rates are high, but small in absolute terms

Global Energy Demand



Source Data: EIA/DOE International Energy Outlook 2007

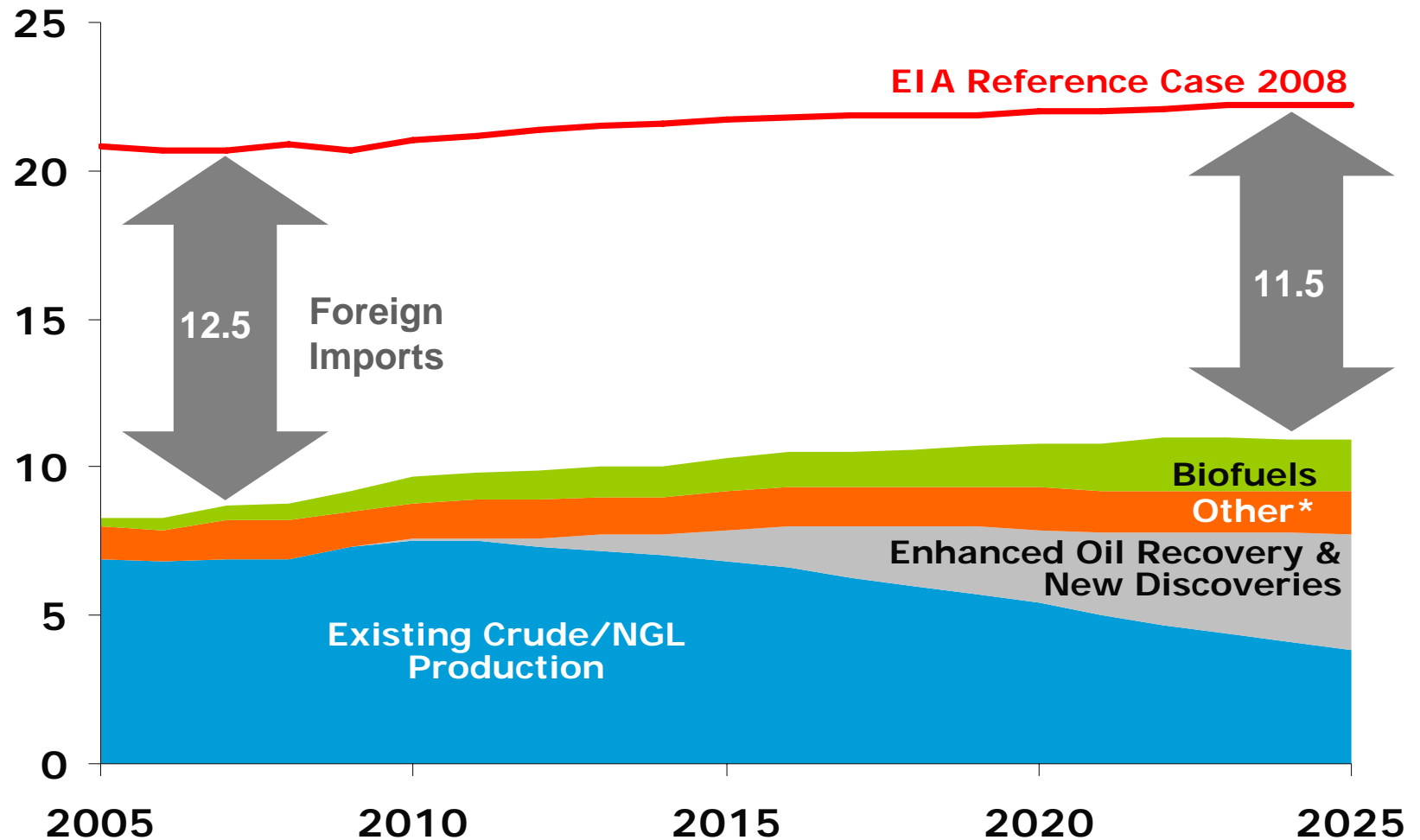
Chart 5:

U.S. Domestic Oil Supply & Demand

Includes Impact of EISA 2007



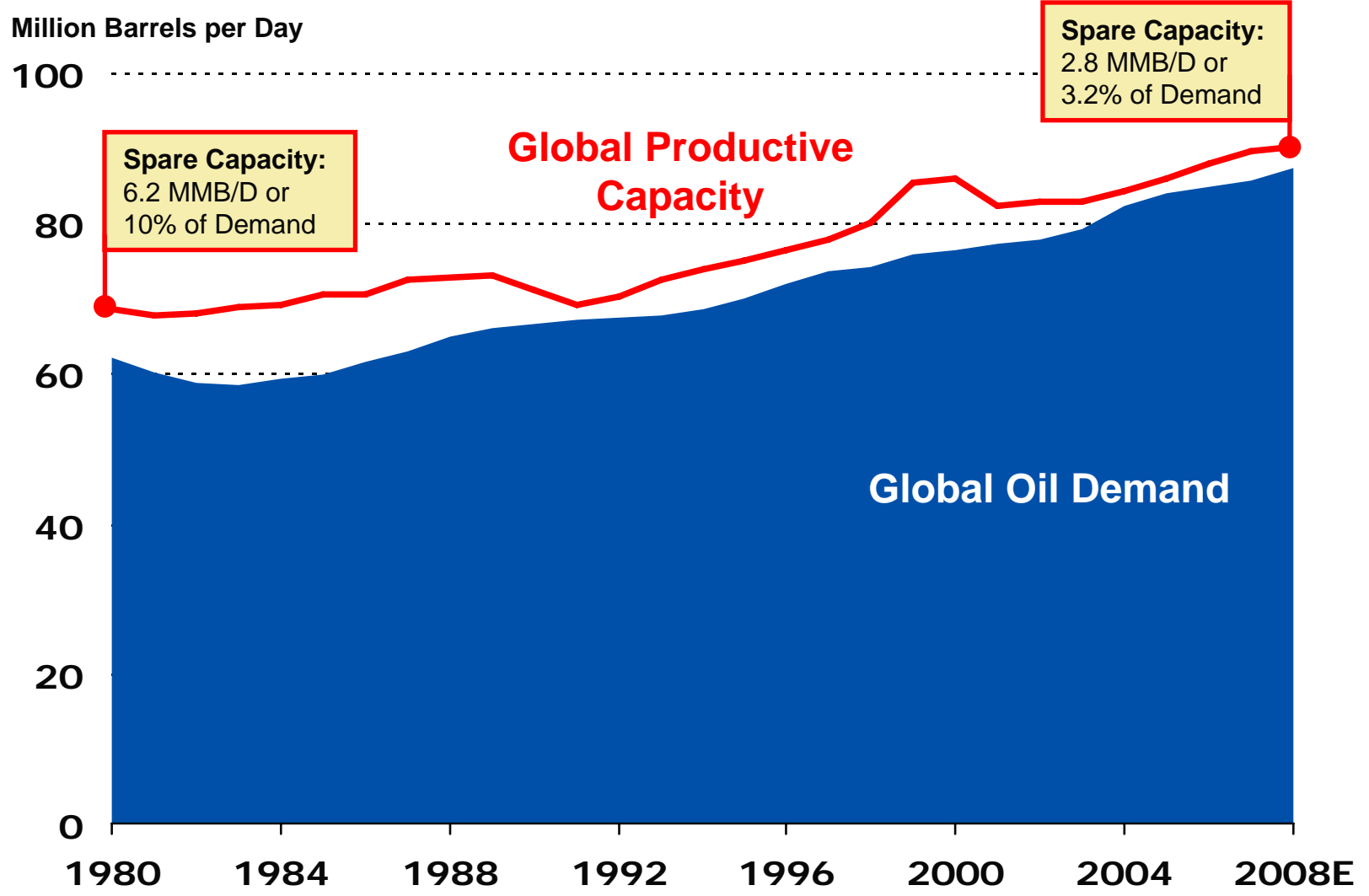
Million Barrels per Day



* Other includes refining process gains and other liquids.

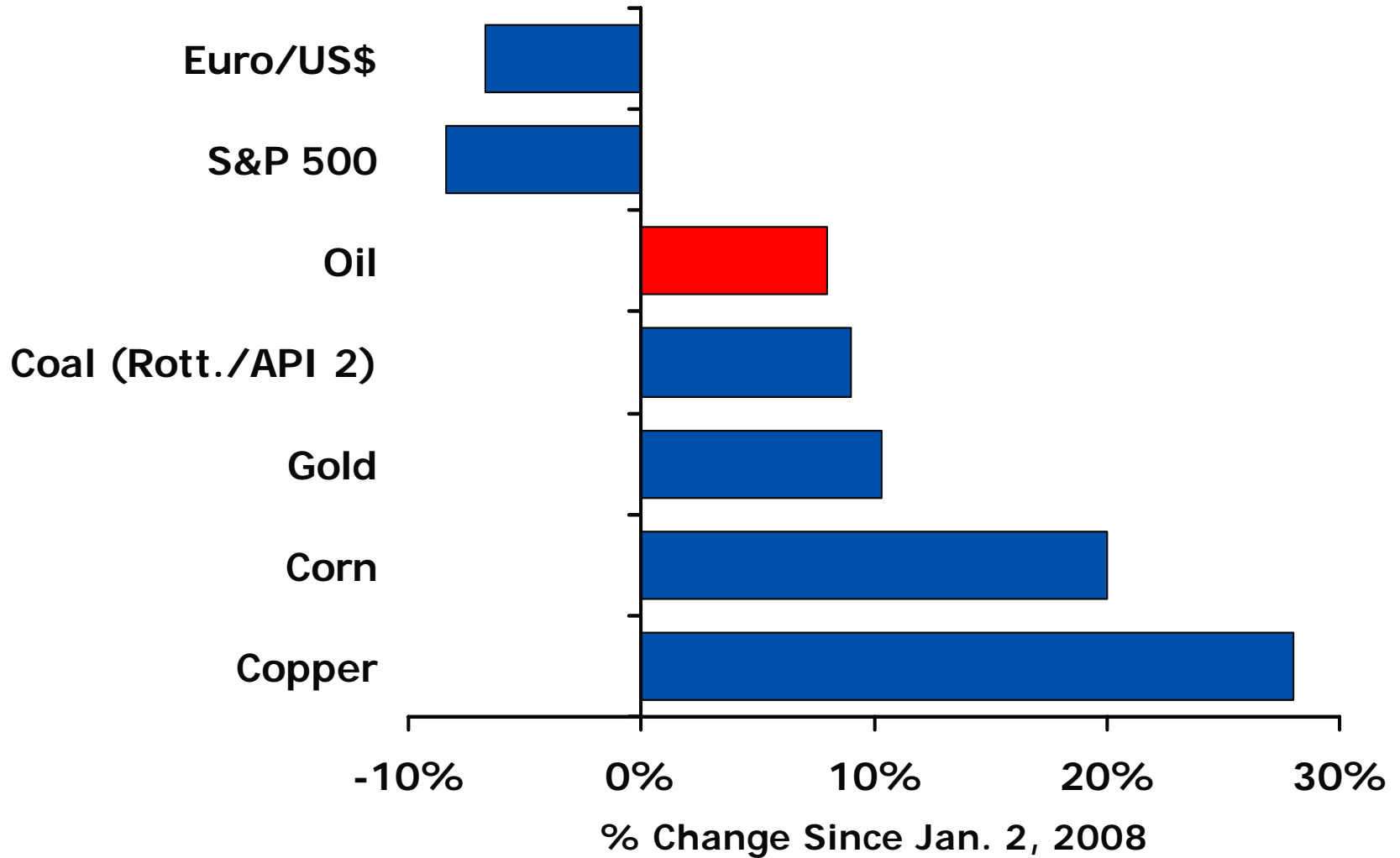
Source: Woodmac & DOE/EIA Annual Energy Outlook Report 2008

Chart 6: Spare Capacity Relative to Global Oil Demand



Source: IEA Monthly Oil Market Report

Chart 7: Oil Prices have Risen Less Relative to Other Commodities

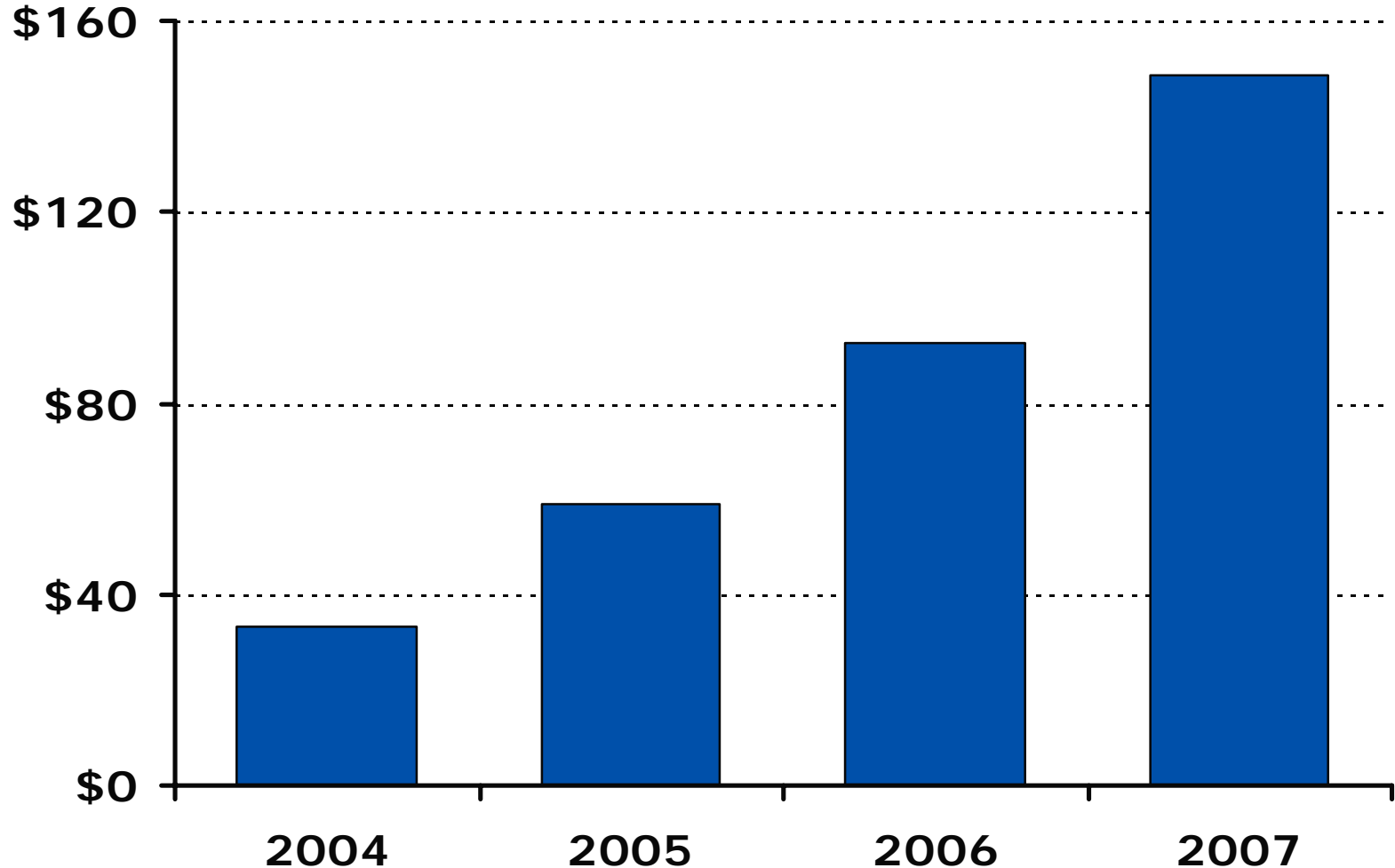


Source: Platt's Data as of Close on March 27, 2008



Chart 8: Global Investment in Renewable & Alternative Energy*

Billion US\$



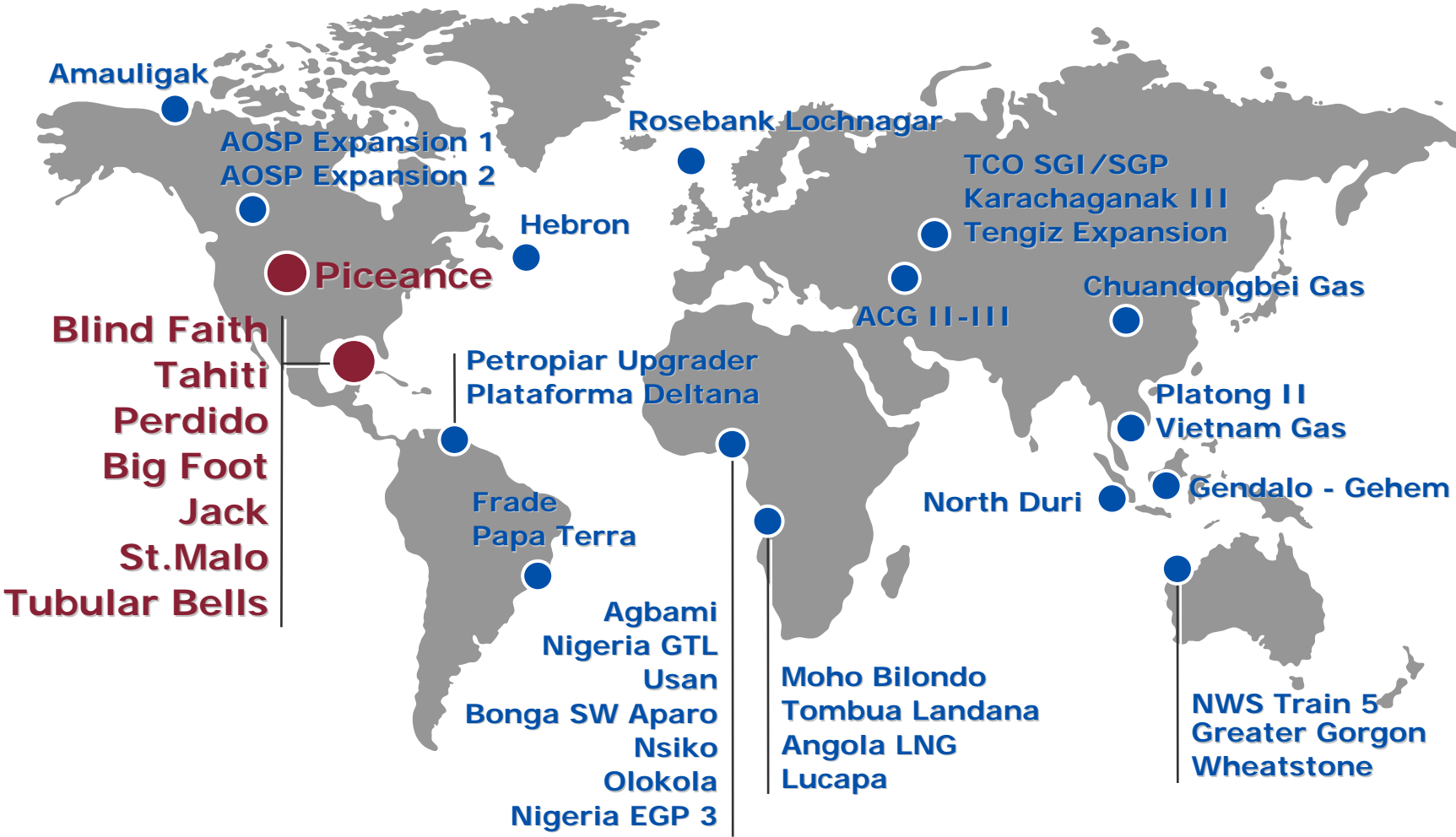
*Excludes M&A and Buyout Activity

Source: New Energy Finance, February 28, 2008



Chart 9:

Chevron's Portfolio of Upstream Projects



All projects shown are >\$1B Chevron share. Projects are in various stages of evaluation, design, construction or production.