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February 23, 2006

The Honorable Tom Harkin  
United States Senate  
731 Hart Senate office Building  
Washington, D.C. 20510

The Honorable Richard Lugar  
United States Senate  
306 Hart Senate Office Building  
Washington, D.C. 20510

Dear Senators Harkin and Lugar:

Thank you for your letter dated February 2, 2006. America and the world today face what we have characterized as a new energy equation -- namely a sustained high price environment characterized by increasing demand for energy, particularly from Asia; heightened political risk in key energy markets; and new, traditional energy sources that are more challenging to develop. Energy markets globally are becoming more interdependent, as evidenced last year at the time of the hurricanes when energy supplies came to the United States from many areas around the world.

Chevron believes the United States needs a more strategic energy policy, one that reflects the importance of developing its own resources of reliable and affordable energy supplies and one that promotes the energy security that America needs now and in the future. We also need to continue investing in alternative energy sources, such as renewables, and do more to encourage conservation. Finally, the United States needs to recognize the growing interdependence of energy markets and work actively with other countries to provide additional secure sources of energy and to ensure a level investment playing field across national boundaries.

Chevron is doing its part to expand and diversify the world's energy sources. Since 2002, our company has invested \$36 billion in the business. Over that same time, our earnings were \$36 billion. In other words, we invested what we earned. In addition, Chevron has spent more than \$1 billion since 2000 to develop renewable and alternative energy sources, and to deliver energy efficiency solutions to public and private institutions. Examples of Chevron expenditures in alternatives and energy efficiency include partnering with the Department of Energy on a five-year hydrogen demonstration program, development of advanced battery technology and production facilities for hybrid vehicles, and increasing our investments in geothermal energy. Chevron is the largest private renewables energy producer.

Chevron is currently using significant quantities of ethanol in gasoline and evaluating bio-diesel as an alternative or blend component with regular diesel fuels -- both here in the United States and elsewhere around the globe. We see ethanol blended with gasoline as providing future promise both as a fuel additive or an alternative to help increase diversity of energy supplies. However, Chevron does not

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currently market E85 as a Chevron or Texaco branded product at our stations in the United States. While our marketers and retailers are authorized to sell E85 through properly labeled and located dispensers, and a few are at this point in time, many of our stations do not currently have the additional tankage and specialized fueling equipment required to properly dispense it. In addition, we have not yet seen the demand for E85 at a level that would support the additional investment that would be required to increase its retail availability. Chevron experienced a similar situation with methanol-blended gasoline (M85) in California in the 1980's, where substantial investments were made to increase the retail availability of M85 without the necessary market demand for this fuel product. Demand for M85 never reached a level that could support or sustain those investments, and the sale of this product was eventually discontinued. Understandably, we are anxious to not have that same circumstance repeated with E85.

However, we do see a role for us working with the government and other parties to further evaluate and develop ethanol blended fuels such as E85. As an example, Chevron Technology Ventures, a subsidiary of Chevron, is currently participating in the E85 Demonstration Program in California. Through a collaborative effort with the State, General Motors and Pacific Ethanol, Chevron is working to evaluate the performance, efficiency and environmental issues associated with E85. Attached is a Chevron Fact Sheet that provides more information on the project. We believe the successful completion of this kind of demonstration program will help answer the "real world" efficiency and emissions performance questions about E85 and could ultimately lead to increased availability and use of E85 for consumers.

Chevron is committed to exploring various and diverse energy resources and making the best and most efficient use of all forms of energy including, both conventional and non-conventional hydrocarbons and alternatives such as bio-fuels.

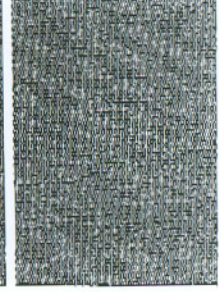
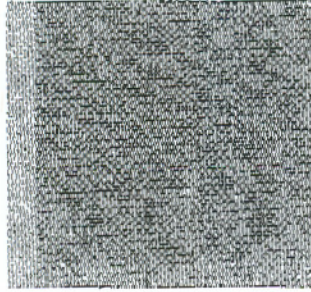
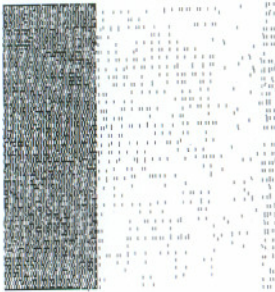
Sincerely,



Attachment



# Chevron E85 Demonstration Fact Sheet



## Chevron Technology Ventures LLC

Chevron Technology Ventures is participating in a demonstration program to learn more about E85 and how it works in practical applications. Through a collaborative project with the state of California, General Motors and Pacific Ethanol, Chevron intends to evaluate E85 performance, efficiency and environmental issues over a one-year period, using California-formulated fuel.

As part of the program Chevron plans to provide E85 fuel and install refueling pumps in two to three demonstration stations in California. These stations will fuel a fleet of 50 to 100 state-owned E85-capable vehicles. By investigating E85 performance in a controlled fleet over a one year period, the participants hope to be able to determine how E85 works in various weather conditions and how climate affects emissions. In addition, the program will help participants identify issues surrounding production and distribution. Once the study is complete, information will be shared among the businesses and organizations that lead the project. Participating in the program and

acquiring knowledge through the demonstration is part of Chevron's comprehensive fuel research and development program.

E85 is a blend of 85 percent ethyl alcohol and 15 percent gasoline. It is a renewable fuel produced from the starch in agricultural products.

Chevron is committed to exploring various energy resources and making best use of all forms of energy. We engage in programs to demonstrate and validate safe, practical technologies in real-world settings. For example, we are part of a five-year U.S. Department of Energy cost-sharing program to demonstrate hydrogen technologies. We opened our first hydrogen energy station in 2005 in Chino, California. In 2006, we will announce the opening of a new station in Oakland, California that will produce hydrogen fuel on site for a fleet of fuel cell buses and other hydrogen-powered vehicles. Chevron is taking a practical approach to gas-to-liquids (GTL) projects as well, pursuing ventures in areas where economic, commercial and logistical conditions can make GTL a viable fuel source.

Chevron Technology Ventures, a subsidiary of Chevron Corporation, identifies, develops and commercializes emerging technologies and new energy systems. These include investments in hydrogen-related technologies, renewable energy and nanotechnology. Technology Ventures is headquartered in Houston, Texas, U.S.A.

Our endeavor into the study of E85 is another example of Chevron's commitment to investigate potential sources of energy to help meet the world's growing demand. The information gained during the project will help all participants understand the benefits and issues surrounding this renewable fuel.