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“HARD TRUTHS” ABOUT GLOBAL ENERGY REAFFIRMED
IN A STUDY UPDATE

WASHINGTON, D.C., September 17, 2008 – Recent events and the volatility of energy prices over the past year have reaffirmed the findings of a comprehensive global energy study by the National Petroleum Council (NPC) and accentuated the necessity of implementing its recommendations with increased urgency and commitment. The study found “accumulating risks to the supply of reliable, affordable energy” require an integrated national strategy. In July 2007, the NPC advised in a comprehensive report to Secretary of Energy Samuel W. Bodman that “over the next 25 years, the United States and the world face hard truths about the global energy future,” which will require “all economic, environmentally responsible energy sources to assure adequate, reliable supply.”

At the National Petroleum Council meeting held today in Washington, Secretary Bodman endorsed the NPC’s 2007 report, *Facing the Hard Truths about Energy*, stating “it is an impressive piece of work that adds to our understanding of the global energy future over the next 22 years.” He noted that he had sent copies of the NPC report “to every member of Congress, every governor, my Cabinet colleagues and energy colleagues overseas.” (The complete remarks of the Secretary can be accessed at www.energy.gov)

Interest in the 2007 report has been unprecedented. This summer, in response to Secretary Bodman’s expressed interest, key participants in the 2007 study examined feedback received on the report and the implications of recent energy outlooks and events on the report’s findings and recommendations. Today, the NPC released the results in a one-year-later update.

The review team concluded that the events and developments in the energy sector since last year underscore and validate the 2007 report’s findings, or “hard truths.” In particular, the update found “there is no single, easy solution to the global challenges ahead,” and that strategies for the United States “must be initiated now and sustained over the long term to meet the accumulating risks to the supply of reliable, affordable energy” to 2030 and beyond. The one-year review concluded “the NPC’s original set of integrated strategies and recommendations remains essential and will promote U.S. competitiveness by balancing economic, security, and environmental goals.”

Attached is today’s NPC letter to Secretary Bodman, which summarizes the conclusions of the update and transmits the presentation, *Facing the Hard Truths about Energy—One Year Later*. The materials released today are available at the NPC website (www.npc.org) along with the original 2007 report and supporting materials. The report’s Executive Summary is now available in seven languages (English, Arabic, Chinese, French, Japanese, Russian, and Spanish).

In other action at the National Petroleum Council meeting held today, the Council elected Claiborne P. Deming to serve as Chair of the NPC for the traditional one-year term. Mr. Deming is President and Chief Executive Officer of Murphy Oil Corporation in El Dorado, Arkansas. A member of the Council since 1994, he has served on several of its study and administrative committees. Additionally, he has served as Vice Chair of the Council for the last year.

Mr. Deming is active in many civic and charitable organizations. He serves as President of the El Dorado Education Foundation and has been instrumental in his company's commitment to education. He also serves as a Director of the American Petroleum Institute and of First United Bancshares Inc. He is a member of the Tulane Law School Dean's Advisory Board as well as Tulane's Business School Council for the A.B. Freeman School of Business.

David J. O'Reilly, Chairman of the Board and Chief Executive Officer of Chevron Corporation, San Ramon, California, was elected Vice Chair of the Council. A member of the Council since 2000, he recently served as Vice Chair-Supply of the NPC Committee on Global Oil and Gas.

The NPC is a federal advisory committee to the Secretary of Energy. From 1946 until the implementation of the U.S. Department of Energy Organization Act of 1977, the NPC served as an advisory body to the Secretary of the Interior. The sole purpose of the Council is to advise, inform, and make recommendations to the Secretary of Energy, at his request, on matters relating to oil and natural gas or to the oil and natural gas industries.

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(EDITOR'S NOTE: If you would like to receive copies of the *National Petroleum Council News* by e-mail, please let us know.)

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September 17, 2008

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The Honorable Samuel W. Bodman
Secretary of Energy
Washington, D.C. 20585

Dear Mr. Secretary:

In July 2007, the National Petroleum Council (NPC) was pleased to submit to you its report *Facing the Hard Truths about Energy*, which provided findings on global energy supply and demand, and recommended U.S. energy policy strategies. Interest in the report has been unprecedented. The full report and its supporting materials are publicly available on the NPC website (www.npc.org) where there have been over 1.5 million downloads. Over 8,200 hard copies of the report and over 10,000 CDs containing the report and its supporting materials have been distributed. More than 180 summary presentations have been provided to opinion leaders worldwide. In addition, the report's Executive Summary is available in seven languages (English, Arabic, Chinese, French, Japanese, Russian, and Spanish).

Much has happened in the energy sector since the report was issued:

- Global crude oil and U.S. natural gas prices rose to historic highs and remain volatile.
- Higher energy costs are beginning to slow demand growth.
- Above-ground risks (e.g., conflicts, sabotage, resource nationalism) are widespread.
- The focus on carbon management has increased.
- The U.S. Energy Independence and Security Act became law, addressing significant components of the *Hard Truths* demand moderation recommendations.
- Energy has become a high-profile topic in the political debate.

In response to your letter of May 14, 2008, the Council reconvened key participants from the 2007 study to conduct a one-year-later update. We examined feedback received on the report and the implications of recent energy outlooks and events on the report's findings and recommendations. We concluded that the key findings (*Hard Truths*) from the 2007 Report have been validated, with increased clarity in specific areas:

- Global demand for fuel and power is expected to grow significantly, requiring increases in efficiency and expansion of all energy supplies.
- There are increasing risks to the expansion of conventional liquids supplies.
- Significant additions of unconventional liquids supply are projected.
- Recent studies report a larger oil and gas resource endowment.
- Exploration and production expenditures have increased dramatically.
- Technology investments have increased for energy diversification, alternatives, and carbon management.
- Growing pressure on cost and availability of project resources is hindering the ability to expand energy production capability.
- Pressures to address carbon emissions and energy security are increasing.

To meet the accumulating risks, all recommendations of the 2007 report require implementation with increased urgency and commitment. As stated in the 2007 report, there is no single, easy solution to the global challenges ahead. Given the massive scale of the global energy system and the long lead-times necessary to make material changes, all actions must be initiated now and sustained over the long term. We need all economic, environmentally-responsible energy sources to assure adequate, reliable supply.

In its 2007 Report, the Council proposed five core strategies to assist markets in meeting the energy challenges to 2030 and beyond. The United States must:

- Moderate the growing demand for energy by increasing efficiency of transportation, residential, commercial, and industrial uses.
- Expand and diversify production from clean coal, nuclear, biomass, other renewables, and unconventional oil and gas; moderate the decline of conventional domestic oil and gas production; and increase access for development of new resources.
- Integrate energy policy into trade, economic, environmental, security, and foreign policies; strengthen global energy trade and investment; and broaden dialogue with both producing and consuming nations to improve global energy security.
- Enhance science and engineering capabilities and create long-term opportunities for research and development in all phases of the energy supply and demand system.
- Develop the legal and regulatory framework to enable carbon capture and sequestration. In addition, as policymakers consider options to reduce carbon dioxide emissions, provide an effective global framework for carbon management, including establishment of a transparent, predictable, economy-wide cost for carbon dioxide emissions.

The NPC's original set of integrated strategies and recommendations remains essential and will promote U.S. competitiveness by balancing economic, security, and environmental goals.

The attached presentation, *Facing the Hard Truths about Energy—One Year Later*, was developed in response to your request. The Council looks forward to sharing this update with you, your colleagues, and broader government and public audiences.

Respectfully submitted,



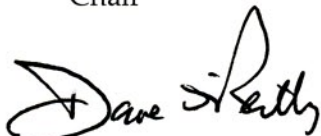
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Attachment