

NATIONAL PETROLEUM COUNCIL

An Oil and Natural Gas Advisory Committee to the Secretary of Energy

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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,



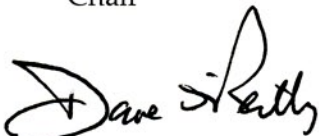
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Attachment