Remarks by Lee R. Raymond
Chairman, Exxon Corporation
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Thank you, Charlie. It's a pleasure to have the opportunity to talk with this audience about some of the important and overarching issues facing our industry.

In addressing those issues, we should never lose sight of the essential role the petroleum industry plays in providing the energy necessary for this nation's economy. The link between economic growth and energy use is clear the world over. Higher economic activity — higher energy use. Higher standards of living — higher energy use.

Economic growth is a goal that unites Americans — as it does people around the world. But Americans do not fundamentally understand that energy availability is a necessary prerequisite to growth. And oil continues to be the source of energy that meets the lion's share of our nation's energy needs. Despite all the important energy and non-energy uses of oil — uses obvious to us in the petroleum industry — many Americans see use of oil as a threat to the environment.

We see indications of this distorted view all the time. Perhaps you have heard the story about a young boy who told his father that he didn't want to ride in the car with him because gasoline is bad for the environment. This probably could have taken place between any father and son in America, but the surprising thing is that "Dad" is Dr. Daniel Yergin, author of The Prize and one of the world's leading authorities on the petroleum industry.

I understand that Dr. Yergin succeeded in keeping his son in the car. He did so by patiently explaining to him the option of walking.

This story dovetails with the experience of an auto executive. He said that wherever he goes in the world, someone will come up and tell him that the internal combustion engine is an environmental villain whose time has passed. Yet people continue to want the freedom and convenience their autos provide.

These and many other signs point to the fact that the public is in conflict about oil. Such an attitude poses a long-term threat to the nation's economic vitality and our industry. And that raises a logical question as to what we should do.

Today, I would like to suggest three concepts we can use as we make the case for oil to the American public and address the long-term issues we face. For simplicity, I'll call them the three "C's:" common sense, consistency and cooperation.

Let me begin with common sense. I see common sense as essential as we address all the confusion that exists on energy matters today. By drawing on common sense, we can cut through the clutter of rhetoric and emotionalism and appeal to the innate reason and intelligence of most people.

In doing so, facts can be one of our most powerful weapons. It's easy to argue with an opinion, but it's hard to argue with a fact.

For example, we can use facts to dispel some of the illusions people have about oil use and the environment. Public opinion surveys show that most Americans believe that the environment has actually gotten worse over the last two decades. But the facts support the opposite point of view.

The facts show that we've made enormous progress in this country in reducing emissions of lead, sulfur dioxide and carbon monoxide. The facts also show that the U.S. petroleum industry has taken unprecedented steps to reduce the environmental impact of its products. During the past two decades, we've introduced new, cleaner-burning motor fuels five times — each with fewer pollutants.

These new fuels — together with new technology from the auto industry — have reduced vehicle emissions by 96 percent over the past quarter century, and we'll make further progress in the years ahead. That's an amazing fact, and one that everyone — especially those who despair about the state of the environment — ought to know.

A factual, common sense approach will also serve us well as we address the issue that perhaps poses the greatest long-term threat to our industry — so-called global climate change. Right now, a United Nations-led effort is moving toward decisions in 1997 to cut the use of fossil fuels, based on the unproved theory that they affect the Earth's climate.

In July, the U.S. administration, without full public discussion and debate, made a proposal that surprised almost everyone. It proposed a binding agreement requiring only developed nations to reduce greenhouse gas emissions after the year 2000. It committed the United States to such an agreement.

If implemented, such a policy could inflict severe economic damage, affecting lifestyles and pocketbooks around the world. So it's critical that we in the industry provide a voice of common sense on this important issue. And that will involve getting people to look at the science surrounding the issue, the economics of the policies being proposed and the impact on them as individuals.

Proponents of the global warming theory say that higher levels of greenhouse gases — especially carbon dioxide — are causing world temperatures to rise and that burning fossil fuels is the reason. But scientific evidence remains inconclusive as to whether human activities affect global climate.

Everyone agrees that burning fossil fuels releases carbon dioxide and that such concentrations in the atmosphere are rising. But it's a long and dangerous leap to conclude that we should, therefore, cut fossil fuel use.

Let's remember that 96 percent of the carbon dioxide entering the atmosphere is produced by nature and is beyond our control. Even a small increase in these natural-source emissions could negate any cuts made in the fraction of the four percent of emissions that come from developed nations.

I'm not proposing we dismiss the possibility of climate change. But I am asking that we apply common sense to the debate. Many scientists agree there's ample time to better understand climate systems and consider policy options. So there's simply no reason to take drastic action now.

But drastic action is exactly what the U.S. has proposed. And unlike the scientific evidence about global climate change, the effects of these proposals are clear and dramatic. According to authoritative groups, reducing fossil fuel use to the levels this administration advocated in Geneva would require adding 60 cents to the price of a gallon of gasoline in the U.S. and raising the price of residential and commercial fuels by 50 percent.

To make matters worse, the U.S. has also called for the use of "tradable permits" for fuel usage — which is just another term for rationing.

As consumers, we should ask pointed questions about how a worldwide rationing program would work. What international agency would decide how much of what fuel each nation may have "permits" to use? Within each country, who would decide how much gasoline an individual or business could use every month, or how much heating oil one could have for home heating?

Are raising prices and rationing courses of action most Americans would support? I doubt it. Common sense people are not prone to assume heavy burdens today in the pursuit of speculative or ill-defined benefits in the future.

In many ways, the approach the administration has taken on the global climate issue mirrors the problems we see in other regulatory policies. Reasonable, common sense regulation, it would seem, ought to be based on the nation's best interests, along with fundamental concepts, such as sound science, risk prioritization and cost/benefit analysis. But many signs suggest that much U.S. regulation is inconsistent with such a common sense approach. And that brings me to the second "C" I would like to talk about — consistency.

Someone once called regulation "the substitution of error for chance." Some of you may feel that this definition is not fair, while others may think that it is too generous. But at least it should remind us of the fact that regulation is not always right and may at times be inconsistent with its own goals.

As we all know, the petroleum business by its very nature requires a long-term perspective. Our investments are large, take years to plan and implement and many more years to yield returns. For this reason, we need a stable, consistent approach to regulation and taxation. But in this country, too many of our policies are inconsistent with these needs and, I believe, inconsistent with our nation's own best interests.

Is it really in our nation's best interest to block access to some of the most prospective areas for petroleum development, both onshore and offshore? The Arctic National Wildlife Refuge, ANWR, is a good example. Even the U.S. Department of the Interior has concluded that this area offers "the best single opportunity to increase significantly domestic oil production."

But despite all the benefits that would come from such development — economic benefits for the U.S., new jobs, income for the federal government and the government and people of Alaska — ANWR remains off-limits. The pretext used for this exclusion is the familiar one — the perceived threat of oil development to the area's environment and wildlife.

A quarter century of industry experience on Alaska's North Slope refutes this notion. It has shown that development can proceed in a way that is fully compatible with arctic wildlife and the environment. And so, what we have is a policy that denies our nation real benefits based on unreal fears.

In this respect, the U.S. is inconsistent with much of the rest of the world. Most countries develop their own best petroleum prospects before relying on other countries to help meet their energy needs — and that makes sense.

Another inconsistency is that, amazingly, our own government, which champions job creation, has in effect told the U.S. petroleum industry to explore, produce and refine petroleum products abroad. And the result has been predictable, with half of the domestic industry's production and refining jobs — some 450,000 in all — having been lost since 1981.

This unfortunate loss reminds me of the slogan coined by a popular diet and exercise guru: "Stop the insanity."

We need to stop the insanity of basing U.S. policy on the inconsistent politics, emotions and perceptions of the moment. And, we in the petroleum industry must avoid falling into the same trap by compromising on issues in the interest of expedience. Instead, we need to take a long-term view and apply a consistent approach, using sound science, risk prioritization and cost/benefit analysis.

On a long list of issues ranging from acid rain to Alar to asbestos to chlorine, we at times act like a nation of Don Quixotes, tilting at the windmills of imaginary or overblown threats.

Of course, some threats are real, and, in these cases, we need to ensure that the government focuses on the most serious ones. That's why deliberate and consistent risk prioritization is so important in the reform process.

Common sense and consistency also require that we not overlook the laws of economics. Cost/benefit analysis continues to be ignored — even prohibited — in many laws and regulations. We in the industry can play a constructive role by insisting that government pay more attention to the balance between costs and benefits in its regulatory policies.

That's particularly needed in the regulation of gasoline and diesel fuel. Additional and ever more stringent requirements in this area are piling cost upon cost — in pursuit of ever diminishing benefits.

Cost is also an issue in the government's misguided attempts to promote uneconomic alternative fuels and the vehicles that use them . An API study estimates that those attempts already cost American taxpayers well over $1 billion annually.

We in the petroleum industry are not inherently opposed to alternative fuels or the electric car, and I expect they may prove useful in some specialized markets. But we are opposed to government interference in the market and the use of mandates and subsidies to tilt the playing field and override basic economics.

Government has a legitimate role to play in setting rational and consistent environmental standards and in promoting policies that spur productive investment. But it should avoid the temptation to intervene in any market in ways that give an unfair advantage to one product over another. Government's responsibility is to ensure a fair contest on a level playing field.

That's particularly important as our industry and the U.S. increasingly become part of the larger global economy. In an age when the price of petroleum products in Boston is affected by what happens in Brussels and Bangkok, we cannot afford to shackle the competitiveness of U.S. firms through costly regulation, high energy taxes or rationing.

Addressing these and the other long-term issues we face will require that we do a better job of convincing others — politicians and the public alike — of the merits of our case. To do that, we'll need to draw on a third "C" — cooperation.

In dealing with important issues in the past, we've been most effective when we've kept a clear focus on our common interest. The coalition we formed to defeat the Btu tax is an excellent example.

On that issue, we brought together various groups within the industry. We mobilized our employees. We gained the support of small business. We worked with other trade groups and associations. And we even picked up the support of a wide range of energy consumers. In the end, we all came together and cooperated to defeat an ill-conceived and onerous proposal.

Conversely, when we each put our own pet issue first, the industry becomes fragmented and unfocused. We pull in different directions, and we succeed only in taking ourselves out of the game.

It's an old adage, but still true, "United we stand, divided we fall." I submit that we simply cannot afford to "fall" on the critical long-term issues facing our industry, such as global climate change.

So we must continue to work for more unity, more cooperation. That begins with focusing on the common ground we share on issues within API. It means cooperating more closely with other associations within our industry. And it extends to the circle of logical allies outside our industry that stand with us on any given issue.

One example is our close cooperation with the automobile industry in research programs on both sides of the Atlantic. Recently, they have become engaged in the global climate issue and are active, aggressive allies. They, in turn, have gained the support of others, and I expect that circle of support will continue to expand.

If we all work toward the same goal, I believe we can change the perceptions of the American people about energy. Through the history of time, common-sense science, common-sense economics and common-sense policies have proven themselves over and over again. Likewise, the value of consistency is apparent. Governments, philosophies and policies not rooted in these principles have faltered.

If we come together with common-sense arguments, consistency in our message and confidence in our convictions, I have no doubt that our efforts will succeed. Used wisely, oil is not a threat to the environment, but an essential part of it — and its use provides a foundation for economic growth and for environmental improvement.

We can have economic growth, energy development and a clean environment. In fact, we must have all three. Recognizing that, we can go forward with confidence to meet the long-term challenges that lie ahead and build an even stronger, more durable petroleum industry.