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Dear Member of Congress:

In the aftermath of the mid-term elections, it is important to refocus on the energy challenges that continue to face our nation. In that regard, I wanted to update you on our energy situation, as you prepare for the post-election session and the convening of the 110th Congress.

Since I last wrote to you on September 29, gasoline prices have continued to fall in line with a decline in worldwide oil prices and the lack of a repeat of last year's devastating hurricanes. Retail gasoline prices have declined to average \$2.22 per gallon on a nationwide basis as of November 9, well below the \$3 per gallon prices experienced this past summer.

As we enter the winter heating season, the oil and natural gas industry is working hard to ensure consumers have the fuel they need to heat their homes. API data show that distillate inventories are more than 13 percent above the five-year average, though it is important to remember that fuel deliveries can be disrupted by frozen waterways and severe weather.

According to the Energy Information Administration (EIA), this is the first winter "since the winter of 2001-02 in which home heating fuel expenditures are not expected to significantly increase over the prior winter." Heating oil on the NYMEX is trading for less than it was six weeks ago. Natural gas prices remain well below last year's levels.

Refiners also continue to produce substantial volumes of ultra-low sulfur diesel fuel (ULSD), which is the cleanest diesel fuel in the world, eliminating 97 percent of engine sulfur emissions. This change is one of the most costly and complex changes ever in the U.S. fuels market, requiring the investment of \$8 billion by the refinery industry.

While the oil and natural gas industry has overcome many challenges in the transition to ULSD and in preparing for the winter heating season, it is tackling longer-term challenges as well. Our nation, dependent on imported oil for nearly 60 percent of its petroleum demand, needs an increased national focus on energy efficiency and the availability of all sources of commercially viable energy to meet its short- and long-term energy challenges.

Some 80 percent of the world's hydrocarbon resources are controlled by foreign national oil companies. The United States, however, has its own vast oil and natural gas deposits. Unfortunately, more than half of our nation's onshore resources and more than 80 percent of our offshore resources are not available for commercial development. Recent discoveries in the deepwater Gulf of Mexico point to the vast potential resources remaining within our own borders. Our companies will continue to reinvest billions of dollars in advanced technologies to develop domestic resources, if they are available for production.

America's oil and natural gas industry annually reinvests more than its total net income to improve industry efficiency and productivity as well as search for, and produce, new energy supplies. We are also leading investors in alternative energies, frontier hydrocarbons, and advanced end-use technologies, having reinvested \$98 billion in these areas in the last five years—an amount representing almost 75% of the total U.S. corporate and federal government investment in these areas over the period. These investments are essential to ensuring America's future energy security and are placed at risk by discriminatory tax regimes that hinder our ability to compete in the global search for, and production of, energy supplies. Capital investments made 10-15 years ago have enabled us to serve today's consumers, while investments made today are needed to supply tomorrow's consumers with the fuel they will require.

We look forward to working with you to develop workable solutions to meet our nation's growing energy needs. For more information, please visit our website (www.api.org), or call Jim Ford, API Vice President of Government Affairs, at (202) 682-8210.

Sincerely,

An equal opportunity employer

