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Dear Senator:

The bipartisan "Group of 10" senators recently released a summary of their proposed energy plan. Like many others, API was hopeful that a new proposal would show the way to break the current deadlock in Congress. Our view is that the next step on energy policy should be to expand access to vital domestic oil and natural gas resources as a complement to the measures Congress approved last year on efficiency, technology and alternative fuels.

API must express its opposition to the approach outlined by the Group of 10 because it falls far short of what is needed.

Unfortunately, the proposal appears to be a classic case of one step forward, two steps back -- or in this instance "light on new production/heavy on new taxes". Current world events only reinforce the critical importance of ensuring that our nation develops the full range of its domestic energy resources for economic competitiveness and national security reasons.

The proposal's approach to access to federal oil and natural gas resources is far too limited in its scope. And, it is unfortunately paired with the imposition of at least \$30 billion in new taxes on the oil and natural gas industry that would have the effect of limiting needed oil and gas investment. A lesson learned well in the 1970-80 period. These measures create an environment that will virtually assure a future with less, not more, domestic production.

While this new proposal would expand access in the waters of the Outer Continental Shelf, it unfortunately limits any expansion over current law to the eastern Gulf of Mexico and waters off four Atlantic Coast states in the South. Even in these areas, development in federal waters less than 50 miles offshore would be banned -- despite the fact that offshore facilities would need to be 12 or fewer miles from shore to be visible from land. Leasing in the North Atlantic and off the Pacific Coast would be banned and plentiful hydrocarbon resources in Alaska would remain off limits. Significant regulatory burdens on new development would remain in place. The imposition of \$30 billion in clearly discriminatory new taxes, to pay for federal investment in alternatives and renewables, ignores the fact that the industry already provides more than 70 percent of all North American investment in research and development in emerging energy technologies.

Americans today are calling for Congress to do much more to supply their needs for additional energy. Our companies are supplying more energy -- and more kinds of energy -- to meet this growing demand. The U.S. Energy Information Administration continues to point out that oil and natural gas will be an essential part of this nation's energy future for decades to come. Opening all available domestic resources to safe and environmentally responsible development would significantly boost U.S. supplies of oil and natural gas; increase

the nation's energy security; add more well-paying American jobs; help with our balance of payments and economic growth during a time of recessionary fears and bring billions of dollars into the Treasury instead of sending them abroad.

Huge and discriminatory new taxes on the U.S. oil and gas industry make no sense. The only beneficiaries of such an ill-advised approach would be international competitors in the global oil markets, who would benefit as US companies were made less competitive in the quest to find and develop global energy supplies. Already, the top 27 U.S. energy-producing companies have seen their annual tax liability rise to more than \$100 billion, an 80 percent increase from 2004 to 2006. New taxes on these U.S.-based energy companies would drastically cut capital that otherwise could be invested in domestic oil and natural gas production and expanded refining capacity. The net result could be to stifle high-risk, capital-intensive projects in the U.S., leaving Americans more dependent on foreign sources of energy, while jeopardizing U.S. jobs and economic growth.

We commend the "Group of 10" for its bipartisan effort to seek solutions to the nation's growing energy challenge. Americans have responded to the increased costs of energy by changing their habits and reducing demand, but a large majority also want expanded access to and development of US energy reserves. We urge Members of Congress to carefully consider the way forward on energy and aggressively pursue policies that make greater supplies of oil and gas available to American consumers, while avoiding changes that run counter to that goal. API stands ready to work with policymakers to promote the economic and energy security of every American.

Sincerely,

A handwritten signature in black ink, appearing to read "Red Cavaney".

Red Cavaney  
President and Chief Executive Officer