

Mike Sommers – API President and CEO

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AS PREPARED FOR DELIVERY:

Thank you, Jesse, it's great to be with you today. As you mentioned, I'm Mike Sommers, President and CEO of the American Petroleum Institute. Before we begin, I'd like to thank the Houston Economic Club and the United States Association for Energy Economics for having me. I'm grateful to connect with all of you — from here in the nation's capital to the energy capital of the world in Houston — headquarters for virtually the entire energy supply chain, including exploration, production, transmission, marketing, refining, technology and more.

That expertise reflects the inclusive culture, the growing diversity, the intellectual advancement, the core resilience, and the social utility of our industry. Oil and natural gas offer people a pathway to the middle class. We provide opportunity for all. We lift up the communities we serve. And Houston sets the tone.

In the spirit of Texas straight talk, I wanted to start my remarks today with some energy straight talk — the kind that isn't always prevalent or popular in Washington.

First, the world will need more energy — not less — over the next 30 years.

The world's population is expected to jump from 7.8 billion people today to nearly 10 billion by 2050, and, even with efficiency gains, energy demand is projected to grow with it. We need to produce more oil & natural gas in the decades ahead — and preferably more in America, where environmental and safety standards are the best in the world.

Renewables are an important and growing part of the pie, but as population grows, the pie itself is growing. Oil and natural gas are critical to scaling lower-carbon solutions. We need more energy across the board to enable both developed and developing economies to grow.

Second, the future is lower carbon.

Climate change is a threat affecting economies worldwide. It's not an issue that can or should be brushed aside. Yet the key to environmental progress in the world isn't the Green New Deal. It's not the Sunrise Movement. It's coming from competitive markets and innovation — including from this industry. Cleaner fuels like natural gas are essential and they're why the U.S. leads the world in emissions reductions. This industry is essential to supplying energy that makes life modern, healthier and better — while doing so in ways that tackle the climate challenge.

And we don't wait for government mandates.

If you need proof, think about 2010, the last time Congress considered climate legislation. Back then, lawmakers estimated that CO2 would drop by as much as 10 percent below 2007 levels in 2019 if their bill became law. Well, their bill didn't. Instead, industry innovations like hydraulic fracturing and horizontal drilling increased domestic supply and use of natural gas, and U.S. CO2 emissions declined nearly 15 percent — 50 percent more than what Congress predicted.

Third, oil and natural gas will play a pivotal a role in current and future needs — whether it is produced in America and benefiting our security, economy and workforce, or whether it is produced in other regions doing the same for them.

Take the fact that at the peak of the pandemic last year, petroleum use fell to 80 million barrels per day – off its peak of 100 million barrels per day pre-COVID. Estimates show the world will exceed 100 million barrels per day by the end of this year. More than any other industry, we know the waxing and waning of energy demand cycles, how to adapt and innovate and bounce back to meet consumer needs. The International Energy Agency even estimates that nearly 50 percent of the world's energy will come from natural gas and oil in 2040 – even in a scenario where every nation meets its Paris Agreement emissions goals.

I share this straight talk because America is at an inflection point. We face societal, political and economic headwinds post-pandemic. In some circles, you'll hear talk of halting American energy and the jobs and local economic benefits it brings to producing and non-producing regions alike.

Do we follow the Texas story, and reach new heights in U.S. innovation and energy leadership? Or does Washington chart the course? That could be a different story.

Throughout history, America has taken lessons from Texas, betting on open markets, betting on a strong business environment, betting on American ingenuity, grit, hard work and innovation.

Nobody innovates like Texas energy operators. They show the same grit, ingenuity and adaptability that led to the 1901 oil discovery at Spindletop. Take efforts to reduce emissions like the Texas Methane and Flaring Coalition or The Environmental Partnership, which brings together nearly 90 natural gas and oil companies, including many with holdings in Houston.

The Partnership members represent over 70 percent of total new onshore U.S. production, and have cut methane emission rates beyond the 70 percent reductions already achieved in the largest producing U.S. regions. Houston companies enabled this progress. Houston companies drove U.S. energy leadership. And energy leadership is leading U.S. economic recovery.

That rings true across Texas, which as of May had much higher employment growth than the national average. Texas, where the energy sector has added jobs every month since September. Texas, where home prices are growing. Texas, where people are dining out and living life again.

And Texas energy progress also manifests itself nationwide. The energy innovation that was incubated in Texas has made America the global leader in producing natural gas and oil. Where we were building import terminals, we are now exporting LNG and environmental progress around the world – benefiting American business in the process.

On the other hand, the surest way to stall America's economic recovery is to remove affordable energy from the picture – with more regulations, more restrictions, more taxes.

Nothing less than our economy and national security are at stake if Washington handcuffs this industry like that.

Unfortunately, the sweeping infrastructure proposals being traded between the White House and Capitol Hill miss an opportunity to address America's critical energy needs. Focus on roads and bridges are essential, but a true across-the-board energy approach requires the expansion of modern energy infrastructure, including pipelines, export terminals and storage facilities.

Sadly these are just a blip on Washington's radar. On Day 1, the President canceled the Keystone XL pipeline, but later failed to oppose Russia's Nord Stream 2 natural gas pipeline to Germany.

Moving forward, if lawmakers use taxes to restrict energy development, it's small businesses, skilled workers, and American consumers who will likely suffer. New taxes too often have meant higher costs for Americans.

And don't forget the indefinite pause to new federal oil and natural gas leasing, all while OPEC countries are increasing production to meet demand.

We are urging the Biden Administration to end this "import more oil" policy that could threaten Texas jobs and deprive the Lone Star State and neighbors like New Mexico of much-needed revenue. For example, in Fiscal Year 2019 alone, the U.S. government disbursed more than \$11 billion from energy production on federal and American Indian-owned lands and offshore areas. That money goes to state budgets, conservation efforts and more. Part of this funnels through the Land and Water Conservation Fund, which is supported by offshore oil and natural gas production. Without our industry, it gets a lot harder to protect national parks, save wildlife habitats or create outdoor recreation programs.

As four Democratic members of the Texas Congressional delegation wrote in a letter to President Biden this year: "Now is not the time to jeopardize American jobs, or the critical tax and royalty revenues that federal leases generate for local, state, and federal governments that need funds now. Instead, we should invest in our nation's infrastructure and create the jobs that will help our nation emerge stronger after this pandemic."

We must stay vigilant. When domestic access vanishes, foreign imports fill the void and America loses ground. There's a better way – responsible development where workers are respected, investment is encouraged and environmental standards are strong: Here at home.

It can get lost in energy and climate policy fights, but natural gas and oil companies anchor entire communities and support thousands of local businesses, like parts and materials suppliers, equipment manufacturers, retailers, restaurants, and more. For every direct job in the oil and natural gas industry, we support an additional 2.7 jobs elsewhere.

And Uncle Sam may not shout it from the rooftops of the United States Capitol, but we help him too.

The federal government rakes in \$148 million from natural gas and oil every single day. Annual revenues of around \$54 billion represents roughly 8% of the federal government's non-defense discretionary budget. And just last year, net exports of oil and natural gas reduced the nation's trade deficit by \$29 billion.

All of you know industries across the economy deduct investments in certain equipment and materials in order to reinvest in their business, innovate and create jobs. Our industry is no different. Unfairly targeting U.S. energy companies will undermine economic recovery and job creation, and it will likely drive natural gas and oil investments overseas.

Once again, there's a better way – keeping government out of picking winners and losers. Again, Democratic members of the Texas Congressional delegation agree. They've rightfully challenged the President. He should listen to them and the communities they serve.

The workers who power those communities know the challenge of meeting growing energy needs while simultaneously ushering in a lower-carbon future – it’s massive, intertwined and fundamental. But it is also the opportunity of our time, and one we are prepared to meet with new approaches, new partners, new policies and continuous innovation.

Look back into history and you’ll quickly realize this industry was created to meet big moments and accomplish big things – keeping the lights on, powering hospitals and homes, enabling easy transportation around the world. We are positioned to do so again: transforming our business, bringing more people to the table, and broadening our circle to a point where we have the intellectual diversity to solve the world’s biggest problems, right now and deep into the future.

With that in mind, at the start of the year, API established a new initiative called API Energy Excellence, which is designed to unify the industry’s efforts to prioritize safety and bolster environmental performance. Then, in April, we released the industry’s *Climate Action Framework*, an economywide blueprint to further reduce emissions, move toward a cleaner world and advance low carbon technologies, while powering modern life and fueling economic growth.

The framework calls for accelerating technologies and innovation and furthering actions to mitigate methane emissions, such as improved detection technologies. It endorses an economy-wide government carbon price policy as the most effective and transparent way to achieve meaningful progress. It commits industry to continue developing cleaner fuels and to advance consistent and transparent reporting of greenhouse gas emissions.

As part of this critical work to address the climate challenge, today API is unveiling the next step in our efforts to accelerate climate solutions – a new template for individual companies in the natural gas and oil industry to more consistently report and track greenhouse gas indicators.

While many companies have reported greenhouse gas indicators for over 20 years, the template aims to provide a consistent and uniform set of core greenhouse gas indicators to enable greater comparability in climate-related reporting. The template—developed in consultation with API member companies, the financial sector, policymakers, industry customers and other interested parties—includes relevant climate-related information. API expects to release additions to the template focused on greenhouse gas emissions intensity indicators later this year.

As an industry of engineers and problem solvers, we measure and track progress in everything we do and aim to share relevant data transparently. Working with our members, the financial community and throughout the supply chain, this reporting template builds on our robust sustainability efforts. It also elevates the consistency and comparability needed for tracking climate-related progress from company to company. U.S. natural gas and oil companies were among the first businesses to develop sustainability reporting, and we continue to expand our efforts to reduce emissions to generational lows while delivering affordable and reliable energy.

By advocating for the acceleration of emissions-reducing technologies, encouraging transparency in climate reporting, and advancing cleaner fuels, API member companies are demonstrating their support for further innovation, new economywide market mechanisms and sensible policy proposals to enable a better tomorrow. Through those commitments and

beyond, API member companies will work toward a cleaner energy future together with government partners, other industries and fellow innovators.

Here's some more Texas straight talk: Even U.S. Climate Envoy John Kerry agrees that carbon capture is a "key tool" for reducing economy-wide emissions. Our sector is leading the way. Oil and natural gas companies based in Houston project American strength to the world. They enable better lives, pathways to a better future, and progress for all. So it's a no-brainer for you to oppose anti-industry efforts with vigor, and I encourage you to lobby your lawmakers to do the same. At API we will continue to work with every level of government; both political parties; innovators across industries; and around the world – all in the service of an industry Texas pushed until it became a powerhouse.

It takes all of us to make a more energized and cleaner world. Think of it like beating COVID-19. That took government and industry working together. Similar to wiping out an astonishing plague, there is no single solution to bring energy to the people in a more sustainable way.

Instead, there are multiple paths to support communities, meet energy demand, and tackle climate change. They all share a common route: natural gas and oil. To build a better world for all, it's imperative to enable energy development and environmental progress. This industry, thanks to so many Houston-based operators, knows how to get us there. That's energy reality.

Thank you, and I'd be happy to take your questions.