

State of American Energy Keynote
Wednesday, January 13, 2021

Good morning. Today I'm going to outline a path – a vision – for an affordable, secure, reliable, cleaner energy future. One marked by a shared commitment – across many industries – to innovation, action, and problem solving.

I'm going to challenge myths, share undeniable facts, and bring in other voices to share their perspective. And I want to hear from you – post comments and ask questions in the chat box to the right throughout my remarks.

When Americans talk about energy, the conversation often results in an “either/or” debate. We've become conditioned to pit using energy against making environmental progress. Yet history has shown this is a false choice: both developing energy and reducing emissions are essential to advance our society and protect the environment. Without energy **and** environmental progress, we risk national security, quality of life, and the American experiment.

And that's where natural gas and oil enter the picture. Both are supporting our nation's recovery and eventual comeback from the COVID-19 pandemic.

Take the last 10 months.

Our products served as critical building blocks for millions of face masks, surgical gowns and other PPE worn by frontline workers.

Our crews worked long shifts to help make those products and power hospitals and plants so others could stay safe at their workplace or get the care they needed.

We fueled emergency vehicles, trucks to transport vaccines, airplanes to deliver medical supplies.

In 2020, in our nation's most critical time of need, our industry workforce proved day-in and day-out that....We are essential.

The millions of men and women whose jobs are supported by our sector reflect our industry's commitment to step up, take action, and solve problems. Our resilience, values and principles are essential to America's success and recovery, and they are evident among our workforce in communities across the U.S.

Because reliable energy is so central and consequential to everything else in the economy, we don't get caught up in every political battle of the moment. We keep the focus on the essential work America depends on: producing and delivering American energy . . . contributing to America's national security ... answering climate challenges with action and American ingenuity ... and keeping energy affordable for all.

This focus is nothing new – here's our track record.

First, thanks to American technology and innovation, the U.S. is now the world's leading producer of natural gas and oil. If the Permian Basin alone was a country, it would be the third-highest producing nation in the world.

Second, securing America's energy future has long been a point of unity. Since the 1970s, nine U.S. presidents have focused on American energy security and advocated for reducing our nation's dependence on foreign oil – and for good reason.

Third, cleaner U.S. natural gas for electricity generation has removed over three gigatons of CO₂ emissions that otherwise would have been emitted between 2006 and 2019. What does that mean? Even before the recent economic downturn, U.S. emissions were about as low as in the 1990s, while economic growth doubled.

Finally, energy affordability is more important than ever as we recover from the pandemic. A government focused on recovery for all should reject policies that could drive up energy costs and hurt those who can least afford them.

And that's the case we're making and approach we'll take in working with President Joe Biden and his administration.

Our country has a lot of economic ground to make up, millions more jobs to recover. And when the business at hand is economic revival, no industry can help more than this one.

The pandemic offered reminders of just how crucial the natural gas and oil industry is to everyday life. Consider that back in April, when everything was shut down, global demand for oil was *still* 81 million barrels a day. Many of the PPE products that everybody needed – things like gloves, face masks and clear plastic shields – are petroleum-based. Yet lost in the rhetoric by some, these facts are ignored.

We are all familiar with the caricatures of the oil and gas industry. But I can assure you that whatever the issue, whatever the controversy, we're going to stay on mission with positions based in reason, fact, and reality.

Change is in motion, but it's a long arc, and the majority of the world's energy needs are projected to come from natural gas and oil far into the future. Meeting this demand is going to require hundreds of billions of dollars of investment, more exploration, more production. Our industry is prepared to meet this challenge.

After a year of crisis, everyone is ready for recovery. The surest way to bring recovery to a stop is to remove affordable energy from the picture – with more regulations, more taxes, more restrictions on access. But if lawmakers curtail resource development and energy prices spike, it's working people and consumers who will suffer.

I've been in towns across this nation where people wondered for decades what it would take to bring their economies back to life. The answer finally came with energy production.

Suddenly, where opportunity was needed most, we've seen good-paying union jobs, main-street businesses opening and hiring, property values going up, and school districts thriving on a higher tax base.

There are hundreds of versions of this same story, as resource development has turned things around nationwide. Here's one version, from Ashley Niman, a teacher in New Mexico. [Video]

When policymakers weigh their plans for an industry, the first people they should consult are the ones – like Ashley – who are most directly affected by it.

From afar, it's easy to call for bans on leasing or fracking. But up close, the reality is that fracking is safe . . . a marvel of technology . . . critical to this nation's energy security . . . and a lifeline to local economies, governments, and schools. Take all that away, and millions in local tax revenue and millions of jobs, go right with it.

In New Mexico, such losses are so much more than numbers on a page. A federal leasing and development ban could mean 62,000 people out of a job...and more than \$1 billion per year from New Mexico's budget to support schools, roads, and hospitals could be at risk.

So our new president and Congress have some big decisions to make on energy. Energy abundance or foreign dependence. American jobs or outsourced jobs. Economic revival or small-town decline.

Progress or retreat.

When we talk about private energy investment, infrastructure should come to mind first. The economy cannot run at full speed unless we deliver energy from where it is to where it is needed. And there's no safer means than a pipeline.

This nation is already served by hundreds of thousands of miles of pipelines; Americans depend on that network every day. And we're going to need many more miles, which is not a problem but an opportunity. Infrastructure is an unrivaled job creator, from the worksite to the manufacture of the materials. And it happens that in America, we are very good at building pipelines.

Altogether, we're an industry that supports more than 10 million American jobs. It's a strong, skilled workforce, made up of men and women who like the jobs they have. And more than that, they know they're involved in something essential. Here's Jim Snell from Steamfitters Local 420 in Pennsylvania. [*Video*]

Jim speaks for so many other workers, who ask only to do the important work they know best. Yet they are often left as onlookers in attempts to close down projects like the Line 5, Dakota Access, KeystoneXL, and Atlantic Coast pipelines. Here are projects essential to our economic comeback – and yet each one of them is a magnet for obstruction and litigation.

The political environment remains polarized, but here's my reading of the 2020 election: in both parties, there is substantial support for American energy production, and the balance of power has shifted to the moderate middle. For most voters, it's just a matter of common sense that we should rely on our own energy and invest in our own resources– not send U.S. dollars to other countries for energy that we need. A growing economy, and millions of jobs, hang in the balance.

Here's another thought about deeply-felt public concerns at the start of 2021. We've all just seen what a global health crisis looks like. We've seen how terribly wrong things can go. We've also seen the best science and technology in the amazing speed of developing a vaccine. We should take lessons from this on how we meet the pressing challenges of our time.

So, it's fair to ask, on the issue of climate change, what is being done right now? I don't mean what is being *said*, or promised, or declared as collective goals at signing ceremonies. But rather, what is being *done*.

In our industry, unlike others, we can answer that question in direct and tangible terms.

No nation anywhere has reduced annual greenhouse gas emissions more than we have in the United States. Over the last decade, we achieved the largest-ever decline in energy-related greenhouse gas emissions.

This almost didn't happen. If policymakers had restricted access to developing oil and natural gas in hopes of addressing climate change, emissions would have been *greater* than what actually happened.

Take the last time Congress considered climate legislation – the 2010 Waxman-Markey bill. If enacted, Congress projected CO2 emissions in 2019 would decline by as much as 10 percent below 2007 levels.

But in fact, because of industry innovations like improvements in hydraulic fracturing and horizontal drilling that enabled companies to reach more natural gas, U.S. CO2 emissions in 2019 declined at a greater rate – nearly 15 percent below 2007 levels.

We haven't been waiting on guidance or on orders from others; we have done this all on our own initiative, with our own money, with our own engineering and technology. We've exceeded goals that even the most heavy-handed regulators wanted to impose on us.

For example, industry actions have helped reduce methane emission rates by nearly 70 percent in the largest producing U.S. regions.

When demand and production go significantly up, while emissions go significantly down, we're clearly on the right track. This is the biggest story on the biggest environmental challenge of our time.

We look forward to working with the Biden Administration on policies to continue this downward trend on methane emissions. We recently took action with a flaring program to further reduce flaring in our operations. More than 80 natural gas and oil companies, representing over 70 percent of total onshore U.S. production, are taking action to further cut methane emissions through The Environmental Partnership.

Our ingenuity has enabled a massive shift from coal to natural gas in power generation. And because we produce enough at home, we have a surplus of natural gas to export overseas, allowing us to help other nations make that switch for themselves and reduce their emissions profile.

Late last year, U.S. LNG exports reached a record high, and they are forecast to increase 30 percent this year. With this breakthrough, American energy is enabling the transition to cleaner power generation and accelerating environmental progress across the world. U.S. liquefied natural gas exports are a far cleaner option for electricity generation in places like China, India, and other nations in Southeast Asia.

Environmental goals are easy to declare, the more far reaching the better. But nothing is actually accomplished by announcements and agreements. Someone still has to invest the capital and do the innovating and engineering. That's what our industry has been doing. That's why the

United States today is the world leader in reducing greenhouse gas emissions.

What would have happened had America gone the other way, with a command-and-control model? We would have locked in old methods . . . missed out on a generation of new technologies . . . and come nowhere near the incredible environmental gains we've seen.

Mandates get us nowhere. Look at California. You've got millions of people, some of whom are paying the highest electricity rates, in part because the state has been shutting down natural-gas power plants. The logic of that is a mystery, and Californians have a chance to think about it every time there's a heat wave and the system requires a blackout.

The Golden State is now pledging to eliminate internal combustion engines by 2035. This would remove the most affordable and reliable transportation option for most residents. Should this extreme proposal play out, it would further increase electricity demand, adding to the state's ongoing power crisis. And don't forget – the electric vehicle tax credit has overwhelmingly benefited the wealthiest of households, with middle-class Americans footing the bill.

Forced electrification limits options for consumers. Americans want popular vehicles fueled by reliable gasoline, a gallon of which costs \$2 less than it did a dozen years ago. Electrification mandates also ignore clear environmental progress: Today's new cars, trucks, SUVs and buses run about 99 percent cleaner than models produced in 1970 – reducing pollution even as vehicle miles traveled per year have nearly tripled.

Bottom line, California is trying to force an energy change that it simply isn't ready for and technology doesn't exist to support, putting its residents at risk. So, no one should be surprised when reality keeps interfering. The constant impulse to mandate and make headlines never quits easy and never ends well.

Whether our critics admit it or not, our industry is a driver of technology progress against greenhouse gas emissions, among other environmental challenges. It is our technology that is making all the difference and we're pointing the way forward. Here's Barbara Burger of Chevron with some

perspective on how her company is using technology to achieve environmental goals: [Video]

That's just a snapshot of how this industry is keeping its technological edge. And the amazing thing, after all those tens of billions of dollars invested, is that the energy we produce remains so affordable.

It can be a little galling, then, to hear ourselves spoken of as a, quote, "subsidized" industry that enjoys preferential tax treatment. Manufacturers in general are encouraged by tax law, and a competitive economy, to recover their investment costs, because these investments serve the public interest by creating new jobs, goods and services. In our case, the investments help to deliver the very same environmental progress that we all want to see.

Deductions incentivize investment in exactly the way the tax code is designed to do. This talk of subsidies is a false and tiresome claim we have heard before. In 2021, as always, we're going to defend the principle that energy producers should be treated like any other manufacturer. We can't forget that it's low-cost, reliable and secure energy that makes our industries competitive in the global marketplace.

Here in Washington, we'll continue to make our case. And we'll rely on an educated American public that supports our innovative efforts, and greatly appreciates affordable energy. At this very moment, we have thousands of Energy Citizens and viewers from all 50 states, as illustrated on the map behind me, demonstrating the wide reach and millions of advocates representing our industry.

They know that higher energy costs can mean a real setback. During the past decade, while the cost of most everything has skyrocketed, household energy expenditures have plunged by about 15 percent.

Even so, we hear the term "energy poverty" to describe places where you can't get safe, affordable natural gas because the infrastructure just isn't there yet. Here's a leader whose name we all know, Dr. Benjamin Chavis, with thoughts on that problem, and the solution. [Video]

In this energy-abundant country, the last thing anyone should have to worry about is energy. And so, an industry whose mission is “energy for everyone” will always have more to do. And, we have much to be proud of.

We’re going into 2021 with confidence, and with a sense of purpose. A tough and unique year for America is thankfully over. A strong economic recovery is within reach for our country. And a lot will ride on the strength of the energy industry.

Looking ahead, when we say we are “building the future,” we’re conveying our confidence in brighter, better lives for Americans everywhere. As part of that commitment, our industry is laser-focused on environmental, social and governance issues – and safety.

An API staffer recently told me how his father-in-law – a longtime employee in the energy industry – often heard colleagues at the job site asking: “*Is everything API?*” Meaning, is everything safe? Is everything up to spec?

Those questions – that culture – defines our operations and guides our shaping of the future. And that culture isn’t static; it’s defined by endless innovation. That’s why, today, we’re excited to kickoff API Energy Excellence. With this new program, we’re creating a roadmap for accelerating safety and environmental progress across all segments of our industry.

API’s standards for nearly a century have supported the safe and environmentally responsible development and movement of natural gas and oil operations.

In the last two years alone, API has published more than 35 state-of-the-art standards that help mitigate the risks of climate change through deployment of modern technologies and processes.

API Energy Excellence is the next big step.

As energy leaders, all API members now participate in the API Energy Excellence program. Under this program, our members commit to continuous improvement and operational excellence through annual reporting. In everything they do, they’ll choose a path to accelerate progress for workers, communities, and the environment.

In closing, the world changed in 2020. It will change again in the future. One constant should be the energy we produce in the United States.

The government recognizes our staying power. It quickly identified our industry workforce as “essential workers” at the start of this pandemic. Whether it’s making PPE, moving affordable energy or refining our fuels more efficiently, we’re proud of our work. And it’s ongoing. With all the disruptions across the economy, our industry continues to deliver without interruption. We keep the lights on. We heat homes, hospitals, businesses. We fuel cars and trucks. Never in doubt.

That’s because the people of this industry step up. They don’t need the government to tell them they are essential. In reality, every day, pandemic or not, the men and women of our industry show up and do extraordinary work – often unseen and unrecognized – that is consequential.

To those essential workers listening, thank you. We are glad you are on it and applaud the resilience, determination and skill you show day in and day out.

America faces no shortage of challenges, but we will tackle them all and come out stronger thanks to you.

We are American energy – restoring the economy today, preserving America’s energy leadership tomorrow & building a better future for all.

Thank you.