

**Testimony of James J. Mulva
Chief Executive Officer, ConocoPhillips
Before the
Energy and Environment Sub-Committee
Of the
House Energy and Commerce Committee
U.S. House of Representatives
Tuesday, June 15, 2010**

Good morning Chairman Markey, Ranking Member Upton and members of the Energy and Environment Sub-Committee. My name is Jim Mulva and I am Chairman and Chief Executive Officer of ConocoPhillips. Thank you for the opportunity to come before the Committee this morning.

ConocoPhillips is an international energy company employing approximately 29,900 people globally, 19,300 of whom are located here in the United States.

Let me begin by saying that the ConocoPhillips family extends our heartfelt condolences to the loved ones and friends of the 11 workers lost on the Deepwater Horizon incident in the Gulf of Mexico. We also extend our thoughts and prayers to the workers who were injured during the incident and for all those impacted by the oil spill.

The Deepwater Horizon incident is a matter of national urgency. We in the energy industry truly understand the gravity of this emergency and the significant impact it has had on the environment and on all those who live and work in the Gulf Coast area. ConocoPhillips has made our resources available to those responding to the spill. The industry will continue to work vigilantly alongside government and the responders until the spill is contained and all affected areas are restored. This is our industry's first priority.

Once that job is finished and we have all fully taken stock of the lessons to be learned from this disaster, the business of offshore exploration will and must continue. It will continue because we can and will do it safely and responsibly. And it must continue, not only for what it yields for our nation, but also because that's what America does. We learn new lessons and move forward to higher levels of progress and achievement.

We are not in a position to speak about what went wrong at the Deepwater Horizon. The companies involved and the regulators will speak to that. But as an industry, we must commit ourselves to learning lessons and making necessary changes to ensure that nothing like Deepwater Horizon ever happens again.

Energy Policy

Any necessary changes undertaken by Congress, the Executive Branch and industry should be part of a broader national energy policy that guarantees the security of the energy supplies that are vital to our national economic well-being. Energy policy that

assures the safe and environmentally responsible production of all forms of energy, along with its wise use, is an essential predicate to a healthy and growing economy.

To this end, ConocoPhillips supports energy policies that promote four objectives.

- Supply diversity;
- Technological innovation;
- Energy efficiency; and
- Sound environmental stewardship.

Each of these objectives is uniquely important to energy security. Because energy is a global commodity, these objectives must be continually integrated and balanced in order to avoid putting the United States – as well as its domestic energy industry – at a competitive disadvantage to the rest of the world.

We believe that meeting projected increases in U.S. demand for energy during the coming decades will require the use of all available energy sources, which include conventional and unconventional oil and natural gas, coal, nuclear power and renewable and alternative sources, coupled with energy efficiency. Energy security comes from supply diversity.

Technological innovation has always been the key to advancing the emerging energy sources of the future. But such innovation does not happen overnight, or without cost and considerable effort. ConocoPhillips is researching and deploying technology to utilize renewable feedstocks at modified refineries, and in turn to produce lower carbon renewable fuels that can utilize existing U.S. refining and distribution infrastructure. We are also monitoring ongoing research of other promising technology. Once these renewable technologies are proven at commercial scale, and are cost competitive in the market, we will consider investment opportunities. In the meantime, we believe that greater energy efficiency can improve energy security and help minimize environmental impacts.

It is critical to understand that environmental stewardship and energy resource development are not inherently contradictory objectives, despite the recent tragic events in the Gulf of Mexico. Both can and must be achieved. These are not mere words, Mr. Chairman; this is one of the primary ways in which our industry must always measure success.

Climate Policy – Need for Federal Legislation

ConocoPhillips further believes the United States must take action on the issue of global climate change. But there is a right way and a wrong way to deal with the issue.

The right way is a new comprehensive federal law specifically tailored to the unique nature of greenhouse gas emissions and their regulation. This law would establish a clear and transparent price for carbon.

The wrong way is attempted reliance on existing federal laws that were not designed or ever intended to address greenhouse gas emissions, or on state climate requirements that create an inconsistent patchwork of regulations. We remain committed to working with lawmakers to assist in devising practical, equitable and cost-effective policy that will reduce U.S. greenhouse gas emissions and address the impacts of climate change.

Climate change policy is tightly linked to American energy security. Therefore, policy objectives to address greenhouse gas emissions must be balanced with the need to continue supplying the energy that powers the national economy, preserves and creates jobs, and assures quality of life. If climate change policy is not thoughtfully balanced with these energy security objectives in mind, we risk not only falling short of our climate goals, but also harming our economy, just as it begins to recover from the recession.

ConocoPhillips has been deeply involved from the start of this Congress in the effort to enact a responsible climate law. We have worked with a cross section of stakeholders to further develop a legislative framework that addresses issues of key concern to the public, government and our industry. It is our view that a federal legislative framework, at a minimum, must:

- Provide a program to manage transportation emissions that protects consumers while supporting investment opportunities in low-carbon technologies.
- Address the energy-intensive and trade-exposed nature of our nation's refineries.
- Create a new legislative mechanism specifically for regulating greenhouse gas emissions in place of the Clean Air Act, Clean Water Act, Endangered Species Act, National Environmental Policy Act and other federal and state programs.
- Recognize the essential role and benefits of natural gas in achieving a lower-carbon energy future.

Natural Gas and Climate Policy

In order to fulfill America's pressing energy needs – providing the fuel that enables people to travel to work and back, that moves goods around the world, that powers the lighting, heat, electricity and machinery on which our homes, factories and hospitals depend, and that provides the fuel and fertilizer that enables us to feed a growing population – we must utilize a broad portfolio of energy sources that includes carbon-based fuels. Even with strong growth in renewable sources, carbon-based fuels must carry the energy load far into the future.

Natural gas is critical to this country's energy future. It is clean, affordable, reliable and abundant, right here in the United States.

Our policies should not attempt to determine which energy sources are "winners," since this raises the risk of picking flawed solutions and discouraging research and development on other sources that might offer potential in the future. Rather, climate

policy should establish a value for carbon emissions, apply that value to all energy sources based on their carbon content, and then let the most economically and technologically efficient sources rise to the top.

A mandated use of renewable energy for electricity generation exemplifies a policy that attempts to pick energy winners. Such a mandate could prove expensive for consumers due to the higher costs of renewable energy, cannot be applied uniformly in all states, and does not provide for utilization of lower-carbon energy sources. If placing a price on carbon is deemed insufficient to drive emissions reductions in the power sector, we instead suggest implementing a clean-energy standard. This would enable multiple sources – including renewable energy, efficient natural gas power, coal-fired power combined with carbon capture and storage, as well as nuclear power – to compete on a level playing field. It would thus yield the most cost-effective and equitable approaches.

Oil Sands and Climate Policy

The Canadian oil sands are another good example of the need for balance between domestic climate policy and energy security. The oil sands are essential if North America is to meet its short- and long-term energy security needs. Without increased production from these abundant, conveniently located sources, North American energy costs will rise, the need for overseas imports will increase, and American jobs will be lost. It is estimated that development of Canada's oil sands and their subsequent export to the United States for refining and marketing will result in creation of over 340,000 new U.S. jobs between 2011 and 2015, and add an estimated \$34 billion to U.S. gross domestic product in 2015.

As with our other operations, ConocoPhillips is committed to minimizing greenhouse gas emissions resulting from oil sands development. It is important to recognize that the overall contribution of oil sands production to global greenhouse gas emissions is less than 0.1 percent. Also, the wells-to-wheels life-cycle emissions of oil sands are similar to other sources of heavy crude oil upon which many U.S. refineries already rely. The oil sands represent a stable, secure and abundant supply source from the United States' largest trading partner.

Conclusion

During times like these it is understandably hard to think about the good things our industry does and the important contributions our energy production makes towards the country's well being. Further, the oil and gas industry generates vital U.S. jobs as well as substantial state and federal revenue from tax and royalty payments.

It is important that we all look beyond these challenging times and work together to avoid inadvertently taking short-sighted energy policy positions that would undermine the country's efforts to achieve national energy security in the future.

Thank you again for this opportunity to be here today. I look forward to responding to your questions.

END