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Dear Member of Congress:

I am writing to express the American Petroleum Institute's strong opposition to the American Clean Energy and Security Act of 2009, authored by Representatives Henry Waxman and Ed Markey. As independent analysis suggests, this legislation will drive up consumer prices for gasoline and other fuels. It also will create huge disincentives for the production of America's abundant natural gas resources and force jobs and productive capacity overseas.

Addressing climate change is important, and the oil and natural gas industry has made serious commitments to reducing GHG emissions. The industry is responsible for 44% of the $133 billion in total public and private sector investments in low-carbon energy technology since 2000.

API supports legislation to reduce emissions of greenhouse gases (GHG) in lieu of ill-suited federal and state regulatory programs. Unfortunately, the approach taken by the Waxman-Markey bill is so fundamentally flawed that the House should reject it.

The legislation will drive up individual and commercial consumers' fuel prices because it inequitably distributes free emissions "allowances" to various sectors. Electricity suppliers are responsible for about 40% of the emissions covered by the bill, and receive approximately 44% of free allowances – specifically to protect power consumers from price increases. However, the bill holds refiners responsible for their own emissions plus the emissions from the use of petroleum products. In total, refiners are responsible for 44% of all covered emissions, yet the legislation grants them a mere 2 percent of free allowances.

This places a disproportionate burden on all consumers of gasoline, diesel fuel, heating oil, jet fuel, propane and other petroleum products. An analysis of a Congressional Budget Office report indicates that it could add as much as 77 cents to the price of a gallon of gasoline over the next decade. And, according to the Heritage Foundation, this legislation could cause gas prices to jump 74% by 2035. <u>That means, at today's prices, gasoline would be well over $4 per gallon.</u>

The bill compounds its inequities by barring U.S. refiners from receiving the same domestic protections granted to other industries exposed to foreign competition. This approach will benefit foreign refiners, exporting domestic refining capacity and jobs, in many cases to countries that do not control GHG emissions.

One aspect of the bill is particularly perplexing, and that's the treatment of natural gas. At a time when new major sources of this clean burning fuel are coming on line, the allowance system and the renewable electricity standard discriminate against this abundant domestic resource. Half of the free allowances for the power sector are granted on the basis of historical emissions, benefiting older, higher emitting plants at the expense of newer, natural gas-fired generators. The standard favors renewable energy while ignoring the emissions benefits of natural gas. Thus, the bill puts downward pressure on domestic natural gas production and use, once again driving jobs and production overseas.

At a time when we can least afford it, these provisions and others have the effect of driving up energy costs, creating a competitive disadvantage for American business, and imperiling thousands, if not millions, of jobs. The oil and gas industry, alone directly and indirectly supports 6 million American jobs. These jobs and their economic productivity should not be jeopardized.

Given the scope and the breadth of the Waxman Markey bill, the House should take the time necessary to get this legislation right. It is too important to be pushed by an arbitrary deadline. Jobs and the health of the American economy depend on a more balanced approach.

API and its member companies are committed to working with Congress to produce climate change legislation that protects the environment while boosting the U.S. economy.

Sincerely,

Jack Gerard

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President and Chief Executive Officer