

**United States Senate
Committee on Finance
Statement of Lamar McKay
Chairman & President, BP America
May 12, 2011**

Mr. Chairman, Ranking Member Hatch, members of the Committee, good morning. My name is Lamar McKay, and I am Chairman and President of BP America.

I appreciate the opportunity to address the issue of energy tax incentives today. Before doing so, I would like to provide some context on BP's operations and investments in the U.S., both in traditional and renewable energy.

BP's Operations and Investments in America

BP has a long history in the United States energy market, with 23,000 United States employees and operations spread across the US. We are committed to providing the United States with the energy it needs to grow in the coming decades, and doing so in a responsible and sustainable manner. We are not only one of the largest oil and natural gas producers in the United States, but our investments across the entire energy spectrum are significant: we have a broad and diverse energy portfolio that makes us one of the nation's largest energy investors.

Over the five years ending in 2009 we have invested more than \$37 billion in development of US energy supply. We continue to invest in natural gas production from the Rocky Mountain West and our existing shale gas regions. We have significant oil production in Alaska and the Gulf of Mexico. Further, we have made, and are continuing to make, significant investments in our refineries in the US, including major capital projects that will increase gasoline production capacity at our key Midwestern refineries.

We also invest actively in renewable energy. During 2009, we invested nearly a billion dollars or 10 percent of our \$9.9 billion US capital budget in alternative energy. These investments include the operation of wind farms in ten states; and development of the first commercial scale cellulosic biofuels facility in Florida and work on an advanced biofuels molecule – biobutanol – with DuPont; and our solar business, which has been in operation for over 35 years.

This investment in alternative energy is paying important dividends. For example, due to our investment in wind generation, we currently operate ten wind farms with a generating capacity of over 1,300 megawatts, with a further

1,000 megawatts in an advanced stage of development. That is enough power to supply a city the size of Washington, DC.

In addition, we are already one of the largest blenders of ethanol in the nation, and we are investing more than \$500 million in the search for a new generation of biofuels that contain more energy, have less impact on the environment, and are not made with a food crop.

To be clear, BP America is working hard to expand and diversify US energy supply and is committed to reducing the environmental impact of both energy production and consumption.

BP's Commitments to the Gulf of Mexico

Last month marked one year since the Deepwater Horizon accident. We regret the loss of life and the impact on the communities and environment of the Gulf Coast states.

We continue to work hard to meet our commitments in the Gulf of Mexico. We have paid more than \$6 billion for claims filed by individuals, businesses, and government entities.

We also have made more than \$130 million of grants to the Gulf Coast states, and we have committed \$500 million for the Gulf of Mexico Research Initiative, which is funding independent research to investigate ecosystem impacts from last summer's spill.

BP has also recently signed an important agreement with federal and state agencies that commits up to \$1 billion for projects that will accelerate work, starting this year, to restore areas of the Gulf of Mexico that were affected by the *Deepwater Horizon* accident.

Sustaining America's Energy Supply for the Long Term

BP supports a comprehensive energy policy that includes all forms of energy, including oil, natural gas, coal, nuclear, biofuels, wind and solar and encourages efficiency and conservation. The reality is that, even with major improvements in energy efficiency and the rapid growth of biofuels, wind, and solar, twenty years from now – in 2030 – the United States will still depend on oil, natural gas and coal to meet more than three-quarters of its energy needs.

The United States – with five percent of the world's population – consumes 22 percent of daily world oil production. We support steps to help the US produce more domestic sources of energy, as well as steps to help the United States use

that energy efficiently. In other words, US energy policy must address both energy supply and energy demand.

On the supply side: we support properly scaled, transitional incentives for alternative energy. But raising taxes on one form of energy to encourage production of another will reduce industry's ability to keep up with growing US energy demand. The result could be less investment, less production, tighter energy markets and, over time, potentially higher prices for consumers. Instead, our nation should be encouraging production of all forms of energy – including oil and natural gas.

On the demand side, energy policy should encourage conservation and help drive energy efficiency.

The energy challenges facing this nation are enormous. The impacts of high energy prices on the overall economy and the American people are real, but we cannot change the world's crude oil market, which drives those prices and on which the country relies for 60 percent of the oil it consumes.

But we can work with the Congress, with the Administration, and consumers across the nation to move towards greater energy security and a lower carbon energy future.

Congress establishes the rules regarding energy and tax policy. Companies take those rules into account in making their investment decisions. Because of the long-term nature of the significant capital investments required to develop and produce energy, a stable and competitive tax framework is critical to the United States remaining attractive in the global demand for capital investment. Changes to tax rules being contemplated would limit the amount of resources companies like BP have to invest, not only in conventional energy production, but also in new and emerging technologies like wind, biofuels and solar.

BP is serious about bringing new sources of oil and natural gas to the US market. We are also serious about building a sustainable, profitable alternative energy business capable of delivering clean, affordable power.

My company stands ready to work with you and others to address the energy and environmental needs of this nation.

Thank you.