Statement of

Marvin E. Odum

President, Shell Oil Company

before the

United States Senate Committee on Finance

Thursday, May 12, 2011

Chairman Baucus, Ranking Member Hatch, and members of the Committee:

I am Marvin Odum, president of Shell Oil Company. Shell is a global energy company, with more than 90,000 employees in more than 90 countries. Approximately 19,000 of those employees are here in the U.S. working to discover, produce, market and deliver to consumers today's energy and tomorrow's energy technology. Thank you for the opportunity to speak today.

I'd like to address right up front the issue that's on many American's minds – the rising cost of energy, particularly the cost of gasoline.

Because fuels are refined from crude oil, the biggest impact on the price of fuel is the price of crude oil.

Everything from the weather to politics and the global economy determines the price of oil and the fuels made from it. **No one person, organization or industry can "set" the price for crude oil.** Weak economic conditions in 2008 and 2009 lowered demand, which helped push prices down. Now, with worldwide economic recovery underway, demand is on the rise, sending prices upward.

In addition, because oil is sold in U.S. dollars throughout much of the world, when the dollar becomes weaker, it takes more dollars to buy the same amount of oil.

Stated simply, oil is a global commodity. And oil companies are price takers, not price *makers*.

So while we can't predict or control the price at the pump, we do know that we can increase the stability of our energy future through a combination of efficiency gains and increased supply.

And the surest way to address a challenge of this magnitude is to focus on what we *can* control -- using "what we know" to safeguard against what we don't.

Without question, our government is facing significant challenges right now – in terms of economic security, energy security, and other challenges.

But when you have a deficit, be it energy or financial, your choices are quite simple– get more, or use less – and, most often, it is a combination of both that achieves the best result.

It can be tempting to assume that there is something to gain by taking more from a few. However, one must also balance the potential implications of increased industry costs on both supply and price. Alternatively, if policies are put in place to allow the energy industry to be an economic growth engine for America -- developing our own resources -- we would see tens of thousands of new, well-paying jobs and billions of dollars in revenue for local, state and federal governments.

Some perspective:

Last year, Shell reported global earnings of $18.6 billion. We also invested some $29 billion, mostly in new projects to bring energy supply to the consumer, and spent more than $40 billion to run our businesses globally.

Last year in the Gulf of Mexico, government policies caused Shell to defer some $700 million in capital expenditures and take more than $180 million in special charges. We expect to lose an estimated 50,000 barrels of oil equivalent per day in 2011 alone. Thinking about that impact to-date, that represents lost gasoline production – just to Shell – that could have powered, on average, 633,000 cars and light trucks every day since January 1.

Here in the U.S., at the invitation of the federal government, we have invested more than $3.5 billion since 2005 to develop energy resources in Alaska. Six years later, we have been prevented from drilling a single exploration well due to the government's inability to deliver timely permits to allow this potential new resource to be developed. During that time, we have drilled more than 400 exploration wells worldwide.

My point is this: Investments in our industry carry huge amounts of capital and risk. Policy makers must consider this when thinking about the competitiveness of the U.S. versus other regions.

The President recently acknowledged that reducing dependence on imports was a national policy imperative. We agree. The U.S. is resource-rich in many ways, especially in oil and gas. Yet, as a country we import more than 60 percent of our petroleum at a cost of more than $350 billion a year.

And the bottom line is this: if we don't develop our own energy sources, we'll have to accept the costs – both financial and geopolitical – of bringing it into this country from places that are less secure or less stable.

In closing, Shell is grateful for the widespread recognition in Congress of the daunting energy challenge facing the nation. Although some of our opinions differ, we all agree that it will take all possible energy sources and energy savings to meet demand.

We should also agree and acknowledge that oil and gas will remain critical sources of energy for decades to come. I urge you to consider the broad and sustained benefits of developing our own domestic resources.

Keeping this economic value here at home, we can at the same time move forward with investments in the next generation of technologies and energy solutions that will power the future.

Thank you and I look forward to your questions.