

Statement of Stephen A. Elbert
Senate Environment and Public Works Committee
Hearing on the US Climate Action Partnership report
February 13, 2007

Madam Chairman, members of the Committee, thank you for inviting me to participate in this hearing on the US Climate Action Partnership report. I am Steve Elbert, Vice Chairman of BP America Inc. I am pleased to be here today to express BP's support for the adoption of a mandatory and national climate change control program. I will focus my remarks on the important role of technology in policy design and the necessity to incorporate mechanisms to fairly address the various components of the transport sector.

In 1997, BP was the first oil and gas company to urge precautionary action on climate change. Since then, we have been active in addressing climate change through open discussions on policy alternatives and through business action. In 1998, the company set voluntary targets to reduce its own emissions. By 2001, our GHG emissions were 10% below 1990 levels and we have since continued to improve our own GHG emissions performance through energy efficiency projects.

BP's investment in energy efficiency will total approximately \$450 million by 2010. That investment has already returned approximately \$1.6 billion through the end of 2005 through reduced energy costs. We expect to see continued energy and cost savings in the coming years. As our experience demonstrates, energy efficiency is a cost-effective way of reducing greenhouse gas emissions.

In addition to curbing our own emissions, we are focusing on developing low carbon power, including natural gas, hydrogen, biofuels, solar and wind technologies.

That is why BP is so pleased to be a member of this first of a kind partnership of major industrials, environmental organizations, and Wall Street to call for a mandatory climate change program. US CAP's report, "A Call for Action," is an important milestone because of the diversity of its members who were able to reach a consensus opinion recognizing the urgent need to adopt comprehensive climate policy.

All of us are committed to working with the President, Congress, and all other stakeholders to enact well designed national legislation to slow, stop and reverse the growth of greenhouse gas emissions.

You have already heard from some of my US CAP colleagues about many of the areas where we have reached consensus on policy principles and recommended actions and frameworks for a mandatory national policy.

One of those design principles concerns the critical role that technology must play to reach the goal of stabilizing atmospheric concentrations of CO₂ at 450-500 parts per million by 2050.

In order to slow carbon emissions in the near term, we must deploy the most cost-effective technologies that are available today to improve energy efficiency and reduce greenhouse gas emissions, while developing new technologies for the longer term to stop and reverse greenhouse gas emissions.

For that to happen, we need to design policies that stimulate private investment into research, development and deployment. We believe this is best achieved through the establishment of a market value for GHG emissions. The US CAP members agree that in addition to developing the long term price signals associated with a carbon price, parallel and complementary policies will be required in the early years to stimulate capital investment.

A combination of these policies will provide the framework necessary for both short term action using existing technologies and future research and development to achieve game-changing technological breakthroughs.

As the largest oil and gas producer in the United States, and one of the largest retailers of transportation fuels, BP believes that all major emitting sectors of the economy, including the transportation sector—both fuels and vehicles—must be included in any national climate change policy. The US CAP has identified a number of areas for consideration, and we continue to work on policy options to address this complex sector.

We believe that parallel policies that address fuel specifications, vehicle design, and consumer behavior are necessary to achieve reductions of GHG emissions in the transport sector.

BP and the US CAP will continue to work with those who are committed to identifying cost-effective, environmentally and economically sound solutions.

BP believes that addressing the risks of global climate change is good for our customers and our shareholders, and we are convinced it is possible to design legislation that will enable us to stabilize the climate and meet the energy needs of the country. But we need technological innovations to break the link between energy consumption and carbon emissions and still maintain strong economic growth.

That is why BP is investing \$8 billion over the next ten years in BP Alternative Energy Company. We are investing in new solar technologies, wind power, hydrogen power with carbon capture and sequestration and state of the art gas turbine technology.

Through these investments, BP expects to reduce CO₂ emissions by 24 million tons per year by 2015. This is equivalent to making the City of Chicago carbon free.

In addition, we have recently announced a \$500 million research program to be housed at the University of California Berkeley and the University of Illinois.

The Energy Biosciences Institute will perform ground-breaking research aimed at applying bio-technology to production of new and cleaner energy, initially focusing on renewable biofuels. This research will focus on every aspect of the biofuels value chain from feedstocks and enzymes to conversion processes and on through to new fuels. It will inform the actions of BP's biofuels business segment and supplement the partnership we announced last year with DuPont to introduce a new biofuel – biobutanol.

These investments on our part and the investments of our US CAP colleagues are just a start.

And we believe that strong support from the government is necessary to spur innovation that will in turn increase U.S. energy security and create new opportunities to boost U.S. competitiveness around the world.

We look forward to working with the Committee and others to help develop legislation that will result in real emission reductions at the lowest achievable cost.

Thank you again Madam Chairman and I look forward to answering any questions the Committee might have.