

# THE ECONOMIC CLUB

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**Excerpts from the Signature Event featuring Rex W. Tillerson,  
Chairman and CEO, Exxon Mobil Corporation**

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I see three areas that would help lock in our energy gains and further strengthen our North American energy leadership. We need to promote free trade in natural gas and crude oil, approve critical infrastructure projects such as the Keystone XL Pipeline, and return clarity and transparency to our regulatory process.

For our nation, our industry's investments and innovations are fueling economic growth, they're increasing manufacturing competitiveness, and they are providing environmental benefits. During a period of recession, slow growth, and falling labor participation rates, the energy industry has been an economic engine for the entire nation. <sup>1</sup>/<sub>4</sub> Although the industry, including spinoff activity, is about 6.7 percent of the U.S. economy, it has accounted for more than 30 percent of the growth since the trough of the recession.

... this new era of abundance is not the result of a single technology, nor is it the result of one source of energy or even a lucky break. This moment is the result of decades of sustained investment, innovation, and collaboration across this industry – really across the entire globe. It is the fruit of innovative work on many frontiers, and it is a tribute to scientists, engineers, and entrepreneurs who labored on time horizons few outside of our industry can comprehend.

All of these energy gains and our economic dynamism are at risk if we fail to seize this historic moment. We need sound energy policies, policies that are equal to the innovation that has redefined the modern energy landscape. We have no reason to keep policies in place that reflect an age of scarcity and fear. It is time to put in place policies that reflect our newfound abundance and to view the future with optimism, that recognize the power of free markets to drive innovation, and that proceed with conviction that free trade brings prosperity and progress.

... renewables suffer from more fundamental challenges than just the competing alternative price, because renewables by and large exist in our portfolio today because of government mandate. ... The technology's got to be perfected. It's got to be made more cost-competitive. It's got to be made more scalable. And some of the technology in renewables is just old technology. It's old stuff that we've known how to do for years, but because of the mandates you use what you know how to do instead of innovating to the next breakthrough. I've long held the view that the mandates are inhibiting innovation around renewables because they're not challenging that business model to break out of the old technologies.

In Canada, industry innovations have made it possible to safely and responsibly develop the nation's vast oil sands. Technology has enabled access to proven oil reserves of approximately 170 billion barrels. And despite what some claim, the greenhouse gas emissions from oil sands development are similar to many other heavy crudes which we produce right here in places like California or that we are already importing today from sources like Venezuela. In the deep waters of the Gulf of Mexico, advanced technologies have opened up unprecedented opportunities in offshore exploration and production. In less than a generation, we have progressed from engineering concepts that used to be hand-drawn on drafting tables to sophisticated rigs that are controlled by sophisticated computers and GPS systems that can operate in ultra-deep-water depths of more than 10,000 feet with wells that extend five miles below the ocean floor. With these capabilities, expanded through new investments, we project that over the next 25 years deep water oil and gas production worldwide is going to double. In

the United States, we have seen another remarkably unexpected and far-reaching breakthrough firsthand: the advanced integration of hydraulic fracturing and horizontal drilling. These technologies and techniques have enabled the development of our nation's shale gas and tight oil resources. In just a few years, they have rewritten the North American energy story, and with it the future of global energy markets. The United States is now the number-one producer of total energy coming from oil and natural gas. And when combined with our neighbors to the north and the south, the impact of our innovations is even more striking and more promising. Mexico, Canada, and the United States are well-positioned for unprecedented energy production. And with Mexico's historic energy reforms now in motion and the hope that U.S. policy can respond to the opportunity before us, North American energy leadership can continue to grow through peaceful trade and cooperation.

The inconsistent and capricious handling of regulatory approvals is all the more concerning given the growth in the regulatory burden. For instance, in 2013 alone the federal government finalized 3,659 new rules and had proposed another 2,594. ... Economists Nicole V. Crain and W. Mark Crain recently found that the price tag for all these regulatory burdens reached more than \$2 trillion a year in 2012. ... The Business Roundtable has warned that the cumulative cost of federal regulation has reached a tipping point, and the consequences are taking a heavy toll on businesses, consumers, and the broader economy. There's a reason that new business formations are at a 35-year low.

Unfortunately, the regulatory delays and legal wrangling over the Keystone XL Pipeline are not an outlier; it's just the poster child for a lot of other regulatory processes that are broken. They are a symptom of a much deeper problem affecting our nation's infrastructure, trade, and our ability to compete. Increasingly, the U.S. regulatory process stifles development and innovation. Its complexity, from costly delays and reworks to duplication of oversight and approval, often means it takes years and millions of dollars to acquire necessary permits. Even then, the recipient of the permit or the agency issuing the permit may be challenged in the courts, further jeopardizing projects in our national and economic interest. Infrastructure projects and even clarifications on rulings have too often become mired in political gamesmanship or bureaucratic uncertainty. Such developments defy our Nation's shared commitment to transparency, accountability, and the lawful and respectful resolution of policy differences.

...we must support efforts to enhance transparency and public access to data, strengthen oversight, and improve accountability in the development of regulations. This will help create smarter regulations, regulations based on evidence-based science that adequately consider cost and benefits to society, and that are a product of robust and replicable methodologies. In addition, regulatory programs, especially major ones, should undergo periodic review, with review efforts focused on identifying areas of duplicative, obsolete, or overlapping regulations.