Remarks by Gary R. Heminger
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Thank you Doug for that warm introduction.

And thank you all for the opportunity to be with you today.

I suspect that—being refiners or investors—many of you in this room are like me in the sense…that every day, there's a set of numbers you turn to.

Whether it's the Dow, or the WTI and Brent prices…or the price of gas at the pump…these are the metrics that shape our outlook on any given day.

I mention the concept of a world framed by numbers, because it strikes me as a pretty good way to begin our discussion today.

And so this afternoon, there are three numbers that I want to focus on.

6,547

9.2 million

And 739….quadrillion.

These three numbers sum up where we've been, where we are, and where we're going…as an energy industry…but moreover, as an economy that runs on energy.

6,547 may sound vaguely familiar.

And if it happens to induce an anxious feeling, that's not surprising.

It was, in fact, exactly two years ago today—March 10, 2009—that we awoke to this number. To the Dow Jones Industrial Average at 6,547—its lowest point in more than 12 years.

I mention this number…not because it was necessarily an energy-driven decline, but because it is where we have come from as a country over the past two years. Without a firm grasp of where we've been, it's hard to fully appreciate where we are today.

Which brings me to 9.2 million.

If you quickly scanned the news over the last year, I'm willing to bet, that the one word you'll see more than any other, is "jobs."

9.2 million is the number of American jobs our industry supports. Just think about that for a moment... this includes the employees that work in each sector of our industry from exploration and production to refining to transportation and the retail level.

But it is well beyond our own employees, to the vendors, engineering firms and many other service providers that partner with us every day to provide fuel to the nation… a job which I consider to be the backbone of the economy.

And if there is one theme that summarizes what is happening in our industry today…it's that we are investing—and investing aggressively—in American energy.

Last year, our industry's investments in new U.S. capital projects hit the 2 trillion dollar mark for the decade. Looking ahead over the next 12 months, the world's six largest publicly traded oil companies are expected to spend a record $128 billion on capital investment.

For Marathon, in particular, it's about investments like the one we're making today in the city of Detroit.

In Detroit, at Michigan's only refinery, we are adding equipment to increase heavy oil capacity by an additional 80,000 barrels per day, taking the plant to a steady diet of 100,000 barrels per day of heavy Canadian crude.

For a city that's been harder-hit than any other during the Great Recession, it's a $2.2 billion investment that's estimated to create $174 million in new tax revenues over the next 20 years and 135 new, full-time jobs. Additionally, during construction, we are employing as many as 900 construction workers per day.

What this project does for Marathon is position us to be able to capitalize on Canadian oil sands production.

We know that in addition to deepwater drilling, oil sands hold the key to supporting our energy needs in America.

And today, we are not just looking at our nation's demand, but the growing demand worldwide.

Predominantly, what we are seeing in the U.S. and around the world is that consumer goods are starting to move once again.

If you look at 2010, we completed the year with a 5.9% increase in truck tonnage over the year before. This is a measure of the amount of goods that are transported over the road.

We also saw a 20% increase in combined inbound and outbound shipments from the port of Long Beach, California.

And we witnessed a stunning 14% climb in intermodal rail traffic across the U.S.

Each of these trends is driving the demand for distillate products. U.S and global demand grew by 4.5% in 2010. And even more important is that looking forward we anticipate that this steady growth will continue.

As diesel is the fuel that restocks the shelves in stores, this is a promising sign of economic recovery.

Globally, diesel is becoming the fuel of choice. And at Marathon, we've worked to position ourselves to meet this growing demand—whether it's here in the U.S. or abroad.

With the major expansion of our Garyville, Louisiana refinery completed at the end of 2009, we have the ability to export diesel anywhere in the world. When you include the impact of changes in net product trade, U.S. refinery sales of gasoline and distillate grew 2.3% and 5.8% respectively last year. Which is important…because consider what is happening in Europe and other parts of the world today.

Just like in the U.S., European off-road diesel allowable sulfur levels have been reduced to an ultra-low specification. But unlike the U.S., European refineries don't have the hydrotreating technology in place to produce enough ultra-low sulfur diesel.

So Europe is importing more clean diesel while their refineries are demanding more light, low-sulfur crudes from areas such as the North Sea and Libya…unfortunately, this is happening at a time when North Sea oil production has been gradually falling and Libyan supplies are being curtailed.

They've also been bidding more intensely for West African sweet crudes. But year after year, more of these have been heading to the high demand growth markets of South and East Asia—particularly as product sulfur specifications are tightening in those markets as well.

A second very strong influence in the current crude market has been the Brent – WTI spread. As the price of Brent continues to escalate with the recent political situation in the Middle East, WTI prices have remained somewhat depressed, resulting in a widening differential.

There are several other factors that contribute to this dislocation including the constrained logistics out of Cushing, Oklahoma. With the recent completion of TransCanada's Keystone pipeline project that added 590,000 barrels per day of capacity to ship Canadian crude, the incoming pipeline capacity into Cushing is now 80% higher than outgoing capacity.

Historically, the industry has used tankage to handle the imbalance. Today there is approximately 55 million barrels of tankage capacity in Cushing with more being built.

However, with the continued Cushing out-bound pipeline constraints, this has resulted in Brent-WTI spreads that began around $3 per barrel earlier in the year to as high as $20 per barrel, but recently settling back to greater than $10 per barrel – still a significant differential. Until the take-away capacity of the pipeline system is resolved we could continue to see significant Brent-WTI spreads.

Not only does this affect Midwest refineries, but it of course reaches into Gulf Coast markets. We also see the Gulf of Mexico crudes trading at a significant premium to WTI as they compete with the foreign alternatives. With this backdrop, large incentives set the stage for US refineries to run as many incremental barrels of WTI-based crudes as they can secure for their refineries to capture these relatively wide margins.

And this is where we find ourselves with our Marathon refining system – well positioned to take advantage of these situations. We have access to the mid-continent and Canadian crudes for our Midwest refineries, and with the flexibility that we have in our logistics system we have the ability to adjust our crude slate to take advantage of market opportunities that present themselves.

What else are we seeing?

We are seeing that as our economy recovers, the percentage change in gasoline demand does lag somewhat behind diesel.

Even though the percentage change in gasoline demand is not as strong, it will continue to be the consumer's choice for transportation fuel. The challenge for our industry is understanding what that fuel may look like in the future.

Years ago, we started with the phase out of lead and then Tier 1 and Tier 2 fuel changes and more recently the requirements to reduce benzene. We now may be facing additional changes, Tier 3 fuel. EPA is currently gathering input as to what may be the next knob to turn for a new fuel. Is it lower aromatics, lower vapor pressure, higher octane – we just don't know.

But I do know that when new requirements are passed, that leads to additional investments in refineries. And as history has shown, refinery rationalization occurs when companies are required to make significant capital expenditures to remain in business. Some can afford to make the investment and others can't. And, of course, the closure of refineries has a direct impact on the supply of transportation fuels.

Another piece of the puzzle that some think might impact the demand side of gasoline is the growth of hybrid and electric vehicles. Of course, hybrids still run on gasoline so it is not anticipated that they will have a significant impact.

And the same can be said for electric vehicles. With such a small number relative to the overall fleet, the question will be who will make the investment to support electric cars?

From that perspective, I know that marketers are already looking at the future and wondering whether they should install quick charge stations. Moving in this direction does change the current model of the convenience stores --- from one of stopping in to fill up your car and maybe grabbing a soda and a snack to pulling up and plugging in and hanging around for a 15-30 minute charge. So this presents some unique challenges for a retailer that has focused in the past on getting customers in and out of the store. The question for each retailer will be do I want to cater to a few customers or remain focused on providing liquid fuel.
As you see, when we look to the future of our industry from refining to retail, there are many opportunities and challenges. And we are still met with the realization that to meet the world's growing demand, we will need more energy. Fundamentally, we will need policies that will enable us to more readily produce it.

Which brings me to my third key number—739 quadrillion.

As in 739 quadrillion BTUs, or the amount of energy the U.S. Department of Energy forecasts the world will consume by 2035. A nearly 50% increase over what we consume today - driven mainly by world population growth largely in developing countries and the strong desire of those countries to achieve the economic prosperity that we enjoy every day.

The International Energy Agency estimates that meeting even a more conservative growth of 36%, through massive global policy interventions, will require an investment of about $33 trillion (over $1 trillion per year) with over half of this investment occurring in the developing countries to attempt to meet their rapid rates of growth.

And based on government projections, while the use of alternative energy will increase, hydrocarbons will continue to provide more than half of total global and U.S. energy needs by 2035 and beyond.

Our industry will continue to be the key provider of this much needed energy throughout the world.

And we can be proud that we do this 365 days a year. Something that most don't give a second thought about. But we know what it takes from a technology and ingenuity standpoint to have the product at a customer's local store each and every time they drive up.

And it isn't <u>just</u> a matter of ensuring that we in America have the energy that we need …it's a matter of ensuring that we have access to it *at a price that doesn't cripple our economy*.

Every sector of our economy depends on affordable energy. And as a result…every business owner, every worker…every household and family member…every consumer depends on it.

At its very core, energy security is economic security. The steps we take to bolster our energy security…are in fact the very steps that will bolster our economic security. Just the same, the missteps we take on energy will also negatively impact our economic future.

Now there is no doubt in my mind, that our industry has what it takes to secure our nation's energy future. Even in the worst economic conditions, our industry has continued to forge ahead and invest for the future.

But what I also know… is that we cannot do it with the policies in place today, nor with some of the policies that are being proposed in Washington. That includes the billions of dollars in new energy taxes included in the administration's proposed budget. It also includes a series of burdensome regulations imposed or considered by an Environmental Protection Agency…impacting not just in our industry, but across our economy.

Top of the mind today is E-15 which I'll discuss in a bit. But for a moment I want to focus on other issues that remain front and center in Washington today.

You can't pick up the paper or turn on the news without a mention of our national deficit. And as a result, our industry remains a target for increasing taxes to help close the gap.

But the one thing you don't hear in the news reports is that our industry already pays an effective tax rate of approximately 48% —nearly double what other industries pay. In 2008, our industry paid more than $95 billion in income taxes alone. To put it in perspective, that's more than what the federal government spent on education last year.

And we also know that higher taxes could result in the loss of tens of thousands of jobs over the next decade and a half.

Remember I mentioned that 9.2 million jobs are associated today with our industry…well that number could grow as a result of the investments that the industry is looking at if we aren't faced with increasing burdens and unnecessary regulations.

Expanding exploration and development in our nation and the potential U.S. jobs created by supporting the expansion of the oil sands are in the ballpark of a few hundred thousand jobs over the next several years…not to mention the billions more in government revenue. At a time when 15 million Americans are out of work and many more looking, adding thousands of good paying jobs should be a welcomed sign.

But these efforts, too, are subject to legislative and regulatory proposals—both in Washington and state governments—which could delay these economic benefits for years…or block them altogether. Just look at the Keystone XL pipeline as an example of the difficulty in building infrastructure in our nation.

Which leads me to the concern I have for some of the aging infrastructure in our nation. We are all keenly aware, infrastructure is vital to our operations. Without the existing infrastructure that has been built over many decades, we would not be able to transport the crude and other feedstocks to our refineries or the finished products out to the consumer.

But there are segments of our transportation logistics that the government needs to address like the locks and dams systems. In addition to the petroleum products that Marathon and many others in the industry move daily on our waterways, coal to generate power and many other vital commodities are running up and down the rivers. And our locks and dams are in need of repair. Failures on these systems that have occurred in the last several years have resulted in constrained supply in markets that depend on the river traffic. The government must commit to addressing the much needed maintenance.

Another aspect of the supply wheel that has received attention as a result of recent incidents is the pipeline systems. I would anticipate that we will see a stronger focus on this infrastructure as well. We know that there are already discussions in our state houses and in DC, looking at additional inspections and other requirements to further ensure the safety of these systems. Working with the agencies will be a focus for our industry.

And there are many other regulations that are in queue that will impact our nation and our ability to meet future demand for energy.

One of the most concerning relates to ground-level ozone.

Today—two years ahead of schedule—EPA is pushing forward with a new and stricter ozone standard and with no data to support its need.

It's a standard so strict that not even pristine parklands such as Yellowstone could attempt to comply.

Not only is this proposal unattainable and unnecessary, but it will also impose a severe burden on the entire U.S. economy—including, most notably, manufacturing and oil and natural gas.

The net effect is that instead of investing our money into capacity—building projects like the Detroit Heavy Oil Upgrade, we will be paying more as an industry to comply with arbitrary rules.

To be clear, regulations to protect our environment are important. But what is just as important is that regulations seek the balance of maximizing environmental benefits while minimizing the burden on consumers and jobs. Often times elected and regulatory officials forget that the products we make every day fuel the economy and supply the basic building blocks of thousands of products readily used by consumers around the world.

The same is true when it comes to mandates for alternative fuels. We need a balance that maximizes environmental gain and minimizes consumer pain.

I think it's fair to say that no sector has invested more aggressively in alternative energy fuels than ours.

From 2000 to 2007, our industry invested an estimated $121 billion in emerging energy technologies, including renewables, frontier hydrocarbons such as shale and oil sands, and end-use technologies such as fuel cell vehicles.

And yet…while we hold firmly to the fact that we will need *all* sources of energy to meet our growing demands—including alternatives—we know that it cannot be done through impractical mandates—like what we've seen with cellulosic ethanol and the E-15 waivers issued by EPA.

The E-15 waivers EPA issued recently allows use of these blends in any car or truck manufactured in 2001 or later because it doesn't violate the air emissions standard included in the Clean Air Act that the EPA is responsible for enforcing. The EPA didn't test these vehicles to determine the effect E-15 blends had on the operability of these vehicles, that's not their responsibility.

I believe that before these waivers were granted, the research should have been completed as to whether there is a long-term impact on vehicle performance and any other safety concerns there may be. Sounds to me like a repeat of the MTBE debacle where the industry used a product approved by the government and then the government did not stand behind this product.

Marathon has been one of the nation's largest blenders of ethanol for many years, so we have a long history of supporting this renewable fuel. The question I pose is whether in our nation's zeal to increase renewables more and more, are the consumers and their vehicles being put at risk?

We certainly shouldn't compromise consumer safety in the process, like we are doing today with ethanol blends above 10% without the proper research.

Not only do policies like renewable distort prices for consumers, but too often they precede the practical and even the possible.

For instance, until recently, the industry was facing a cellulosic ethanol mandate requiring us to blend 100 million gallons of cellulosic ethanol into our gasoline sales in 2010.

As scientists will attest, we don't have the technology or commercial capacity to even get close to producing 100 million gallons of cellulosic ethanol per year. In fact, the Energy Information Agency within the Department of Energy projects that in 2011, cellulosic ethanol production will be just shy of 4 million gallons, less than 2% of the originally mandated amount. The reality is: we can't let policy get ahead of the science. We can't be held financially accountable for meeting mandates that don't reflect what's technologically possible.

As we look to secure our energy future, we need policies that call for increased investment in all types of energy sources. But we can't have them at the expense of the very consumers we are working to benefit.

With every step forward, we need practical policies that advance the twin goals of not only energy, but *economic* security.

I promised today to give you three numbers. I recognize that I've dropped in a few more. But what I hope that you take away from those numbers is a story. A story of our past, our present, our future.

It's a story that begins at a historically low point for the Dow and our economy. A story that carries us forward to today, where the Dow is above 12,000, jobs once again are growing, where the time for investment is ripe. But it is—most importantly—a story that calls into question our plans for the future. Will we do what it takes to keep America's economy growing?

At Marathon, our answer—unequivocally—is yes.

Grounded in a strong foundation—a foundation that post spin-off from Marathon Oil Corporation will see the new Marathon Petroleum Corporation with a refining, marketing and transportation portfolio that we believe to be best in class – with six refineries or 1.1 million barrels per day of capacity, about 9,600 miles of pipeline, 2 million retail customers strong visiting our Speedway stores daily and 5,100 Marathon brand outlets—and a foundation bolstered by an unparalleled transportation and marketing support structure—we are preparing for that future.

From oil sands refining in Detroit to the ability to export diesel fuel from Garyville around the world, we are investing in flexibility and capacity.

And as a business, we are making the structural changes that will better position us to grow, attract top-tier talent, and focus on delivering the fuel that consumer's demand.

But as I've made clear today, we cannot do it alone. ***Our industry cannot do it alone*****.**

We need a new path forward.

We need a path that is championed by the innovation of American free enterprise and supported – not burdened by our elected leaders in Congress.

We need a path that provides the opportunity to meet the consumer's needs that is unencumbered by the weight of onerous taxes and burdensome regulations.
We need a path that unleashes the spirit and innovation of industry, and carries us forward to a future where the prospects for energy and economy are secure.

And we need all of us illuminating that path with an understanding of the issues I've discussed today, and making sure that the energy path we head down is one that supports a robust economy.

Together, we can realize that future.

America is waiting. Marathon is ready.

Thank you.