

REMARKS BY

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Thank you David for that very kind introduction and to all of you for that warm welcome.

It's great to be here in Chicago and in our nation's heartland where Marathon was founded 123 years ago, and which today, represents a vital part of our refining, marketing and transportation business.

In Illinois, that includes our 206,000 bpd Robinson refinery downstate, over 550 retail outlets under the Marathon and Speedway brands, and more than 2,000 employees who are working hard each and every day to responsibly meet the energy needs of our customers.

Needless to say, we're very proud of our Company's Midwest heritage and we're privileged to count Chicago and Illinois amongst the places around the world that we call home.

In my brief time with you today, I'd like to address the issues of Energy Security and Environmental Sustainability, which are inextricably linked. There are three key questions I believe need to be answered:

- 1) Is there a shared goal or vision?**
- 2) What are some of the fundamental truths or realities that we have to deal with in achieving our goal?**
- 3) What are the essential elements of a plan to get there?**

So starting with the goal or vision, these are the desired attributes in my opinion:

- 1. A more diverse portfolio of increasingly cleaner forms of energy**
- 2. Our energy comes from secure, reliable sources**
- 3. Energy production and consumption is environmentally sustainable / minimize impacts to air, land, and water**
- 4. Our energy supplies are readily available and affordable / permits or enhances economic growth / global competitiveness; and lastly,**
- 5. Energy industry creates millions of good-paying, long term jobs / increasingly high tech.**

As I've discussed this aspiration with people around the country, there is strong agreement with these goals and a full recognition that we need to transition as quickly as practical to a more secure, sustainable energy world.

But then the debate begins: how do we get there and how quickly, while still ensuring people have the affordable reliable energy they need every day and we remain economically strong on the global stage.

The debate would perhaps be more easily resolved if there was a full appreciation of the magnitude of this challenge.

To put the challenge in some context, I want to outline some of the fundamental truths or realities that we'll have to deal with in achieving the vision.

First, there's no question global demand for energy will continue to increase, driven in large part by both world population growth (6.6 billion people today to over 8 billion by 2030 with this growth occurring mostly in developing countries), and the strong desire of those developing countries to achieve economic prosperity similar to our own.

In their Reference case, the International Energy Agency (IEA) projects that demand for energy will increase about 40 percent between 2007 and 2030, with essentially all of this growth coming from the developing countries. That's roughly equivalent to adding two countries the size of the United States to the world's consumption.

Meeting that demand is estimated by the IEA to require investments of about \$26 trillion (over \$1 trillion per year), with over half of this investment being in developing countries in order to fuel their more rapid rates of growth.

The IEA projects that fossil fuels will remain the dominant sources of primary energy worldwide, accounting for more than three-quarters of the overall increase in energy use between 2007 and 2030.

In terms of petroleum liquids demand alone, the current global production of about 85 million barrels per day will need to increase to 105 million barrels of liquids per day by 2030 with all of that demand growth coming from the developing countries. We should take note that oil demand in the developed in the developed countries will actually decline over this period.

In absolute terms, coal sees the biggest increase in demand out to 2030 followed by natural gas. The primary driver of increased demand for coal and natural gas is power generation, with 80% of the growth in developing countries.

It's easy to understand this when you consider that 1.5 billion people, well over 20 percent of the world's population, still lack daily access to electricity, something we take for granted.

The IEA projects that renewable sources, such as biomass, wind, solar, wave, tide, and geothermal, will increase from 10% of total energy demand today to 12% in 2030.

It's not something people like to hear, but the IEA's Reference case projections show fossil fuels still comprising about 80 percent of total global energy demand in 2030, or about the same as today. Even their most aggressive case for emissions reductions shows 68 percent of the world's energy in 2030 still coming from fossil fuels.

I suspect some of you are saying to yourselves that these are global estimates and surely in the U.S., we'll do much better in moving away from fossil fuels.

Well, the U. S. Energy Information Administration (EIA) just released their 2010 annual energy outlook and their reference case shows fossil fuels still comprising about 78% of overall U. S. energy usage in 2035, down from 84% currently.

You might question why 20 - 25 years from now fossil fuels will still represent such a high percentage of projected U.S. and global energy, but it's simply the reality of the immense scale of

global energy infrastructure and the time and investment it takes to build assets like nuclear plants or develop renewable fuels or power at sufficient scale to make a difference.

Those who would suggest that in the near future we'll have a technology silver bullet that will render fossil fuels obsolete or will allow renewables and other alternatives to be technically and commercially viable and available at scale across the globe have not dealt with the real constraints of physical capacity, engineering and economics.

Here's another dose of reality:

We've all seen proposed legislation that targets reductions in U.S. GHG emissions of 17 percent by 2020 and 83 percent by 2050. It's difficult for most of us to understand what that really means so I want to provide some quantification: If we were to replace today's global transportation system with a zero-carbon solution – all cars, trucks, buses, planes, trains and ships – we would reduce GHG emissions by only 15 percent.

And if we were to replace our entire global power generation system, we would reduce GHG emissions by only 25 percent. So the complete transformation of our global power generation and transportation infrastructure -- no small task -- would achieve only a 40 percent reduction in GHG's, well short of an 83 percent reduction target.

Of course, in 2009, the U. S. recorded a 7% decrease in GHG emissions but unfortunately it took a recession and 10% unemployment to do so.

All of this, I hope, gives you a sense of the complexity and magnitude of the challenge we face in achieving long-term energy security, environmental sustainability and economic competitiveness.

Can we overcome these challenges? Can we do better than the projections by the IEA and EIA? You bet.

But, what should be clear is there's no simple solution, no quick fixes, no one energy source that will meet our needs, and that the solutions to these challenges are inherently long-term and must transcend narrow, short-term interests, or election cycles.

So let me briefly outline what I believe our path forward should be.

We need a comprehensive integrated plan to transition, to build a bridge, to a clean energy future which focuses on three key elements:

- **Greater energy efficiency and conservation.**
- **The need to diversify and increase the sources of our energy supplies.**
- **The need for innovation and new technologies.**

And importantly, the plan should recognize that there are actions we can take today that will have a tremendous impact while we're developing the technology solutions and investing in new infrastructure for the longer term.

For example, the greatest source of near-term GHG emissions reductions come from energy efficiency, which is the least expensive and fastest means of doing so.

The McKinsey Global Institute has indicated that projected global energy demand in 2020 could be reduced by more than 20 percent through energy efficiency investments that would avoid 8 billion tons of GHG emissions and, importantly, would more than pay for themselves.

The new higher CAFÉ or fuel efficiency standard of 36 MPG for the combined U.S. fleet of cars and light trucks by model year 2020 is a step in the right direction, but further increases in the efficiency of the internal combustion engine, enhanced materials technology, and greater use of hybrids could generate further reductions on an accelerated basis.

Similar policies can and are being applied to energy efficiency in the residential and commercial sectors through more aggressive building codes and appliance standards. I believe a balanced

combination of government regulations, standards and incentives are the best way to achieve this.

The other near term action we could take is greater use of natural gas.

Over the last few years, we have gone through a major step change in domestic natural gas. Estimated gas resources have more than doubled thanks to technology that allows us to economically develop shale gas reservoirs.

It is estimated that the U.S. is now sitting on between 50 and 100 years of natural gas resources at current rates of consumption.

Consider this: Our natural gas fired generation capacity exceeds that of our coal fired capacity, but we operate the gas fired plants at 25 percent utilization on average, vs. over 70 percent utilization for coal. That's driven by the use of natural gas to meet peak demand periods.

Because natural gas emits half the CO₂ of coal, our nation could, in the near term, reduce GHG's emissions with relatively small investment by maximizing the utilization of our installed gas-fired generation capacity to a higher level while retaining peaking capacity and not risking reserve margins.

And, anyone who's listened to T. Boone Pickens knows there's an opportunity to use natural gas for transportation and while I see constraints for long-haul truck use, local distribution and hub and spoke operations are well-suited for compressed natural gas (CNG).

These two near-term actions – significantly increased focus and emphasis on energy efficiency and conservation and increased use of natural gas – make sense today and would achieve significant GHG reductions at a fraction of the cost and time of other options.

They also provide a bridge to the future, giving us time to diversify and increase our sources of clean energy, to build out the significant infrastructure needed to distribute these new energy

supplies and to pursue the technological innovations needed to moderate demand, increase supplies, and protect the environment.

Let me address diversity of supply first:

Diversity equals security and comes in two forms: diversity in the forms of energy we use and diversity as to where the energy comes from.

Given the substantial growth in global demand for energy I discussed before, we will need to significantly increase the supplies of all forms of energy: wind, solar, geothermal, nuclear, wave, biofuels, and yes ... oil, natural gas and coal.

Each of these forms of energy has its own set of issues to be dealt with, such as the food vs. fuel and land use debates for some biofuels, the noise pollution coming from wind turbines, or the waste disposal issue associated with nuclear plants. And, of course, many people regard fossil fuels as yesterday's energy.

But despite their inclination to do so, it's critical that our elected leaders not pick winners and losers based on what's politically popular or expedient but rather on a sound technical, commercial, and economic basis.

One such example is biofuels which have a large base of support in Congress and, while my company and industry likewise believes in the importance of biofuels and continue to increase their use, we are concerned about our nation's ability to meet the aggressive and prescriptive Federal renewable fuel requirements.

Currently, the law requires renewables to increase from the previous Federal mandate of 7.5 billion gallons per year by 2012, to 36 billion gallons per year in 2022.

Fifteen billion gallons per year of this total must be supplied from corn-based ethanol by 2015, with the remaining 21 billion gallons per year from advanced biofuels, like cellulosic ethanol, by the 2022 deadline.

The reality, however, is that the technology to manufacture these 21 billion gallons per year of advanced biofuels is not yet demonstrated, not to mention their commercial viability or the infrastructure necessary to distribute these new generation fuels on a large scale basis.

2022 may seem like a long way off for many people, but as you know, the energy business requires long lead times and very large investments and 12 years is not very long.

This is a good example of well intended, but impractical efforts to focus on what appears to be a silver bullet solution to the exclusion of other forms of energy.

One last point on diversity -- diversity can be enhanced by encouraging imports from secure and friendly sources. Canada's oil sands are one of the world's largest oil deposits, about eight times current U.S. oil reserves. From both an energy security and environmental standpoint, it's far more preferable for the U. S. to process and use these oil resources than alternative foreign markets.

But there is substantial opposition to importing this oil because its carbon intensity is slightly higher than conventional oil, but we are developing and implementing technology that can and will solve that problem.

I'll use that point to transition to the final of the three key elements of an energy security strategy, which is the need for innovation and new technologies.

As I stated earlier, technology and innovation are vitally important in increasing the supply of energy, moderation of demand, and in protecting the environment.

There is a tremendous amount of research and development underway, ranging from large U. S. government and industry and university labs to technology start-up companies to individuals working in their garages, all seeking major breakthroughs in energy around vehicle technologies, biofuels, renewables, and carbon capture and sequestration,

The problem is these efforts are un-focused and there's no coordination or sharing of knowledge, which results in much wasted effort and longer lead times to new technology development.

My philosophy is that we should collaborate in developing technology and then compete in how we deploy it.

A collaborative, centralized effort would allow us to identify and prioritize those technologies that could have the greatest impact in the near and long term and then allocate technical and capital resources on that basis.

I believe it's also critical that as new energy technologies or innovations are developed and commercialized, there must be a process by which they can be quickly transferred and implemented in developing countries where, as I've indicated, the greatest growth in energy demand will be occurring.

So, to sum up, I believe the key elements of a sound energy security and environmental sustainability plan must include a keen focus on efficiency and conservation, diversity of supply – both geographic and type – and the development and application of new technologies that will advance alternatives, while at the same time allow us to utilize the world's abundant fossil fuels more efficiently and with less impact on the environment.

It's also clear that we need to deploy the solutions available now like energy efficiency and increased use of natural gas while embarking on the development and implementation of longer term solutions.

I want to close by saying a few words about the very serious tragedy occurring in the Gulf of Mexico. First and foremost, I want to extend our thoughts and prayers to the families of the deceased and injured workers and to all others being impacted by this incident.

This incident certainly prompts intense reflection on our own businesses to ensure we remain vigilant and prepared for the unexpected.

Marathon is united with federal, state and local government agencies, along with our peers in API, in the desire to assist BP directly in the immediate response and to enhance the long-term safety of our offshore operations.

We strive everyday for a zero-fatality, zero-injury work environment and will take any lessons learned from this tragic accident and apply them to our operations wherever we conduct business to ensure this never happens again. This is expected of us and we expect it of ourselves.

America's Oil and Gas resources and the Gulf of Mexico in particular are critical to our nation's energy future and I'm proud of my industry and the 9.2 million Americans working in it delivering affordable and reliable energy everyday to American citizens and despite this incident, we've done it with a great safety and environmental record.

There have been 36,000 wells drilled in the Gulf of Mexico without an incident of this magnitude. Nevertheless, we must now regain the confidence of the American people and we intend to do just that.

Thank you for being here and giving me this opportunity and I look forward to your questions.