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July 17, 2009

Honorable Max Baucus  
United States Senate  
511 Hart Senate Office Building  
Washington, DC 20510

Dear Senator Baucus:

We appreciate the outreach by Catherine Cyr Ransom regarding the views of the Montana Petroleum Association on climate change and our ideas on pending legislation. It is our understanding that Senator Boxer, Chair of the Environment and Public Works Committee, will use the Waxman-Markey bill, as it was passed in the House, as a starting point for Senate legislation.

In our letter to you sent in May, we conveyed the MPA position on climate change legislation from a Montana perspective. MPA generally supports conservation but, we cannot support those measures that increase costs to our members and to the citizens of Montana. As it passed the House, the cap and trade legislation is of great concern to MPA's members. The first finding in HR 2454 states that, "the status of oil as the strategic commodity, which derives its domination from the transportation sector, presents a clear and present danger to the United States." Given that opinion from the onset and the fact that HR 2454 increases costs to our membership and all Montanans, MPA simply can not support the Waxman-Markey bill. MPA remains hopeful that you and other Western Senators successfully address petroleum industry concerns prior to Senate EPW Committee action on the bill.

MPA greatly appreciates your statement that the Senate must work hard to avoid a climate change bill that will cripple our economy. Unfortunately, we see HR 2454 as doing just that. As I listened to a broadcast of the Senate EPW hearing July 14<sup>th</sup>, it became apparent that an expected cost of this legislation is either unknown, or hotly debated. Analysis by the Heritage Foundation shows gasoline prices could increase by 58%. Further, a typical American family could see an increase of \$1,500 a year, or more, for household energy. Montana's Department of Labor and Industry lists the average Montanan's weekly wage in 2009 as \$604.35 per week, so a \$1,500 energy cost increase is significant. MPA polling data from December 2008 shows 61 percent of Montana residents are unwilling to pay increased costs to curb greenhouse gas emissions. That percentage climbs to 76 percent for persons age 65 and older.

Also of interest at this week's Senate EPW hearing were the opinions of four people from across the country about how to reduce demand for transportation fuel. With the exception of Montana businessman Ray Kuntz, who spoke of trucking issues, their views all pointed toward mass transit as a

solution. From my transportation background, I can testify that mass transit in rural, nearly frontier, states like Montana, is not a viable solution. Rural America, and Montana in particular, rely upon individual mobility and our ability to move goods by truck more than any other place in America. Given the distances to markets from Montana, our low population density and dependence on personal vehicle transportation for our quality of life, increased transportation costs hit Montanans especially hard.

In our original letter, we discussed the impact of low carbon fuel standards (LCFS) on Montana's refining industry. The refining sector in Montana employs 975 people, from engineers to skilled trade professionals, with an average salary of \$91,744 dollars. MPA is grateful that LCFS have been removed for the version of the bill passed by the House. However, at the Senate hearing on the 14<sup>th</sup>, there were several Committee members who expressed support for a low carbon fuel standard. It is critically important to Montana that this provision is not included in a Senate bill.

MPA is gravely concerned that Waxman-Markey places a disproportionate share of responsibility for mitigating greenhouse gas emissions on the petroleum industry. The House bill provides refiners only 2.25 percent of the emission allowances, yet the industry is held responsible for 44 percent of the emissions. Further, the final version still excludes U.S refiners, alone among U.S. business segments, from the free allowances for "energy intensive, trade exposed" industries. Despite being an energy-intensive, trade-exposed sector, U.S. refiners are singled out as not eligible for these allowances. Refiners would be required to buy allowances from the outset, increasing costs and giving a competitive advantage to non-US refiners. U.S. jobs certainly will be lost and contrary to the bill's intention, America will be less energy secure and more reliant on imports.

As I listened to the Senate EPW Committee hearing this week, it was apparent that oil and gas was seen as a target for impacts of the bill as passed by the House. The MPA questions whether punishing this vital industry is good for Montana. Just as coal, wind and our outdoor heritage are important to Montana, so too is the oil and gas industry. Last year, Montana oil and gas directly provided more than 4,500 good paying jobs and indirectly another 7,500 jobs in communities across the state. Oil industry jobs are good paying jobs and average nearly twice the average wage in Montana.

The Montana Petroleum Association welcomes the opportunity to work with you and your staff and we hope you give due consideration to our comments and suggestions. MPA recognizes and appreciates your commitment to doing what is right for the people of Montana and we hope to remain an important part of what is right at home.

Regards

David A. Galt  
Executive Director