

**Written Statement of Peggy Montana, Shell Downstream
Quadrennial Energy Review Task Force Meeting
Enhancing Energy Infrastructure Resiliency and Addressing Vulnerabilities
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Good Morning. I am Peggy Montana, Executive Vice President, Pipelines and Special Projects, for Shell Downstream Inc. My previous role was EVP Supply & Distribution for Shell, and overall I have 37 years of industry experience at both the national and global level.

I am testifying today on behalf of the American Petroleum Institute, a trade association whose 590-plus members represent all aspects of the oil and natural gas industry, and who specifically own and operate much of the US supply and distribution system for oil, natural gas, and petroleum products, from refineries to distribution terminals. I am here today to discuss the resilience of the domestic oil and gas industry's infrastructure.

Today, thanks to the innovation and entrepreneurial spirit of the men and women in America's oil and natural gas industry, this nation is on pace to take the lead role on the world's energy stage. The following facts bear this out:

- In 2013, the U.S. became the world's top producer of petroleum and natural gas, surpassing Russia and Saudi Arabia.
- This year, that production is expected to set new records in oil production, rising over 30 percent to 8.45 million barrels per day.
- U.S. refining capacity has increased nearly 230,000 barrels of oil per day from 2008 to 2013. 70 U.S. refineries today are operating at more than 90 percent capacity.
- An average of \$4 billion in annual gas processing investments will be made from the period of 2014 – 2019.

This oil and gas production renaissance, when coupled with our world-class refining industry, provides the US with a level of energy security that we have not seen in decades.

The oil and natural gas Industry is already making significant, private investments to further diversify our infrastructure in light of this new energy reality. For example, cumulative investment in U.S. crude oil pipelines of \$37.8 billion between 2014 and 2025, with the majority being invested during the first 6 years of the forecast period. Total investment in NGL pipelines over the forecast period is projected at \$23.9 billion from 2014-2025. Finally, investment in crude dedicated rail cars and both crude loading and unloading facilities was \$3.6 billion in 2013.

These investments should be strongly encouraged because they will strengthen both our energy security and our economic development. According to a recent study by IHS Global, an annual average energy infrastructure investment of up to \$95 billion would contribute as much as \$120.58 billion to U.S. GDP; support as many as 1.15 million jobs; and provide an additional \$27.45 billion in government revenues on average, annually between 2014 and 2025.

As DOE undertakes this Quadrennial Energy Review, the Task Force should be cognizant of the following:

1. First and foremost, the goals of the QER should be clearly identified and adhered to. Having been involved in efforts such as these in the not too distant past, I can say with certainty that scope creep will be a constant threat.
2. The study should draw on the ongoing work by the National Petroleum Council (NPC). I am playing a lead role for the latest NPC study on emergency preparedness for natural disasters that impact the oil and natural gas industry, currently scheduled to be completed by this coming August. We have been very deliberate on what is included and what is not included. This study will:
 - Provide advice on how the oil and gas industry and government at all levels can better prepare for and respond to defined emergencies. Emergencies considered in the study will include significant disruptions to oil and gas supply chains, which might occur from severe hurricanes, earthquakes, floods, or other natural disasters but not from sabotage, cyber or other terrorism related events.
 - Focus on aggregating existing information to educate policymakers, the industry, and the general public on the petroleum industry infrastructure, market dynamics, interdependencies, the challenges posed when adversely impacted by disaster events, and the framework to restore normal operations and expeditiously supply consumers with fuel (including refined products and natural gas). Building on this foundation, the NPC will provide advice on strategies and actions to i) enhance communications between the petroleum industry and government levels, as well as interdependent industries, such as electricity and transportation, to enable informed decisions in a dynamic environment and ii) improve emergency preparedness and supply chain resiliency.
3. The QER should recognize the hardening and resilience actions that the oil and natural gas industry has undertaken in light of lessons learned from previous events, as highlighted in DOE's August 2010 report, *Hardening and Resiliency: U.S. Energy Industry Response to Recent Hurricane Seasons*. These actions have proven effective as witnessed by the industry's ability to respond and restore service quickly following major incidents, such as Gulf Coast Hurricanes Ike and Gustav and Tropical Storm Sandy. Some of those actions include:
 - Elevating critical components such substations and control rooms;
 - Improving tank integrity;
 - Conducting hurricane preparedness planning and training, and;
 - Pre-positioning and pre-wiring portable generators.
4. The QER should identify and discuss policies at both the federal and state levels that encourage further oil and gas development. This will, in turn, enable the Nation to harness the power of the free market and further improve our energy security. Some issues to consider include:
 - Approval of the KXL pipeline;
 - Streamlining permit approvals for other private infrastructure investments; and

- Allowing the export of natural gas and crude oil. Crude oil exports could boost domestic oil production by up to 500,000 barrels per day by 2020 according to a recent study by ICF International. Similarly, a 2013 ICF study found that 16 bcf/d of LNG exports in 2035 would boost U.S. dry gas production by over 12 bcf/d and NGL production by 555,000 barrels per day.

Ultimately, the QER will be best utilized when it identifies not only those issues that help to ensure that the US cements its status as an energy leader but also any mechanisms that can be utilized to help get our country past any obstacles for development.

In closing, let me assure everyone here that we take our role seriously as we recognize that the products we produce fuel the productivity of our Nation. We are keenly aware that any disruption in service is not good for the Nation, and it is not good for our industry. Amidst this is also the recognition that safety has to be a key component of everything that we do. We should most certainly provide energy in an efficient manner, but we should also strive to do so without incident. I look forward to engaging further on this issue. Thank you for inviting me to participate in this effort.