



William R. Klesse
Chief Executive Officer
and Chairman of the Board

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U.S. Congressman Fred Upton
2183 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Upton:

It is our understanding that the House of Representatives will soon take action on H.R. 910, which you have recently introduced to preempt the authority of the US Environmental Protection Agency (EPA) to regulate global greenhouse gases (GHGs) before the Congress has crafted well-balanced and cost-effective national legislation on the topic. As the CEO of the largest independent refining company in the United States, Valero Energy Corporation, we applaud your efforts and strongly endorse your bill.

Valero supplies fuel and products that improve people's lives with 14 refineries and ten ethanol plants stretching from California to Canada to the Caribbean. The thousands of men and women that work for Valero producing motor fuels that keep America's economy moving, and that will literally fuel our economic recovery and job creation, know that regulation of GHGs should not be undertaken lightly. Even though the Clean Air Act does not explicitly grant EPA the authority to regulate GHGs, nor was the Act ever envisioned of controlling GHGs, the Agency is charging full steam ahead. Every credible economic analysis that has been performed shows that American's will pay higher prices at the pump, and that the refining sector, its high-paying jobs, and our nation's energy security will suffer as a direct result of EPA's action.

Refiners like Valero are in a uniquely vulnerable position. Refining is one of only two industrial sectors to be regulated under new source performance standards and accompanying emissions guidelines by regulations to be finalized by November 2012. Unfortunately, as the price of refining increases in the United States, powerful incentives are created simply to refine fuels overseas where there are no GHG concerns and export them to our country. When this occurs, Americans lose their jobs, and the environment suffers too. Because foreign refiners can be less efficient, and because GHGs are emitted as fuel is transport, GHGs will actually increase as a result of EPA's rules.

Under an approach as inflexible as existing EPA actions, there is no method to account for the international GHG emissions that come with the trading of fuels and energy commodities. Only when Congress and the Executive Branch work together on legislation can that be done. Your bill provides exactly the kind of breathing room necessary to make effective, national policy.

Only Congress can take into account the potentially regressive nature of GHG regulation. By increasing the price of energy, these regulations have the effect of disproportionately taxing those in society least able to afford it. Data from the US Department of Energy and the Energy Information Administration have shown that the average American family with an after-tax income of \$52,586 will spend more than \$6,200 on energy, or 12 percent of the total family budget. But for the 60 million families earning less than \$50,000, accounting for 51 percent of all U.S. households, 24 percent of their after-tax income goes to energy.

Some have suggested that support for the bill means climate change is not taken seriously. The opposite is true. Blind faith in unilateral EPA regulation may be easy for some, but it does not reduce global warming unless accompanied by international action and time for thoughtful and creative decision making. Your bill allows for both. Thank you for your efforts.



Bill Klesse