



AMERICA'S POWER PLAY

Reaching the United States' full energy potential


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COMMENTARY

John Watson, chairman and CEO of Chevron
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Over the last 150 years, we've seen the greatest advancements in living standards in recorded history — advances enabled by affordable and reliable energy that have brought light, heat, mobility, modern communications and other benefits to billions of people around the world. The United States has helped lead many of these advancements — by spreading our ideals of free markets, open trade, rule-of-law and limited state involvement. In doing so, we've allowed private initiative to innovate and drive progress.



Nicholas Kamm | AFP | Getty Images

John Watson, chairman and CEO of oil giant Chevron

As more of the world seeks to capitalize on these advancements, the ensuing spread of wealth is helping to lift more people into the middle class and realize these same benefits. In the past 10 years, the world has added three-quarters of a billion people to the middle class.

And despite some struggles of our own, America's business and economic system remains the envy of much of the world. Yet it's a system that continues to evolve ... and change.

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Perhaps the most dramatic changes have been in the U.S. oil and natural gas sector, where we've launched an energy revolution, fueled by technology and innovation, that's allowing us to produce more from oil and gas fields and develop new geographic frontiers. In the last decade, we've rewritten the U.S. energy story — from one focused on scarcity to one focused on abundance. America is now the second largest energy producer in the world. Energy has kept our industries competitive, promoted rising living standards, and bolstered consumer confidence and pocketbooks, while addressing the country's challenges in job creation and addressing the growing federal budget deficit.

But the U.S. energy revolution is in danger of stalling without a common sense policy framework that encourages the responsible development of a resource base that the nation is fortunate to hold.

Energy policy must be centered on three fundamental objectives: The first, and most important, is to have affordable energy because economies won't stay great and living standards can't be maintained without fuels that households and businesses can fit in the budget. The second objective is to have secure and reliable energy, which comes from having ready access to diverse sources scalable with demand. And the third objective is to have energy development that addresses the environmental expectations of Americans.

There's a tendency to look at these objectives separately. But effective policy should be tested and balanced against all three objectives before implementation. The costs and benefits of each approach should be discussed openly with the American people.

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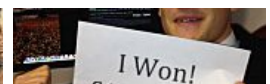
We must create policies that allow markets to work effectively. Free markets with well-considered regulations can help us advance all three objectives. Market-based solutions keep fuels affordable for consumers and businesses. And free markets support environmental objectives by keeping our economy strong enough to fund them. Free markets also help ensure a predictable basis on which new sources can compete. Mandates cannot replace free market forces to achieve the long-term and sustained success of new products.

The United States needs an energy policy that ensures America's tax, trade, regulatory and access policies are transparent and predictable. The objectives of many proposed regulations are noble, and they can be complex with unintended consequences.

Today, we're facing a new generation of mandates, quotas and infrastructure constraints that will fail the consumer if we don't address them with an energy policy that puts economic objectives and economic security at its core. The United States must recognize that access to reliable and affordable energy is the basis for economic expansion — and global competitiveness. And the nation must move from discouraging fossil fuel development — which is largely our approach today — to enabling it. We need all forms of energy to keep our



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The U.S. has vast energy potential. For the nation to remain competitive — and provide affordable and reliable supply to consumers — we need to exercise clarity of purpose on energy policy. The simple truth is we won't see further advancements without it.

Commentary by John Watson, chairman and CEO of Chevron, a position he has held since 2010. Watson joined Chevron in 1980 and has held a wide range of positions in the company. Follow the company on Twitter [@Chevron](#).

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