



STEVE WESTLY California State Controller

Statement for Tuesday, April 26, 2005 Press Conference

ChevronTexaco Shareholders Criticize Management: Destruction from the Arctic to the Ecuadorian Amazon is Bad for Business and Bad for the Environment

- My name is Toni Symonds. I am the Deputy Controller for California State Controller Steve Westly.
- In March of this year, Controller Westly asked that I accompany Amazon Watch to Ecuador on a Fact Finding Trip, at no expense to the state.
- I am now going to read a statement from the California State Controller Steve Westly:

Statement

- ChevronTexaco is a California company that has based its reputation on going the extra mile to be a good neighbor in the California community.
- I am concerned that actions taken by Texaco prior to its merger with Chevron in 2001 may be tarnishing that hard-earned reputation.
- I support, as does CalPERS, Shareholder Resolution 8 which calls on ChevronTexaco's Board to prepare a report on new initiatives by management to address the specific health and environmental concerns of communities affected by unremediated waste and other sources of oil-related contamination in the area where Texaco operated in Ecuador.
- During its 20 years of operation, the oil consortium in which Texaco participated released more than 18.5 billion gallons of petroleum waste and wastewater into 627 unlined pits, rivers and streams.
- Spills along the Trans-Ecuadorian pipeline (1971 to 1991) released 16.8 million barrels of oil, or about 1-1/2 times the amount spilled from the Exxon Valdez oil tanker.
- While the bulk of the pipeline oil spill was the result of an earthquake, Texaco was the development engineer for the pipeline in an area widely known for its seismic activity.
- Information that I received has alerted me that the technologies and practices used in Ecuador were not necessarily best practice.

- A survey by the American Petroleum Institute found that its members were dumping less than 5 percent of its wellhead wastes into dirt pits as recent as 1985. As for produced water, most oil companies began reinjecting the fluid deep into the ground rather than depositing it in rivers and streams.
- Beyond these potentially sub-par extraction practices, the Attorney General of Ecuador has informed my office that the remediation agreement, purported to indemnify Texaco of future liability, was signed without proper governmental reviews required by the Ecuadorian Constitution.
- As a trustee with fiduciary responsibility over nearly \$300 billion in assets, I believe that companies should adhere to the laws of the countries in which they operate.
- I know that Chevron did not create this problem. I do not believe that Chevron would approve such actions by its own employees. Nonetheless - the issue of Texaco's prior actions and the current state of the people and the environment must be addressed.
- I am calling on the Chevron Board to undertake an independent review of the situation.
- While former Texaco employees can provide the Board with useful background information, fresh eyes on the situation may assist the company in moving forward on this potentially brand damaging situation.
- Finally, to close on the Ecuadorian situation, I recommend that the Board reconsider its decision to not list the Texaco litigation in 10-K. Shareholders count on these SEC filings to provide a clear picture of a company.

The Path Forward

- As a trustee to two pension funds that hold more than 19 million shares, I am calling on ChevronTexaco to carefully consider its next step in oil exploration in environmentally protected and sensitive areas.
- I support, as does CalPERS, Shareholder Resolution 7 which calls on ChevronTexaco's Board to prepare a report on the steps the company is taking to analyze and control potential risks to shareholder value from operating in protected and sensitive areas throughout the world.
- It is important for oil companies to acknowledge that damage to the environment begins long before the product reaches the world's consumers.
- Significant environmental damage can occur during the exploration and extraction process even with the best environmental intentions.
- While I welcome new technologies and have strongly supported investments at CalPERS and CalSTRS that encourage development of cleaner technologies, this does not mean that drilling should take place everywhere.
- As an active member of the Energy and Biodiversity Initiative, Chevron has a special responsibility to promote sustainable extraction policies including not drilling in protected and sensitive areas at all.
- I believe that Artic National Wildlife Refuge (ANWR) is one of these areas.

- Government models suggest that if opened, the coastal plain of ANWR could produce fewer than 1 million barrels of oil a day in 2025.
- While this sounds like a lot, the reduction in imports would actually be modest. The oil from the refuge would offset only three-percent of U.S. oil needs. We would still need to import 68 percent of our oil.
- Clearly the energy needs of the U.S. require a bigger solution than drilling in environmentally protected and sensitive areas.
- Chevron can play an important and financially rewarding part in this better solution to the bigger issue facing the U.S. and our global economy.
- In the year 2025, where will the US get its fuel? If current projections regarding peak oil are accurate, at best, the US will be in direct competition with India and China for oil. Under this scenario there will be many losers.
- A better energy solution is for the development of new energy sources, such as renewables, and the investment in more efficient technologies, such as increasing fuel economy standards.
- CalPERS and CalSTRS are long-term investors. Employees starting work today will retire in 25 to 30 years. What we do today will make a marked difference in the future.
- Thank you.

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