



December 18, 2008

The Honorable Barack Obama
President-elect of the United States
233 N. Michigan Ave., 11th Floor
Chicago, IL 60601

Dear President-elect Obama:

Valero Energy Corporation is an independent crude oil refiner, that is, we buy crude oil and produce refined products such as gasoline, jet and diesel fuel, asphalt and other hydrocarbon-based fossil fuels.

Headquartered in San Antonio, Texas, Valero owns and operates 15 petroleum refineries throughout the United States, Canada and the Caribbean, with a throughput capacity of approximately 3.1 million barrels per day of crude oil and feedstocks. This makes us the largest refiner in North America. Valero is also one of the nation's largest retail operators with approximately 5,800 retail and branded wholesale outlets. We provide a safe, reliable and affordable supply of transportation fuels and other petroleum-based products to millions of Americans. Simply put, our products make people's lives easier, more productive and mobile.

We do not oppose the effort to develop alternative fuels and energy sources, but we do believe that sound science and economics should drive decisions, as it is a very competitive economic world. As you develop your policies, we ask that you consider the following:

Valero employs 22,000 people. For our refinery jobs, we pay excellent wages that permit employees to earn a very comfortable living, and, for many, the means to enter the middle class. In addition to our direct employment, we also employ over 5,000 skilled contractors daily for maintenance work. During new construction, we employ thousands more.

Valero imports crude oil and feedstocks from all over the world, but the refining jobs are here in the United States. The United States imports about 10 million barrels of crude oil and 3 million barrels of refined products per day. Thus, the majority of the gasoline, jet and diesel fuels are produced here in the United States. We have invested billions in capital in the United States in order to comply with state and federal environmental rules and regulations – capital that our foreign competition did not have to spend.

Refining is a manufacturing business that the United States can and does compete in globally. However, because it is a global business, the jobs can and will go elsewhere. The barriers to entry to build a refinery are very low throughout the world. Refining is an old economy business where we can compete and lead on a global level.

The refining industry continues to address CO₂ emissions, and Valero refineries continue to become more energy efficient. An investment tax credit or incentive to address CO₂ emissions would accelerate capital investment, in turn creating more jobs and lowering CO₂ emissions

further. We can attack the challenges of climate change with positive incentives instead of with sticks that could further weaken the economy.

Valero pays taxes across the United States. In 2008, we estimate that we will pay \$192 million in ad valorem taxes, much of which is in small towns very dependent on this income. Our total employee taxes are \$77 million, and total transaction taxes are at \$5 billion. Valero's estimated 2008 federal income tax was \$820 million, and the state income/franchise taxes were \$30 million. This funding is very beneficial to all the communities where we operate and to our state and federal governments.

In addition to contributing through taxes, Valero is a strong supporter of community involvement and volunteerism. We are very well known for our generous employees, for their gifts of time, talents and financial resources, and our company foundation is active in every community we do business.

Thus, as you continue to develop your agenda, please remember that companies like Valero and its employees make a significant contribution to our communities and to our country every day. We play an integral role across the United States, and help people achieve a better life. You have inherited a very difficult economic situation in addition to many other issues. We support you, but please do not forget the important place independent refiners like Valero play in our country's well being and global competitiveness.

Thank you for your consideration.

Sincerely,

Bill Klesse