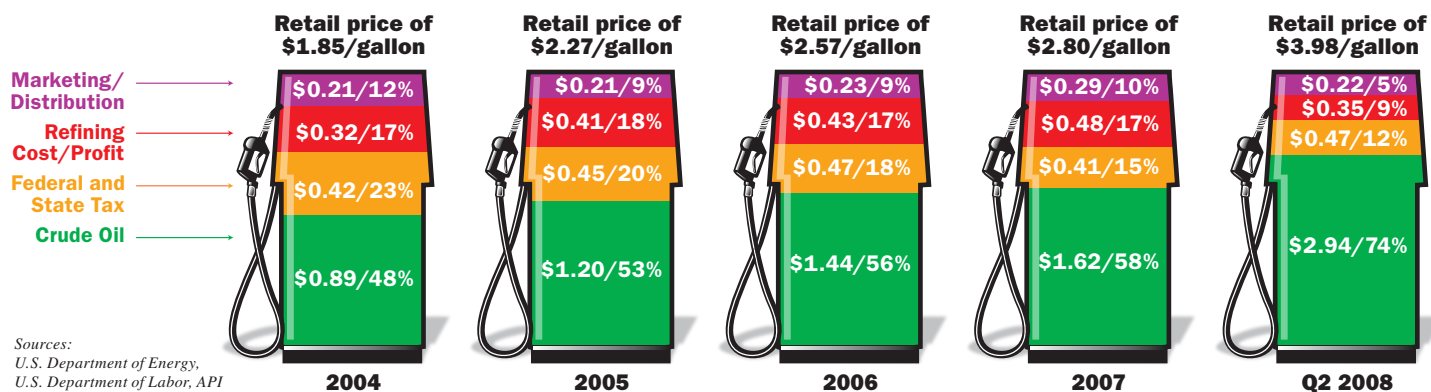


ENERGY ANSWERS

Prices at the pump have gone up dramatically, and people are asking why. Many factors, both at home and abroad, are behind the recent increase. We thought it might be valuable to explain what's driving gasoline prices today and what ConocoPhillips is doing to respond to this and other important energy issues. These are not intended to be in-depth answers; rather, they are designed to be high-level responses that we encourage you to share with anyone who is interested in having a conversation on energy.

GASOLINE AND DIESEL PRICES

- Gasoline prices are rising because the price of crude oil, the largest component of the price of gasoline, is going up.
- Experts have cited a number of reasons for the recent increase in crude prices:
 - Rising world demand, particularly in developing nations like China and India, where per capita income is rising and demand for energy is expected to continue to grow;
 - Concerns about supply disruptions from factors like political instability and weather;
 - Little global spare crude oil production capacity today and concerns about where future supplies will come from;
 - The weak U.S. dollar has put American consumers at a disadvantage. Since crude is priced worldwide in American dollars, other countries with stronger currencies essentially pay less than we do for a barrel of crude oil; and
 - A growing trend among investors to purchase oil and other commodity futures contracts as a hedge against inflation and other financial risks.



- Gasoline and crude oil are traded as global commodities, like wheat, orange juice and other goods. Their prices are set on the open market, not by any single company or organization, and are based on a number of factors, including those listed above.
- Since U.S. demand far exceeds domestic production, we must compete in the world market for a share of both the world's available crude oil and refined products like gasoline.

Continued on back

- Diesel prices also have risen dramatically in the past several months. Diesel supplies have been limited by strong demand overseas, leading to weaker imports. The Europeans are exporting less to the United States, because they are keeping more for their own domestic consumption. There also has been strong diesel demand this year in developing countries where diesel fuel is used to generate electricity. In addition, U.S. regulations require diesel fuel to meet very strict low-sulfur specifications, which also prevents some foreign supplies from being able to be used in the U.S. These regulations also mean that while diesel is now a cleaner-burning fuel, which improves air quality, it also is more expensive to refine. All of these factors have led to sharply higher diesel prices.

PROFITS

- It's true that ConocoPhillips benefits from rising crude oil prices.
- No doubt about it, our earnings and revenue are large. It's important to point out that the size of our earnings reflects the scale of the investments we are required to make to replace depleting production and find new energy supplies. We invested close to \$13 billion in 2007 – more than our earnings of nearly \$12 billion – to ensure more and cleaner energy supplies.
- Energy industry earnings in 2007 were 8.3 cents per dollar of sales, only slightly above the average for all U.S. industries.
- The energy industry is heavily taxed. In 2006, the top 27 U.S. energy companies paid about \$90 billion in taxes, an effective rate of 40 percent, compared to the 35 percent paid by all the other top U.S. corporations combined.

RENEWABLE AND ALTERNATIVE ENERGY

- Energy security begins with the efficient and effective use of a variety of sources.
- Most energy analysts agree that sustaining even modest economic growth worldwide for the next several decades will require massive new investments in oil and gas, and presents a great opportunity for renewable fuels. According to the Energy Information Administration, about 80 percent of U.S. energy demand will be met in 2030 by fossil fuels, despite significant growth of renewable and alternative energies and improvements in energy efficiency.
- Because they will be an important part of the required diverse energy mix going forward, ConocoPhillips actively is engaged in using and developing alternative and renewable forms of energy:
 - One of the largest U.S. blenders and users of ethanol in gasoline;
 - E-85 fuel is being sold at some ConocoPhillips branded stations;
 - Producing renewable diesel fuel;
 - Funding research to develop biofuels from agricultural waste and plants like switch grass;
 - Evaluating opportunities to invest in solar, wind and geothermal power; and
 - Developing higher-performance materials for batteries to make electric vehicles more practical.

For more in-depth information on these issues and more, go to www.conocophillips.com/energyanswers.

WHAT WE'LL COVER IN THE NEXT ENERGY ANSWERS ...

The dual challenge of energy security and climate change

- Energy security and climate change must be solved together.
- The energy industry has expertise that can help effectively shape policies and implement solutions.
- Must-haves:
 - More and diverse sources of energy;
 - Increased development and use of technology;
 - Energy efficiency; and
 - Responsible environmental stewardship.