

To: Clegg, Patsy M SCC-CHSE-PC <patsy.clegg@shell.com>
From: Cagen, Stuart Z SCC </O=SHELL/OU=MSXSCC/CN=RECIPIENTS/CN=SC724012>
Cc:
Bcc:
Received Date: 2003-09-04 16:02:03 GMT
Subject: RE: Action Requested/Final Ballot - Benzene Health Research Consortium Program

Didn't do spell check but I have added a thought or two for consideration.

In short, good note and forward plan. I suggest we act fast to turn things around before it is too late.

Stuart Cagen

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-----Original Message-----

From: Clegg, Patsy M SCC-CHSE-PC
Sent: Thursday, September 04, 2003 9:02 AM
To: Cagen, Stuart Z SCC
Subject: FW: Action Requested/Final Ballot - Benzene Health Research Consortium Program

Stu,

Please review and offer your comments. We can discuss later today and then send what we agree.

Thanks for your steady support.
Patsy

Nancy and Susan,

The messages and the tone of API's response to Nancy's questions are unacceptable to Stu and myself. There are several inaccuracies, i.e. "the China Benzene project, which is part of API's voluntarily funded special solicitation program structure. " The study is being funded by an independant consortium - it just so happens that the concept phase began in the API Benzene Toxicology Task Group and that API provided \$500K in seed money and that 4 of the sponsoring 5 companies are API members, Shell Chemical being the one exception. "and a lack of responsiveness to concerns about costs" does not accurately represent the position of the Oversight Committee. We are concerned about costs; have been actively engaged in recruitment, although without results, and have had discussions about where we might cut costs. The statement about less than a fully funded program not fulfilling the program objectives is true. That, afterall, is why we went to API as an orgnization for funding.

To support our sense of frustration, when we decided to go to API for funding, we carefully crafted briefs, however, they were rewritten by API management in such a way that the message was no longer our message. We were told by our API support staff that the API executive had final say-so in what went to the executive committee. We were extremely dismayed by the last brief that went to them in June. It in no way resembled our message, in fact, it was more of an API message to the consortium. This is NOT an API study. We as a consortium own them no explanations. They are not a sponsor.

At the June API Exec Comm meeting, the chairman (also the CEO of one of the sponsors) volunteered to call other companies to seek sponsorship and also, to coordinate a discussion between the current sponsors. That effort has deteriorated into this API coordinated ballot process. The Oversight Committee has had no input into the process. In fact, we have not been consulted at all. We have been put in the position of being told about the ballots after they went out and then waiting on the results which have only informally been communicated.

We (Stu and I) would like to offer the following recommendation.

Nancy, as Shell's sponsor, would coordinate (with our help if needed) a call between the sponsors to discuss the funding as a group (no API involvement).

With an understanding of the projected funding, the consortium would then go forward with plans to scope the study and other supporting budget items (such as legal, PA) to meet the funding commitments. This might result in recommendations for sponsors to provide more sweat equity. For example, a recommendation to not use API as project manager would require either finding another management group or doing it ourselves.

We would be happy to discuss this with you. We want this program to be a success.

Regards,
Patsy and Stu

I find this to be an unacceptable answer. If the existing oversight committee can not find a scope that is acceptable or an alternative way of deliver without the \$1.5mln dollars, then I suggest we get a new oversight committee to review the plan. We could start with throwing API out on the street! If BP is unwilling to pay any more money, perhaps they can contribute resources to manage the project - something that API has obviously failed to do. This ballot system of only two alternatives is an indication to me that API is short-sighted and unable to execute the politics of this project.

I could rant on for a while, but I'm sure you get my message.

I would recommend you send a note back to the original recipients and basically give that message. Perhaps a meeting of your counterparts without API in the loop is the next step

Susan

-----Original Message-----

From: Sullivan, Nancy E SCC-CBAR
Sent: Wednesday, September 03, 2003 11:11 AM
To: Tholstrup, Susan C SCC; Clegg, Patsy M SCC-CHSE-PC
Subject: FW: Action Requested/Final Ballot - Benzene Health Research Consortium Program

fyi-any comments? Looks like we've come up with an obstacle as BP is unwilling to pay any additional amount. The problem I see is that this could continue indefinitely for any company willing to paying additional amounts.

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-----Original Message-----

From: Red Cavaney [mailto:Rcavaney@api.org]
Sent: Wednesday, September 03, 2003 10:01 AM
To: Sullivan, Nancy E SCC-CBAR
Cc: Howard Feldman

Subject: RE: Action Requested/Final Ballot - Benzene Health Research Consortium Program

Nancy---thank you for your response. I will try and provide you answers as best one can at this stage.

Dating back to mid-2002, various company CEOs have expressed concern about the China Benzene project, which is part of API's voluntarily funded special solicitation program structure. Those concerns focused on cost controls and the lack of additional participants beyond the original five companies. API staff was asked to provide an update at each subsequent meeting of the API Executive Committee, since all five of the participating companies were at least conveniently together at those times. Concerns continued to be raised at subsequent meetings, particularly about the inability to attract additional funders and a lack of responsiveness to concerns about costs. The Oversight Committee has consistently felt the costs were appropriate and needed in order to meet the overall program objectives: reducing costs would render the product sub-optimal and of markedly diminished value..

In June of this year, with no new funders and concerns about costs still not addressed to the satisfaction of several participating companies, the senior representatives of the five companies on the API Executive Committee felt it necessary to gain closure on the status of the program, since funding was projected to run out in a year with the funding cap limitations in place as per the Consortium Agreement.

Several companies had made it clear in the past that they were not likely to provide more funding than that set forth in the original Consortium Agreement. After discussion and several subsequent ballots, two things are clear: all the original participants feel the research has merit and would like to see the project to completion and, with BP voting to not pay more than the its original capped amount, ChevronTexaco and ConocoPhillips are unwilling to go forward paying disproportionately higher share costs.

Having earlier been informed by the Oversight Committee of the Consortium that no meaningful product could be obtained if funding was restricted to the original, capped amount of \$16,500,000, my guess is that the termination option will prevail, although I have not heard yet from all participants. Faced with the prospect of termination, the Oversight Committee may come forth with an additional option not earlier provided.

I hope this helps and apologize for the lengthy recounting. Please contact me if you would like more information or background.....red

-----Original Message-----

From: Sullivan, Nancy E SCC-CBAR [mailto:nancy.sullivan@shell.com]

Sent: Thursday, August 28, 2003 3:25 PM

To: Red Cavaney

Subject: RE: Action Requested/Final Ballot - Benzene Health Research Consortium Program

Red,

I'm not sure I like either of these options because it sounds like any original member who refuses to exceed original amount gets the benefit with the rest paying (or others now refusing to pay). If BP absolutely is unwilling to pay additional funds, perhaps we should look at the program further to see what costs can come out to keep all from having to pay an additional amount. Otherwise, we should specifically have a plan for how to make up the BP share.

Nancy Sullivan

VP Aromatics/Phenol

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-----Original Message-----

SHELL-MCCLURG-055024

From: Red Cavaney [mailto:Rcavaney@api.org]
Sent: Thursday, August 28, 2003 10:48 AM
To: David O'Reilly; Lee Raymond; jim.w.nokes@conocophillips.com; Sullivan, Nancy E SCC-CBAR
Cc: Marty Bitter; Howard Feldman; Harry Ng; Lorraine Twerdok; Charles Sandler
Subject: Action Requested/Final Ballot - Benzene Health Research Consortium Program
Importance: High

PLEASE RESPOND BY COB THURSDAY, SEPTEMBER 4, 2003

In response to the last balloting (8/5/03), one founding member of the consortium has indicated that his company would like to see the program continue but will not pay more than the original capped amount -- in their case, this represents a three-share at \$1.5 million per share.

The other consortium members selected the following option: "Am willing to consider continuing with current plan, to include some cost reductions and a cap increase, only if all others continue." Accordingly, two remaining options appear available for the four of you....please indicate your preference:

_____ Terminate the program, with an approved exit strategy designed to minimize negatives in place.

_____ Agree to absorb your pro-rata share of the unfunded remainder after BP reaches its capped amount and any potential cost reductions are realized.

Earlier feedback indicated several among you were not likely to vote to continue the program, if the share portions were to exceed the earlier agreed-upon formula as set forth in the consortium agreement.

As soon as all ballots have been returned, I will communicate with all of the consortium contributors to determine next steps.

If you have any questions, please contact Lorraine Twerdok at 202-682-8344 or twerdokl@api.org or me at 202-682-8100 or rcavaney@api.org. Please phone or email your response to me. Thank you.

Attachments:

Nancy and Susan.ZIP

SHELL-MCCLURG-055025

To: Clegg, Patsy M SCC-CHSE-PC <patsy.clegg@shell.com>
From: Cagen, Stuart Z SCC </O=SHELL/OU=MSXSCC/CN=RECIPIENTS/CN=SC724012>
Cc:
Bcc:
Received Date: 2003-09-05 13:06:48 GMT
Subject: RE: Action Requested/Final Ballot - Benzene Health Research Consortium Program

Patsy:

Some language that can be used for possible engagement with other sponsor executives. Ignore specific date and time as I put them in as a place holder...

From: Nancy Sullivan, VP - Aromatics Shell Chemical LP

To: Dave O'Reilly (ChevronTexaco), (ExxonMobil), (ConocoPhillips), (BP)

Subject: Shanghai Benzene Study

Colleagues:

As you are well aware, there has been significant discussion regarding the funding situation of the Shanghai Benzene Study. The most recent discussion in particular has convinced me that a conference call among the sponsor executives would be a useful next step. I would therefore invite you to a call on Monday, 15 September 2003 at 1 pm Eastern Daylight Time. Please call: 713-xxx-xxxx and use participant code #.

Suggested agenda items:

- 1) Value of the study and regrets of early termination.
- 2) Options for a path forward.
- 3) Governance and future executive review.

Stuart Cagen

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