



2008

YEAR IN REVIEW

WWW.INSTITUTEFORENERGYRESEARCH.ORG

IER INSTITUTE FOR
ENERGY RESEARCH

“

HERE ARE SOME FACTS FOR YOU ON THIS, AND THIS IS FROM THE INSTITUTE FOR ENERGY RESEARCH. NOW, THE INSTITUTE FOR ENERGY RESEARCH IS THE ENERGY EQUIVALENT OF THE HERITAGE FOUNDATION. GREAT PEOPLE.

— RUSH LIMBAUGH, JUNE 18, 2008

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LETTER FROM THE FOUNDER

As the Institute for Energy Research (IER) nears its 20th anniversary, this is an opportune time to reflect on our progress and the challenges ahead. Under the direction of President and COO Tom Pyle, IER's new Washington, D.C., office has become a trusted free-market voice in today's contentious debates over offshore drilling, ethanol mandates, wind power subsidies and carbon-dioxide regulation. Thanks to you, IER's education efforts are reaching the public, academia, the media and federal and state legislators. For an in-depth look, visit us on the Web at www.instituteforenergyresearch.org.

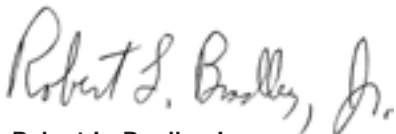
IER's educational mission has never been more important than it is today. Both political parties have politicized the energy issue so much that what consumers really want and need for their homes, vehicles and businesses are no longer being discussed. The Obama administration and the new Congress have pledged to diminish the role of fossil fuels — which account for 85 percent of our energy consumption — in favor of uneconomic, unreliable, symbolic alternatives. Today's government energy planning is akin to what F. A. Hayek called "the fatal conceit." Whether done in the name of promoting national security, creating jobs or addressing global climate change (all misapplied rationales), government intervention is a fool's errand.

The United States needs to shape and expand its domestic energy industry in accordance with the profit and loss signals of the marketplace. This is capitalism proper. What we do not need is political capitalism, in which a special government regulation or subsidy overrides consumer verdicts.

Energy abundance, affordability and reliability transcend class, race and political boundaries. Artificial scarcity, price spikes and government edicts (such as what light bulbs are legal to buy or sell) are the stock-in-trade of government energy planning. Economic coordination and growth — and in the present context, economic *recovery* — require the free-market, science-based energy policies championed by IER.

We look forward to your input and support in the months and years ahead. Thank you for your continued friendship.

Sincerely,



Robert L. Bradley Jr.

Founder

LETTER FROM THE PRESIDENT

Human ingenuity, energy and freedom. Since the beginning of civilization, these three powerful forces have combined to produce the greatest contributions to our society and individual well-being.

Human ingenuity — our ability to put ideas into action — has been the catalyst for each of the major breakthroughs and discoveries that have transformed energy into beneficial and constructive forms of work. Energy increases human productivity and vastly improves our quality of life.

Energy, the lifeblood of society, provides the most basic of our human needs. Energy provides us with food, clothing and shelter; it transports goods and people; and protects us from our enemies. Energy is truly “the master resource”— a truism that is often taken for granted in today’s public policy discussions, which have mostly become simplistic, agenda-driven and alarmist.

And while the history of civilization is generally one of gradual and continual progress, it is no coincidence that our most significant advances have occurred during the past 200 years, alongside the steep rise in personal freedom and economic liberty throughout the world.

It is these self-evident truths that guide the Institute for Energy Research’s (IER) mission and form the basis of its research and educational efforts.

This was an exciting year for IER. In addition to establishing a Washington, D.C., office, IER drove a national discussion about the direction which America should take our energy future, leading to the expiration of the 30-year ban on offshore energy production. IER put our available resources to work reminding the media, policymakers and the public about the importance of energy in advancing our society, and the vital role that markets play in gaining access to secure, reliable and affordable energy in all its forms.

IER is working to build on last year’s efforts by continuing to expand its Washington presence and to serve as an effective voice in support of markets in the debates over energy and environment. I am thrilled to have played a role in the changes at IER and look forward to working with you to implement our vision in the years ahead. Please visit our Web site at www.instituteforenergyresearch.org to contribute to this important effort.

Sincerely,



Thomas J. Pyle

President

IER: A HISTORY

The Institute for Energy Research (IER) is dedicated to the principle that free markets provide the most efficient and effective solutions to the world's energy and environmental challenges. Since its earliest days as a small, volunteer-run public educational charity, IER has effectively carried out its mission of research, education and advocacy. IER and its partner organizations continue to have an impact on decisions at the local, state and federal levels, and are strong advocates for sound policies based on science and the realities of the free market.

HUMBLE BEGINNINGS

Robert L. Bradley Jr. founded IER on June 26, 1989 in Houston, Texas. The Institute's original board consisted of four members: Bradley (who served as its president), Nancy C. Bradley (its secretary/treasurer), Emma B. Broussard and William A. Johnson. Howard H. Gano Jr., a CPA, joined the board in this early period, during which IER's pursuits centered on the burgeoning activity of its founder.

Bradley had recently published his first book, "The Mirage of Oil Production," sponsored by the Cato Institute, a work that had its roots in a much larger effort: Bradley's treatise on oil

and gas regulation in the United States. Eventually published in 1996 by Rowman & Littlefield, "Oil, Gas, and Government: The U.S. Experience" is a thorough examination of government intervention in the energy sector.

At the time of IER's inception, Bradley was a full-time employee of Transwestern Pipeline Company, a natural gas transmission firm wholly owned by Enron Corporation. A market analyst by day, he devoted nights and weekends to his scholarly activities and IER, transforming it into a small, but well respected, free-market think tank.

GAINING PROMINENCE

Small steps were important in IER's early years, as they are with all new enterprises. In 1991, publicity for Bradley in *The New York Times* necessitated that IER install its own phone line. Each fundraising success was reason for celebration. As IER's activities expanded, Bradley began to prepare quarterly reports for IER's small group of donors and other allies, a list that would grow over time from fewer than 100 to several hundred.

IER leveraged its activities by teaming up with the Georgia-based Southern Regulatory Policy Institute (SRPI), the avocation of Jim Clarkson, an engineer with strong free-market beliefs. In November 1991, Clarkson merged the energy-focused SRPI into IER, and joined IER's board.

IER inherited SRPI's booklet program and with this printing capability began its Studies in Market-based Energy Policy

Since its earliest days as a small, volunteer-run public educational charity, IER has effectively carried out its mission of research, education and advocacy.

series. One of its earliest studies, “Demand-Side Management: Ratepayers Beware,” by Douglas Houston of the University of Kansas, was highly publicized in the energy trade press and went through two editions. In conjunction with its publications, IER began an adjunct scholar program. Doug Houston was an original member of the project, as was Jerry Ellig of George Mason University, who authored an IER booklet critical of public-utility regulation.

In March 1993, IER spearheaded a conference in Washington, D.C., hosted by the Cato Institute, “New Horizons in Natural Gas Deregulation.” This was a breakout event for IER and brought the organization to the forefront of the energy policy debate — a position it still holds today. Two years later, IER and Cato repeated the success with another major conference, “New Horizons in Electric Power Deregulation.”

In 1997, Bradley, then Enron’s director of public policy analysis, published a major study for Cato: “Renewable Energy: Not Cheap, Not ‘Green.’” IER continued to grow around Bradley’s active writing and lecturing.

Bradley’s 16-year career with Enron ended in 2001. Just one day after he separated from Enron, Bradley made IER a full-time organization for the first time. Funding was secured from liberty-minded donors to help finance the transition, and today’s IER was born.

Bradley turned his attention to two projects: authoring a book on the global warming debate and coauthoring an energy primer. A major new opportunity also presented itself: writing an insider book describing the rise and fall of Enron from a free-market perspective. He also focused on fundraising and attracting like-minded energy scholars to IER’s cause.

In 2003, Bradley published “Climate Alarmism Reconsidered” with the Institute of Economic Affairs, a London-based think

tank with a classical liberal outlook. The next year, Bradley (and coauthor Richard Fulmer, an IER senior fellow) published “Energy: The Master Resource.”

As energy issues grew in prominence with rising prices and political events, IER’s education and advocacy mission became even more critical. In response, IER expanded its full-time team to include Tom Tanton, who established its first active media and publication campaign, which included radio interviews, op-eds, presentations and IER’s first blog, Tom Tanton’s Talkback.

IER GOES TO WASHINGTON



Bradley took the new title of founder and CEO.

IER’s D.C. presence and growing full-time staff expanded its influence and transformed it into what it is today: Washington’s most respected, all-energy-all-the-time think tank.

IER’s leaders understood that without a physical presence in our nation’s capital, its ability to promote sound national energy policy was limited. So in the spring of 2007, IER opened its Washington, D.C. office and welcomed new members into the IER family, including new fellows and economists. On February 1, 2008, Tom Pyle joined IER as president and COO, and

From its founding until the present, IER has turned scholarly research into educational materials for policymakers and the public. It is only through the generous contributions of our supporters that we are able to continue our work. With your help, we will continue to extol the virtues of free-energy markets. —

IER'S EXPANDED MEDIA INFLUENCE

With the addition of our Washington office, IER set out to educate policymakers and engage both traditional and new media to influence the debate and achieve meaningful policy results. In 2008, IER embarked on an aggressive campaign to be part of each and every energy-related story. IER also expanded its Internet presence with a new Web site, blog, Web videos and expanded blogger outreach. IER no longer simply reacts to the media, but actively engages reporters and producers to generate coverage and editorials that promote free-market solutions to our nation's energy challenges. More than ever, IER wasn't just in the story, it was the story.



EARNED MEDIA

As the first organization to call on President Bush to remove his ban on offshore energy exploration, IER was continuously featured in news reports, while our representatives were featured regularly on radio and television (including numerous appearances on Fox News Channel, CNN and Fox Business). In the past three months of 2008 alone, IER representatives took part in more than 30 radio interviews. In addition to segments in which IER staff appeared, our materials and research rapidly and repeatedly found their way into television and radio news segments, articles, editorials and blog entries.

The nation's leading newspapers published columns, letters and op-eds written by IER's leadership, and numerous articles featured insight, quotes and direction from IER representatives, including appearances in the *Wall Street Journal*, *Investor's Business Daily* and *New York Times*. IER also engaged the blogosphere. Our experts posted their own thoughts and worked to influence the blogs of thought leaders, think tanks and media outlets. Our own Web presence expanded tremendously as a result of our new Web site, and we saw similar organizations copy our tactics. As part of our education campaign on the expiration of the congressional

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ban on offshore energy exploration, IER installed a Countdown Timer on our Web site. It started a trend, and at least seven other think tanks and grassroots organizations created their own countdown clocks.

We were even more influential during the offshore energy exploration discussion when we launched an online campaign to encourage Americans to contact the Minerals Management Service (MMS). That campaign netted more than 30,000 comments to the MMS in support of unlocking additional areas offshore for energy exploration and development. Significantly, MMS used input from that effort to prepare its current leasing plan.

Our increased visibility and presence did not go unnoticed. Top-rated bloggers and radio hosts (including Steve Foley, John Hinderaker, Robert Bluey, Terry Frank and Chuck Wilder) heaped praise on our efforts, the Web site digg.com highlighted our high user-driven content and congressional staff recognized IER as a leading provider of first-class research.

IER's media efforts paid dividends. Our message not only reached millions of Americans, it also influenced Washington's inside-the-Beltway energy debate. Our research and representatives helped debunk and refute the "68 million acres" hoax and spread the truth about offshore energy exploration.

IER's media presence also brought our research and message to the attention of legislators and their staff. Our rapid research and response on both the Pelosi and Warner-Lieberman energy plans helped form the intellectual basis of pro-energy lawmakers' opposition.

PAID MEDIA



This summer and fall, IER conducted an integrated paid media campaign that included radio, television and print ads to promote expanded domestic production and fought increased taxes on exploration. Combined, the campaign reached more than 50 million people across the nation.

IER's targeted radio ads made more than 10 million impressions this fall in Arkansas, Montana, North Dakota, Minnesota, Nevada, Louisiana, South Dakota, Alaska, Georgia and Tennessee. Our print campaign was seen nearly 3 million times by folks in Arkansas, Montana, North Dakota and Minnesota, while our 30 second television spots made nearly 38 million impressions on Fox News Channel.

Our paid media effort helped engender support for offshore energy exploration, urged Americans to make their voices heard, increased awareness of IER and our mission, and drove traffic to our new Web site. Because of our paid and earned media campaigns, more people than ever have heard IER's message and have taken action. —

OUR TEAM

ROBERT L. BRADLEY, JR. *CEO & FOUNDER*

Bradley is one of the nation's leading experts on the history and regulation of energy markets. Bradley has presented professional testimony on a host of energy issues before the U.S. Congress and state legislatures. As an issue expert and scholar, he is routinely quoted on energy and economic issues in national news, and authors numerous op-eds that have been published in *The Wall Street Journal* and other leading publications.

In addition to his role at IER, Bradley holds positions as a visiting fellow for the Institute of Economic Affairs in London, and as an expert for several pre-eminent organizations, including the Cato Institute, Competitive Enterprise Institute,

the University of Texas at Austin and the Institute for Humane Studies at George Mason University (academic review committee member).

Bradley has also been a Schultz Fellow for Economic Research and Liberty Fund Fellow for Economic Research, and is a member of the International Association for Energy Economics, the American Economics Association and the American Historical Association. Bradley received a B.A. in economics (with honors) from Rollins College, a master's degree in economics from the University of Houston and a Ph.D. in political economy (with distinction) from International College.

THOMAS J. PYLE *PRESIDENT & COO*

Pyle brings a unique backdrop of public and private sector experience to help manage IER's Washington, D.C.-based staff and operations. He also helps develop the organization's free-market policy positions and implements education efforts with respect to key energy stakeholders, including policymakers, federal agency representatives, industry leaders, consumer entities and the media.

Previously, Pyle was the founder of his own consulting firm, Pyle Consulting, Inc., an active public affairs consulting firm with a wide range of private and not-for-profit clients. Prior to starting his own company, Pyle served as vice president of The Rhoads Group in Washington, D.C., where he represented

and advised a variety of association and corporate clients in meeting their strategic public policy goals and priorities. Additionally, he served as director of federal affairs for a major integrated manufacturing and services company focusing on energy, environment, regulatory and transportation issues.

Pyle has held numerous positions on Capitol Hill including policy analyst for the Majority Whip of the U.S. House of Representatives, staff director for the Congressional Western Caucus, as well as other legislative staff positions. Pyle holds a B.A. in political science from the University of Southern California.

DANIEL KISH *SENIOR VICE PRESIDENT, POLICY*

Daniel Kish has more than 25 years of experience on congressional committees focused primarily upon natural resource and energy policies. His service includes the principal resource committees in the House and Senate, including six years as chief of staff of the House Resources Committee and four years on the Senate Energy & Natural Resources Committee staff.

His primary focus has been access to resources on taxpayer lands and in the waters of the Outer Continental Shelf, and specifically, upon the enormous conventional and unconventional energy there that waits to add value to our nation's economy. Kish is a graduate of Wabash College, Crawfordsville, Indiana.

LISA WALLACE *SENIOR VICE PRESIDENT, OPERATIONS & DEVELOPMENT*

Lisa Wallace is senior vice president for development and operations at the Institute for Energy Research. Previously, Wallace spent twelve years working on Capitol Hill for Congressman George Radanovich and the House Committee on Resources. Initially, she worked as administrative assistant to Congressman Radanovich, where she served as senior advisor to the Congressman on all matters of policy, personnel, political strategy and district operations and managed a multi-million dollar budget, legislative, communications and support staff.

As chief financial officer for the House Committee on Resources, Wallace managed and administered a nearly-\$16 million bi-annual committee budget, oversaw all business operations of the full committee, its five subcommittees, and the Office of the Chief Clerk, and managed a 50-member professional staff. Wallace is a graduate of California State University at Fullerton.

DANIEL R. SIMMONS *DIRECTOR OF STATE AFFAIRS*

Before joining IER, Simmons served as the Director of the Natural Resources Task Force at the American Legislative Exchange Council (ALEC). In this capacity, he was responsible for the day-to-day management of a 200-member task force made up of state legislators and private sector members. ALEC's Natural Resources Task Force promotes policy innovations through markets, property rights, and the rule of law in energy, environment, natural resources and agricultural policy areas. He also drafted, researched and promoted ALEC's model legislation.

Prior to working for ALEC, Simmons was a Research Fellow at the Mercatus Center at George Mason University. He analyzed

proposed federal regulations and wrote comments to federal agencies during the rulemaking process. He also drafted law review articles based on current regulatory and legal issues.

Previous to working at the Mercatus Center, Simmons served as Legislative Staff for the Committee on Resources in the U.S. House of Representatives where he handled endangered species and forestry issues. Simmons holds a B.A. in economics from Utah State University and a J.D. from George Mason University School of Law. He is a member of the Virginia State Bar.

KEVIN KENNEDY *DIRECTOR OF FEDERAL AFFAIRS*

As Director of Federal Affairs, Kevin Kennedy analyzes federal energy and environmental policy, and is IER's chief liaison to Capitol Hill and the Administration.

Prior to joining IER, Kennedy was a member of the Professional Staff on the House Resources Committee where his primary focus was access to the abundant, taxpayer-owned energy and mineral resources lying dormant beneath the 2.3 billion acres of federal lands not leased for responsible development, and specifically upon the unrealized energy potential waiting to be tapped on federal lands in Alaska. Before joining the Committee, Kennedy was a legislative assistant in the office of Congressman Don Young (Alaska)

where he advised the congressman on energy and natural resource policies.

Previously, Kennedy was Professional Staff and Coordinator of External Affairs for Arctic Power, a non-profit citizens' organization committed to securing congressional and presidential approval of legislation opening the Coastal Plain of Alaska's North Slope to responsible energy development, where he designed and implemented both grassroots and Web-based communications strategies to drive the organization's campaign to open the region for safe domestic energy production and American jobs. Kennedy holds a B.A. in political science from Union College.

LAURA HENDERSON *COMMUNICATIONS DIRECTOR*

As IER's Communications Director, Laura Henderson oversees media relations and outreach, serves as spokesperson, helps shape IER's message, and is the organization's principal writer.

Prior to joining IER, Henderson was Press Secretary to Senator Richard Shelby (Ala.), and served in the offices

of Senator Elizabeth Dole (N.C.) and Congressman Patrick Tiberi (Ohio). Laura has a Bachelor of Arts in political science from Mary Washington College and is pursuing a master's in communication at The Johns Hopkins University.

BOARD OF DIRECTORS

Jim Clarkson, President, Resource Supply Management

Steven F. Hayward, F.K. Weyerhauser Fellow, American Enterprise Institute

Preston Marshall, President, MarOpCo

Wayne Gable, President, Gable Consulting

Robert L. Testwuide III, CFP, Vice President, Wealth Management Advisor, Merrill Lynch

Richard Stroup, Ph.D., Senior Visiting Professor of Economics, North Carolina State University

SCHOLARS

MARY J. HUTZLER *DISTINGUISHED SENIOR FELLOW*

Mary J. Hutzler spent more than 25 years as a top energy analyst at the Energy Information Administration (EIA), an independent energy forecasting and research agency within the U.S. Department of Energy. In 2001, Hutzler served as acting administrator of EIA, representing the agency before committees of Congress, briefing policymakers on key energy issues and marketing and distributing EIA's research and materials. In recognition of her achievements, Hutzler received a 2004 Presidential Rank Award, an honor awarded by the president that "recognizes and celebrates a small group of career senior executives." It was the second time in five years that Hutzler was selected for the recognition.

Hutzler has written extensively on subjects as varied as the Kyoto Protocol, low-sulfur diesel rules, the depletion of oil and gas reserves and the externalities of renewable portfolio standards. She holds a B.A. in mathematics from Adelphi University, an M.A. in applied mathematics from the University of Maryland and has completed her course work and exams for a D.Sc. in operations research at George Washington University.

ROBERT P. MURPHY *ECONOMIST*

Robert P. Murphy is an economist with IER specializing in climate change. His research focuses on the proper discount rate to be used in cost-benefit analyses and the implications of structural uncertainty for policy solutions.

Murphy received his Ph.D. in economics from New York University in 2003, where he wrote his dissertation on

capital and interest theory. After teaching at Hillsdale College for three years, he moved to the financial sector to work as an analyst for Arthur Laffer. In addition to his role at IER, Murphy is a financial consultant, providing forecasts on interest and exchange rates, growth and inflation.



IER, armed with its extensive research and analysis, has positioned itself as a leader in presenting the truth about what my late father called the master resource: If we avoid excessive regulation, our future will have abundant and affordable energy.

— DAVID SIMON, *business attorney and son of the late economist Julian Simon*



2008: A YEAR OF SUCCESS

In 2008, IER carried out its mission in new and exciting ways, had an impact on policymaking and public opinion to the greatest extent in our 20-year history and continued to grow as an organization. IER's research, outreach, scholars and communications efforts changed the debate in Washington and contributed to new free-market policies that will make a real difference for our energy future.

THE CLIMATE SECURITY ACT



The Warner-Lieberman Climate Security Act was one of last year's most dangerous attacks on free-market energy principles. IER responded to this threat with a coordinated research, education and media strategy that educated the public and informed policymakers on both ends of Pennsylvania Avenue.

IER moved quickly to inform legislators and their staff of the catastrophic impact the bill would have on jobs, household income, gasoline and home-heating prices, in addition to the trillions of dollars it would cost taxpayers. IER created and disseminated a map that illustrated the potential costs of the legislation on a state-by-state basis, and made clear the plan's dangers. The analysis was completed by the Science Applications International Corporation using the National Energy Modeling System — the same model employed by the U.S. Energy Information Agency. The map was part of our efforts to help policymakers see the true economic hardships the bill would present to the American people.

Like the map, our comprehensive interactive global warming presentation informed policymakers and reporters of the facts behind the rhetoric. IER used its new Web site and the blogosphere to spread the message far and wide.

After three days of deliberation, the Warner-Lieberman Climate Security Act died on the Senate Floor. IER was proud to provide the intellectual capital that was one of the driving forces in this important debate.

IER's research, outreach, scholars and communications efforts changed the debate in Washington and contributed to new free-market policies that will make a real difference for our energy future.

DEVELOPING DOMESTIC RESOURCES



This past year represented a historic opportunity to achieve two long-term IER policy objectives: lifting the congressional and executive bans on offshore energy production, and finding a way to commercially develop oil shale on federal lands. We are happy to report that our educational efforts contributed to success on both fronts. In the coming year, we will continue to work to ensure the new administration does not undo our progress.

With gas prices reaching \$4 a gallon over the summer, public desire for increased domestic production reached a fever pitch. IER utilized this favorable climate to educate citizens about the bans that for too long prevented the United States from developing its domestic resources.

Few Americans know the truth about the government's limitations on domestic production — though they certainly have intimate knowledge of the disastrous consequences those limits have on their wallets. So IER began to educate. We used our resources to inform the public that the United States is the only developed nation in the world that restricts access to its own offshore energy resources. As part of our campaign,

we launched a “Countdown Timer” that highlighted the days that remained until the congressional moratorium on Outer Continental Shelf (OCS) energy leasing expired. The calendar also educated consumers on what was at stake as their elected leaders in Washington debated the consequences of allowing the ban to lapse.

In July, President Bush lifted the executive OCS ban and urged Congress to allow its own ban to expire. Congress begrudgingly did just that. On October 1, 2008, offshore exploration outside Alaska and the Western Gulf of Mexico became permissible for the first time in nearly 30 years. Congress also lifted its shale moratoria, paving the way for the Bureau of Land Management to issue a final rule to govern commercial oil shale development on federal lands.

A graphic for an "ENERGY SECURITY COUNTDOWN" widget. It features a digital timer showing 023:16:42:15, with labels for DAYS, HOURS, MINUTES, and SECONDS. Below the timer, it reads "TIME REMAINING UNTIL CONGRESSIONAL BANS ON OFFSHORE AND OIL SHALE ENERGY EXPIRE". The IER logo (INSTITUTE FOR ENERGY RESEARCH) is at the bottom right, and a blue button at the bottom says "CLICK HERE FOR THIS WIDGET AND TO LEARN MORE".

ENERGY SECURITY COUNTDOWN												
0	2	3	:	1	6	:	4	:	2	:	1	5
DAYS			HOURS			MINUTES			SECONDS			
TIME REMAINING UNTIL												
CONGRESSIONAL BANS ON OFFSHORE												
AND OIL SHALE ENERGY EXPIRE												
										IER INSTITUTE FOR ENERGY RESEARCH		
CLICK HERE FOR THIS WIDGET AND TO LEARN MORE												

The lifting of these bans was just the first step in a long road ahead. IER encouraged Americans to make their voices heard through the public comment process as the Department of Interior developed its five-year offshore leasing plan, which for the first time included development outside Alaska and the Gulf of Mexico. After the plan's initial release, negative public comments outweighed positive submissions 40 to one.

IER sprung into action, working with allies like the Consumer Energy Alliance and Speaker Newt Gingrich's American Solutions to turn the tide. IER supporters alone submitted nearly 37,000 comments in favor of development. An additional 48,000 Americans joined IER supporters and urged the government to free our domestic energy. This outpouring of support sent a strong message to Congress and the next administration that the American people want to develop energy resources on taxpayer-owned lands.

The lifting of the bans on shale and offshore development were major policy victories for America's energy future. Our educational efforts will work to protect this important advance from any potential reversal. IER issued a post-election letter to President-elect Obama that addressed his intent to reduce access to the Outer Continental Shelf, public lands in states like Utah and America's largest in the world oil shale deposits by executive order. We continue to use our resources to educate, inform and persuade policymakers, and will urge our leaders to continue on the path to energy independence.

ORGANIZATIONAL GROWTH

Organizationally, 2008 was the most exciting year for IER since our founding in 1989. This past year, IER took a major step in its development by opening its Washington, D.C.-based headquarters. Proximity to national media, thought leaders and policymakers is essential to furthering IER's mission, and our new home in the capital will provide our team with the access it needs to affect decision making.

This year, IER welcomed its new President and COO, Thomas J. Pyle. Pyle brings a wealth of Washington experience that will help IER navigate the complex Washington environment. A Capitol Hill veteran and a recognized leader in public relations, strategic planning and organizational development, Pyle has the ability and temperament to lead IER in the years ahead.

As IER welcomed Pyle into our family, founder Robert Bradley became CEO. Bradley continues to provide strategic direction, ideological guidance and new scholarship to IER, and is pursuing fresh avenues for the organization to fulfill its mission.

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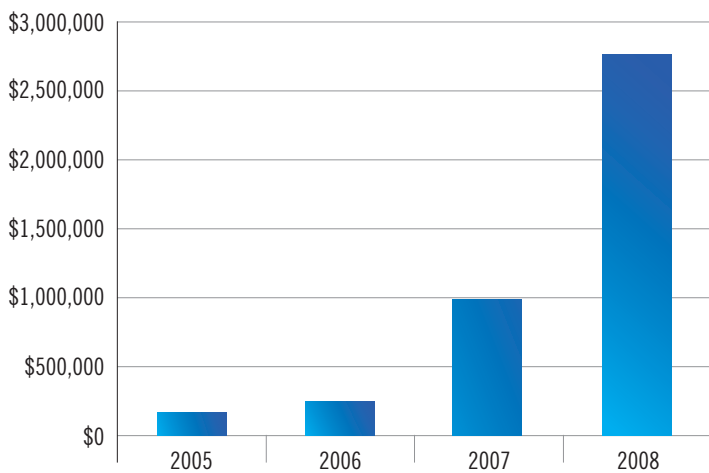
One such avenue is IER's new, cutting-edge Web site. More Americans than ever are informed by Internet sources, whether they are the online locations of traditional media outlets or new media sites, such as blogs. IER recognizes the need to have a major Internet presence to continue to educate and inform. To that end, we are developing our Web site and continue to expand our new media operations with blogs, Web videos, online fact sheets and more. We encourage all our supporters to visit us on the Web at www.instituteforenergyresearch.org and be part of the exciting discussions taking place. —

2008 FINANCIALS

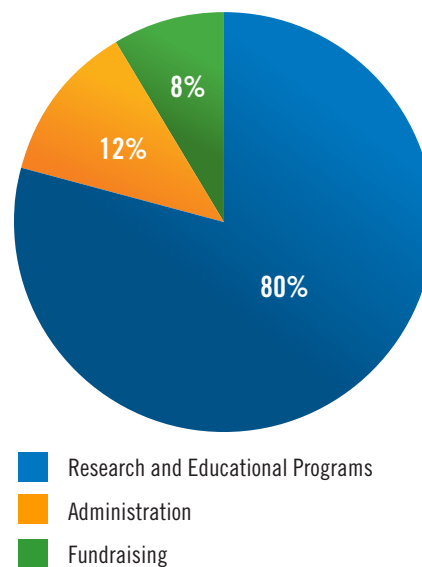
	2005	2006	2007	2008*
REVENUES				
Total Revenue	\$213,384	\$241,542	\$988,987	\$2,741,568
OPERATING EXPENSES				
Research & Educational Programs	165,305	199,295	363,156	2,052,253
Fundraising	10,904	9,173	26,594	216,032
Administration	35,253	37,413	37,410	318,746
Total Expenses	\$211,462	\$245,881	\$427,160	\$2,587,031

*Unaudited

REVENUE GROWTH



2008 SUMMARY OF EXPENSES



LOOKING AHEAD



The year ahead presents unique challenges and opportunities for IER. The looming economic hardship creates a great deal of anxiety about the future of America.

The new leadership

in Washington poses a major threat to our energy future, and brings with them a documented penchant for taxation and regulation. IER will marshal its resources and work with our partners to respond to these threats, and help guide our nation toward a sound, free-market energy policy that will deliver benefits to consumers, business and national security.

The near future holds many potential challenges. The Environmental Protection Agency may be given unprecedented authority to regulate carbon dioxide. Congress and President Obama have called for a system of cap-and-trade, which would impose restrictions on our energy use and would saddle American consumers with higher energy bills for little or no environmental gain. While “Green Jobs” are being touted as one of the solutions to our economic woes, we know it’s an excuse for more government intervention in the market. The moratoria on offshore energy exploration that we fought so hard to end may be reinstated. Burdensome taxes

may be placed on exploration while our nation’s Strategic Petroleum Reserve is hemorrhaged. The environmental lobby is poised to attack every energy-producing practice from hydraulic fracturing to your home’s chimney, and will use the Endangered Species Act to restrict Americans’ access to, and use of, domestic resources. Renewable fuel and electricity mandates are on the horizon, and the potential national implementation of a Low Carbon Fuel Standard threatens to permanently damage our energy future.

We face each of these threats against a dangerous backdrop: America is losing ground in the race to secure energy to meet its future needs and enact an energy policy based on facts and science, not politics and rhetoric. Exploration is too limited, production is overtaxed and overregulated, and our economy is struggling. Now more than ever, the United States needs a strong, loud voice in support of markets, not government regulation in the energy arena. Luckily, this is just the environment IER is equipped to face. With our new leadership team, expanded presence in Washington, growing influence and recognized brand, IER is ready to lead the charge.

With the help of our supporters around the country, we will continue to bring our message of support for abundant, affordable, reliable energy for American consumers and businesses. —

WAYS TO SUPPORT IER

The Institute for Energy Research is grateful for the generous support of our donors. Your investment enables IER to carry out our mission of educating policymakers, the media and the American public. IER maintains that freely functioning energy markets provide the most efficient and effective solutions to today's global energy and environmental challenges and, as such, are critical to the well-being of individuals and society.

Thank you for your interest and support, we look forward to our continuing partnership.

Below are some of the ways you can donate to the Institute for Energy Research. For more information or further assistance, please contact our Fundraising Team at 202-621-2950 or DonorRequest@ierdc.org. You can also visit our Web site at www.instituteforenergyresearch.org to make a secure, tax-deductible contribution online.

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WWW.INSTITUTEFORENERGYRESEARCH.ORG

WASHINGTON, DC

655 15th Street, NW
Suite 825
Washington, DC 20005
Phone: (202) 621-2950
Fax: (202) 637-2420

HOUSTON, TX

1415 S. Voss Rd.
Suite 110-287
Houston, Texas 77057
Phone: (713) 974-1918
Fax: (713) 974-1993