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Ms. Mary Schapiro, Chairman
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

Re: File Number 4-600, Commission Statement in Support of Convergence and Global Accounting Standards

Dear Chairman Schapiro:

The American Petroleum Institute (API) appreciates the opportunity to comment on the Staff Paper dated May 26, 2011 titled *"Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers - Exploring a Possible Method of Incorporation"* (Staff Paper). API represents over four hundred members of the oil and natural gas industry headquartered both in the U.S. and abroad and engaged in operations throughout the world. Accordingly, our members are very interested in current considerations on whether (and how) to move toward a global set of accounting standards, including the possibility of incorporating International Financial Reporting Standards (IFRS) into U.S. GAAP. We appreciate the opportunity to comment on the Staff Paper, as decisions on the steps and structure for this effort will have considerable impacts on API member companies' costs and methods of conveying information to their investors and the public.

We believe it is unlikely the goal of a single set of global accounting standards, consistently applied, will ever be completely achieved and therefore question the cost/benefit balance for pursuing incorporation of IFRS into U.S. GAAP. However, should the SEC decide to incorporate IFRS into the U.S. financial reporting system, API is generally supportive of the positions and comments expressed by the Financial Executives International (FEI) in its submission on the Staff Paper dated August 2, 2011. We endorse FEI's concern that the retention of U.S. regulatory authority during the process and into the future is very important for maintaining the accounting quality and rigor expected by investors in U.S. companies. However, the Commission should thoughtfully consider two areas of significance to our industry.

First, the Commission should be mindful that, in some cases, convergence with existing IFRS may cause harm to U.S. companies. As an example, many of our member companies, as well as companies throughout other industries, employ LIFO under U.S. GAAP. IFRS does not allow the use of LIFO as an accounting method for inventories. Because U.S. tax rules require companies that apply LIFO for U.S. tax purposes to also apply LIFO for financial reporting purposes, many companies would face significant cash-tax impacts if convergence results in the elimination of LIFO as a permissible inventory method. We do not believe that adoption of IFRS should cost companies – and shareholders – unnecessarily or significantly. We urge the Commission to ensure the "condorsement" process includes a sufficient level of stakeholder input and Commission oversight to avoid such harm to U.S. companies and their investors.

Second, we note that IFRS does not provide industry-specific guidance on unique accounting issues. For example, ASC 932, Extractive Activities – Oil and Gas has provided, for decades, specific guidance for the oil and gas industry. This standard is well understood across the industry and among stakeholders. Many examples across other industries exist where U.S. GAAP has evolved to address specific needs. Abandoning these standards does not seem in the best interest of investors, other users, and preparers. Instead, we encourage the SEC and FASB to promote such standards as a "best practice" to the IASB as it continues to address the existing gaps in IFRS.

Again we appreciate the opportunity to provide our view on the Staff Paper and look forward to continued dialogue as the Commission's effort moves forward. We would be pleased to meet with the Commissioners or their staffs to discuss these comments further, as well as to provide such additional information as may be helpful.

Sincerely,

Kyle B. Isakower
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American Petroleum Institute