

Oil and Gas Industry Profits and Lobbying Remain High in 2013, Billions in Federal Subsidies Continue



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The largest oil and gas companies recorded more than \$100 billion in profits during 2013, according to company financial records, ensuring the industry’s continued place among the most profitable in the world. Two American companies, ExxonMobil and Chevron, ranked second and third in the Fortune 500 index with \$44.9 billion and \$26.2 billion in profits, respectively.

The oil and gas industry remained among the top industries measured in amount spent lobbying Congress and the Administration, ranking third with a total of \$144.7 billion in total lobbying - more than \$396,000 per day, according the Center for Responsive Politics (CRP). Of the 762 lobbyists working for the oil industry in 2013, roughly 60 percent (459) formerly worked for the government. Since the beginning of 2013, the oil and gas industry has contributed \$12.5 million according to CRP, in addition to the \$72.7 million the industry spent during the last election cycle.

Nevertheless, American taxpayers continue to subsidize the oil and gas industry costing taxpayers at least \$65 billion in the next 10 years.

2013 Profits (\$millions)

| | 1Q | 2Q | 3Q | 4Q | Total |
|----------------------|---------------|---------------|---------------|---------------|----------------|
| ExxonMobil | 9,500 | 6,860 | 7,870 | 8,350 | 32,580 |
| Shell | 8,176 | 1,737 | 4,677 | 1,781 | 16,371 |
| Chevron | 6,178 | 5,365 | 4,950 | 4,930 | 21,423 |
| BP | 4,215 | 2,712 | 3,692 | 2,809 | 13,428 |
| ConocoPhillips | 2,139 | 2,050 | 2,480 | 2,487 | 9,156 |
| Total S.A.* | 2,030 | 3,314 | 3,656 | 2,184 | 11,184 |
| Total profits | 32,238 | 22,038 | 27,325 | 22,541 | 104,142 |

Federal Subsidies Continue

From preferential treatment in the tax code to insurance liability caps, the oil industry still enjoys significant taxpayer subsidies. There are more than a dozen subsidies for oil and gas companies, including the following:

- **Deduction of Intangible drilling Costs (IDC)** allows qualified natural resource developers to deduct all of these costs immediately. These include the costs of designing

and fabricating drilling platforms as well as direct “wages, fuel, repairs, hauling, and supplies related to drilling wells and preparing them for production,” and can represent 60 to 80 percent of the costs of drilling a well. The Joint Committee on Taxation estimates the repeal of intangible drilling and development costs deduction for oil and gas wells will save taxpayers \$10.7 billion over 10 years.¹

- **Special Percentage Depletion Allowance** allows independent producers a flat deduction of a percentage of gross income from each well. The Joint Committee on Taxation has estimated the repeal of percentage depletion allowance for oil and gas companies would save taxpayers in excess of \$12 billion over 10 years.²
- **Last-in, first-out (LIFO)** is a method for estimating the value of a company’s inventory against the value of goods sold in a given year. The Joint Committee on Taxation estimates that the repeal of last-in, first-out method of inventory for oil, natural gas, and coal companies would save taxpayers \$20.2 billion over ten years.³

Endless Giveaways to Profitable Companies Must Stop

For nearly a century, the oil and gas industry has enjoyed billion in taxpayer subsidies, while its profits and influence on Congress have soared. The endless cycle of profits, lobbying, and costly taxpayer subsidies must stop. With a near \$17 trillion national debt and substantial budget deficits, taxpayers cannot afford to be handing out wasteful and market-distorting subsidies. Congress should act to hold the mature and profitable oil and gas industry accountable for paying its fair share and end these needless giveaways.

For more information, contact Autumn Hanna at (202) 546-8500 x112 or autumn@taxpayer.net.

¹ Joint Committee on Taxation, ESTIMATED REVENUE EFFECTS OF S. 3080/KR. 5745, THE “END POLLUTER WELFARE ACT, Fiscal Years 2012-2022

² Joint Committee on Taxation, ESTIMATED REVENUE EFFECTS OF S. 3080/KR. 5745, THE “END POLLUTER WELFARE ACT, Fiscal Years 2012-2022

³ Joint Committee on Taxation, ESTIMATED REVENUE EFFECTS OF S. 3080/KR. 5745, THE “END POLLUTER WELFARE ACT, Fiscal Years 2012-2022