TAXPAYERS for COMMON SENSE

O&G REPORT

September 2021

Political Footprint: Oil and Gas Industry

In 2020, the Oil and Gas Industry…

Spent

$113 **million** on lobbying for cushy policies benefitting the industry

$139 **million** on campaign contributions, not including hard-to-trace dark money used to influence elections

and hired 688 **lobbyists**, 467 of which previously held government positions

Receives

$3.1 **billion/year** through preferential treatment in the tax system

$1.7 **billion/year** in foregone revenues through sweetheart terms in the oil and gas leasing system

$1B+ in COVID-19 relief like expanded tax write-offs, royalty relief, Federal Reserve's Main Street Lending Program, etc.

$24 **billion** in total profits for the top 20 US drillers in the first half of 2021

Over the Last Decade, the Oil and Gas Industry

Spent (in $2020)

$1.9B in lobbying and campaign contributions

And Received

$93B in federal subsidies including tax breaks and sweetheart terms in leasing system

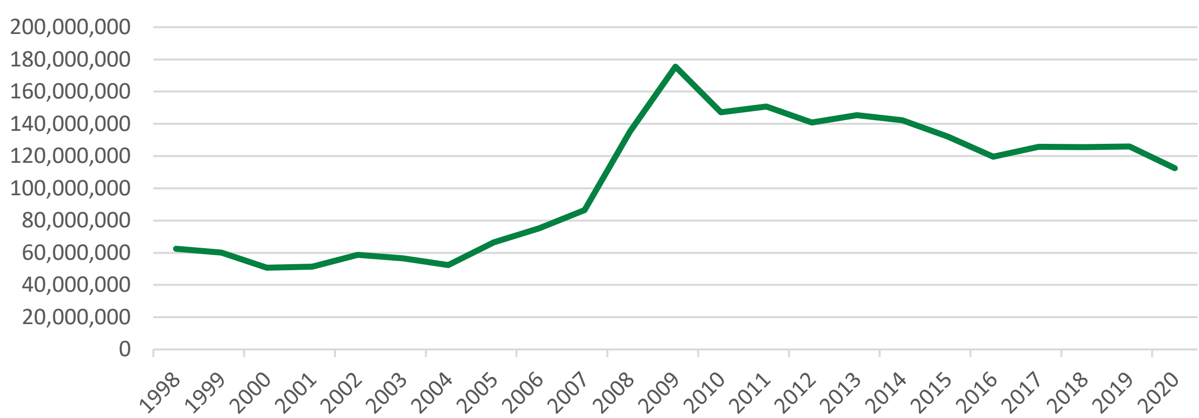
For more than a century, the federal government has been subsidizing the oil and gas industry through the tax code and the leasing system on federal lands. Over that time, billions of taxpayer dollars have gone to support one of the world's oldest and most profitable industries. To preserve their existing subsidies and push for new ones, oil and gas companies and industry associations hire hundreds of lobbyists and give tens of millions of dollars to political campaigns to influence policymakers - every single year. Padding drillers' profits is unjustified at any point in the industry's boom and bust cycle, but with oil prices reaching rare peaks, the time is ripe to defy the legion of industry lobbyists, end oil and gas subsidies, and save taxpayers billions of dollars.

Overview of Oil & Gas' Influence

According to data from the Center for Responsive Politics,[1] the oil and gas industry spent $112.5 million on lobbying last year, or around $308,225 per day. The demand shock brought on by the pandemic in 2020 may have caused oil and gas companies to cut jobs, but it did not make the industry cut back on campaign contributions to politicians. On top of its lobbying costs, the industry spent a record high $138.6 million on campaign contributions during the 2020 election cycle, an increase of 22.7% over the previous presidential election cycle.

Over the last decade, the industry spent $1.4 billion ($2020) hiring well-connected lobbyists to push for cushy policies. Supplementing and aiding the work of their lobbyists, oil and gas companies sent tens of millions of dollars every year to political campaigns. Campaign spending by oil and gas companies ballooned following the Supreme Court's ruling in Citizens United v. Federal Election Commission in 2010. In fact, the industry's campaign donations have grown from one presidential election cycle to the next at an average rate of more than 25%, even after adjusting for inflation (See Figure 2).

Figure 1: Annual Lobbying on Oil and Gas, 1998-2020



Source: Center for Responsive Politics - OpenSecrets.org

[1] All information on lobbying expenses, lobbyist details, and campaign contributions reported throughout are collected from the Center for Responsive Politics via OpenSecrets.org

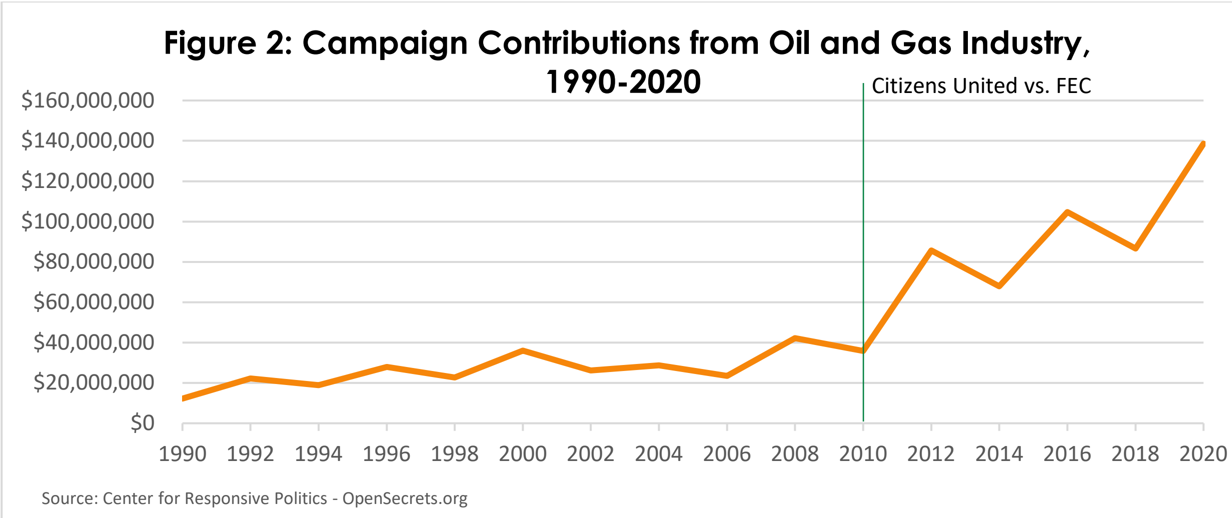
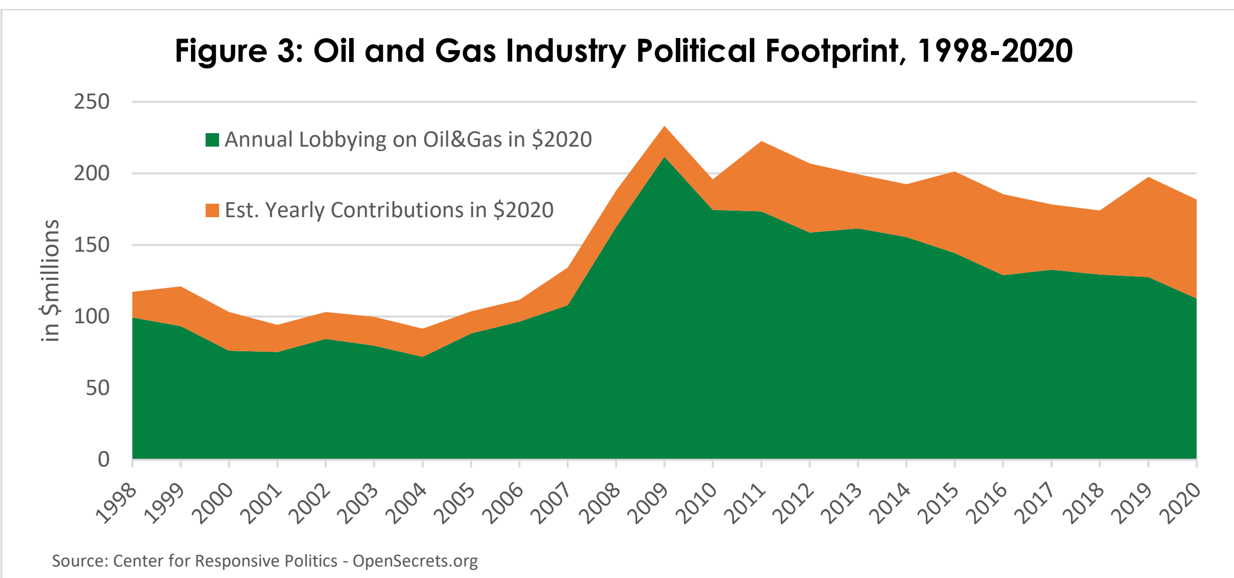


Figure 3 illustrates the oil and gas industry's public political footprint – their annual lobbying expenditure and estimated annual campaign contributions combined. However, the total amount does not capture the full scope of the industry's political influence, especially after the Supreme Court tossed out prohibitions on corporate independent expenditures and electioneering communications in Citizens United v. FEC. As a result, Super PACs can accept unlimited contributions from 501(c) groups with undisclosed donors as well as LLCs and shell corporations[2] to influence elections by buying advertisements and funding door to door politicking. Oil and gas companies' spending beyond traditional campaign contributions to ensure pro-industry lawmakers stay in office is consequently indeterminable.



[2] https://www.opensecrets.org/dark-money/basics

Oil and Gas' Battalion of Lobbyists

Oil and gas companies spend hundreds of millions of dollars buying well-connected advocates. Around 68 percent of the lobbyists working for the oil and gas industry are "revolving door" personnel who formerly worked for government regulators, in Congress as elected members, and on Congressional staffs. These revolving-door lobbyists often have the ear, or at least, the email addresses of former colleagues and are able to put the industry interest right in front of policymakers. See Figure 4 for more detail.

Figure 4: Number of Revolving Door Oil and Gas Industry Lobbyists (2020)

Lobbyists Working on Oil and Gas Issues	**Number**
Lobbyists working on oil and gas issues	688
Revolving Door Lobbyists	
Lobbyists who previously worked/interned for a Member of Congress, congressional committee, or federal agency	467
U.S. House of Representatives or U.S. Senate	
Lobbyists who were former Senators	6
Lobbyists who were former Representatives	9
U.S. House of Representatives or U.S. Senate Staffers	
Lobbyists who were former House or Senate Staffers	335
Committees with Jurisdiction over Oil and Gas Issues	
Lobbyists who worked/interned on a House or Senate Committee	135
Lobbyists who worked/interned for the House Appropriations Committee	6
Lobbyists who worked/interned for the House Energy & Commerce Committee	12
Lobbyists who worked/interned for the House Ways & Means Committee	14
Lobbyists who worked/interned for the House Natural Resources Committee	11
Lobbyists who worked/interned for the House Science, Space, & Technology Committee	3
Lobbyists who worked/interned for the Senate Appropriations Committee	6
Lobbyists who worked/interned for the Senate Energy & Natural Resources Committee	8
Lobbyists who worked/interned for the Senate Environment & Public Works Committee	7
Lobbyists who worked/interned for the Senate Commerce, Science, & Transportation Committee	6
Lobbyists who worked/interned for the Senate Finance Committee	9
Federal Agencies	
Lobbyists who worked/interned at a federal agency	74
Lobbyists who worked/interned at the Department of Energy	12
Lobbyists who worked/interned at the Department of the Interior	12
Lobbyists who worked/interned at the Environmental Protection Agency	10
The White House	
Lobbyists who worked/interned at the White House	49

Soaking Up Subsidies

In 2020, the oil and industry pocketed more than a billion dollars from several COVID-19-relief measures, including expanded tax write-offs, royalty relief on federal production, the Federal Reserve's Main Street Lending and bond-buying programs, and unprecedented leasing of space in the Strategic Petroleum Reserve. But these only added to the spate of industry subsidies already on the books that cost taxpayers billions of dollars every year.

Figure 5: Oil & Gas Tax Subsidies

Tax Break	FY22 Cost, est. ($-millions)
Last In, First Out Accounting	1,687
Excess of Percentage Over Cost Depletion, Oil and Gas	580
Expensing of Exploration and Development Costs, Oil and Gas	400
Deductions for Foreign Tax – Dual Capacity	218
Amortization of Geological and Geophysical Expenditures	100
Master Limited Partnerships for Oil and Gas Companies	84
Natural Gas Distribution Lines	60
Passive Loss Limitations Exemption	22
Total	**3,151**

Some of the tax breaks for drillers date back to the start of the federal income tax system in 1916, like the intangible drilling costs deduction. The percentage depletion allowance, which took its current form in 1926, costs taxpayers more than half a billion dollars every year. In fact, thanks to this preferential treatment, oil and gas producers enjoy significantly more generous capital cost write-offs than those available to other taxpayers, even small businesses. Many natural resource producers are allowed to deduct more than the amount they have actually invested in an asset, unlike regular taxpayers. **In total, tax subsidies for the oil and gas drillers reduce revenues by more than $3.1 billion every year.**

Figure 6: Federal Oil & Gas Leasing Subsidies

Leasing Policy	FY22 Cost, TCS est. ($-millions)
Onshore 12.5% rate vs.18.75% royalty rate	$1,000
Onshore rental rates lagging inflation	$25
Lost Gas not charged a royalty	
Onshore	$10
Offshore (16.67% assumed)	$6
Beneficial Use gas not charged a royalty	
Onshore	$40
Offshore (16.67% assumed)	$50
Royalty-free GOM production	
Gas	$31
Oil	$537
Others	
Onshore noncompetitive Leasing	$1
Onshore min. bid lagging inflation	$0.50
Total	**$1,701**

Sweetheart terms for producing oil and gas from federal lands and waters cost taxpayers billions of dollars more. Federal royalty rates lag behind what state and private landowners charge, and some Gulf of Mexico production is royalty-free. Current rules permit drillers to waste natural gas or use it for free. **The federal oil and gas leasing program will cost taxpayers an estimated $1.7 billion in fiscal year 2022.** See Figures 4-5 for more details on oil and gas subsidies.

In total, over the last decade, the oil and gas industry received almost **$93 billion in tax and leasing subsidies**. See appendix 6 for more details.

Pumping Out Profits

The top 20 U.S. oil and gas companies, measured by market capitalization, reported $24 billion in total profits during the first half of 2021, thanks to rising oil and gas prices. This is just shy of the $24.6 billion they earned during all of 2019 (before the pandemic). And yet, taxpayers continue to subsidize these same companies – with preferential treatment in the tax code, cheap access to federal lands and waters, and bailouts during the pandemic.

The American Petroleum Institute (API), which spent $5.35 million lobbying in 2020, recently released a report estimating the industry's impact on the US economy in a push to position the industry as vital to the post-pandemic recovery.[3] Not surprisingly, the industry association concluded that oil and gas companies are the key to economic success. Their report conveniently ignores the billions of dollars in taxpayer subsidies and pandemic bailout money the industry receives, and its hundreds of lobbyists in Washington will not mention it either. They will continue to dissemble on the array of subsidies and preferential treatment the highly profitable industry has enjoyed for more than a century. Over the last decade, the oil and gas industry's $190 million

[3] https://www.api.org/-/media/Files/Policy/American-Energy/PwC/API-PWC-Economic-Impact-Report.pdf

average annual investment in lobbying and campaign donations returned $9.3 billion in tax and leasing subsidies every year. The oil and gas industry are playing taxpayers for fools.

U.S. production of oil and gas is ticking up toward its pre-pandemic levels and companies are drilling new wells again. Companies are also benefitting from ditching less productive properties and plays while marking down losses last year. Most oil and gas companies were able to make a strong recovery due to high oil and gas commodity prices.

Throughout all of June and July 2021, spot prices for oil hovered just above $70 per barrel, a level that exceeded pre-pandemic prices. The Henry Hub spot price for natural gas meanwhile reached $4 per million British thermal units in July 2021 for just the 10th week in the last six years. Daily production has

followed suit. U.S. drillers produced 11.2 million barrels of oil per day at the end of July 2021, off from the historic peaks of January 2020, but a recovery of 15% from the lowest point last year. Oil production is set to rise further with more than twice as many rigs drilling new oil wells now than at the same time last year. U.S. natural gas production has fully returned to its historic levels.

Profits for 2021 would be even higher if some of the top U.S. drillers had managed their business portfolios better and not bet on financial derivatives. Some companies locked in prices of $40 or $50 per barrel for their oil production, betting on the possibility of another crash. As oil prices rose beyond $60 per barrel, these contracts cost the companies hundreds of millions of dollars of revenue on paper. For example, Southwestern Energy lost $871 million from derivatives in Q2 2021, resulting in a net loss of $609 million. However, other oil and gas companies still managed to report strong earnings results despite some derivative losses. EOG Resources, Pioneer Natural Resources and Continental Resources all hit their best quarterly earnings result since Q1 2019. Regardless of derivative gains or losses, almost all oil and gas companies posted twice the amount of revenues compared to the same period last year, bouncing back from the demand hit caused by the pandemic.

Figure 7: Net Income (Loss) Attributable to U.S. Drillers
(in $millions)

Company	2021	
	Q2	Q1
Exxon Mobil	4,690	2,730
Chevron	3,280	1,377
ConocoPhillips	2,091	982
EOG Resources	907	677
Pioneer Natural Resources	380	(70)
Hess	(73)	252
Occidental Petroleum	(97)	(146)
Devon Energy	256	213
Diamondback Energy	311	220
Continental Resources	289	260
Marathon Oil	16	97
Apache	316	388
Cimarex Energy	113	128
Ovintiv	(205)	309
Cabot Oil & Gas	31	126
Chesapeake Energy	(439)	5,678
Antero Resources	(523)	(15)
Southwestern Energy	(609)	80
Range Resources	(156)	27
Murphy Oil	(63)	(287)
Total	**10,953**	**13,025**

Conclusion

With the economy opening up and oil prices soaring, oil and gas companies are booming businesses, aided by the perennial billions of dollars of taxpayer subsidies. Some of the producers' profits will be funneled into hiring lobbyists to protect those subsidies and clamor for new ones. In recent years, the industry has continued to whisper in policymakers' ears with a multimillion-dollar megaphone.

Additional Materials

Appendix 1. Lobbying Power of Top 30 Oil and Gas Companies or Organizations

In 2020, the oil and gas industry spent their money lobbying for tax breaks in the CARES Act, royalty related issues like royalty relief, general energy tax issues, as well as other issues pertinent to the industry's interest, according to the Lobbying Disclosure Act Reports.[4] Chevron, Exxon Mobil, Koch Industries, Royal Dutch Shell, ConocoPhillips, and a whole suite of major drilling companies as well as American Petroleum Institute all lobbied for COVID-19 relief like the CARES Act, the HEROES Act, Paycheck Protection Program, etc. Exxon Mobil, Chevron, Royal Dutch Shell, Occidental Petroleum, etc. also lobbied extensively for the 45Q tax credit, which can be claimed by oil and gas companies for capturing and storing CO_2. The captured carbon is then injected into oil wells to get more oil. American Petroleum Institute (API), Royal Dutch Shell, Murphy Oil, and the Independent Petroleum Association of America (IPAA) all lobbied on royalty related issues, with the latter two specifically mentioning royalty relief.

Lobbying Expenditures by Top 30 Oil and Gas Industry Organizations		
Rank	Lobbying Organization	2020 Lobbying Expenditure
1	Chevron Corp	$8,930,000
2	Exxon Mobil	$8,690,000
3	Koch Industries	$8,020,000
4	Royal Dutch Shell	$7,270,000
5	Occidental Petroleum	$6,460,000
6	American Petroleum Institute	$5,350,000
7	BP	$4,950,000
8	ConocoPhillips	$4,190,000
9	OAO Gazprom	$3,550,000
10	Phillips 66	$3,170,000
11	American Fuel & Petrochem Manufacturers	$3,012,906
12	Marathon Petroleum	$2,640,000
13	PBF Energy	$2,161,500
14	Valero Energy	$1,800,000
15	Enbridge Inc	$1,770,000
16	Cheniere Energy	$1,680,000
17	WPX Energy	$1,630,000
18	American Gas Assn	$1,270,000
19	Reliance Industries Ltd	$1,250,000
20	TC Energy	$1,112,500
21	Interstate Natural Gas Assn of America	$1,100,000
22	Neste Corp	$1,060,000
23	Equinor	$1,010,000
24	Independent Petroleum Assn of America	$831,623
25	Energy Transfer LP	$760,000
26	Ovintiv Inc	$700,000
27	Fermaca de Mexico	$680,000

[4] https://lda.senate.gov/system/public/

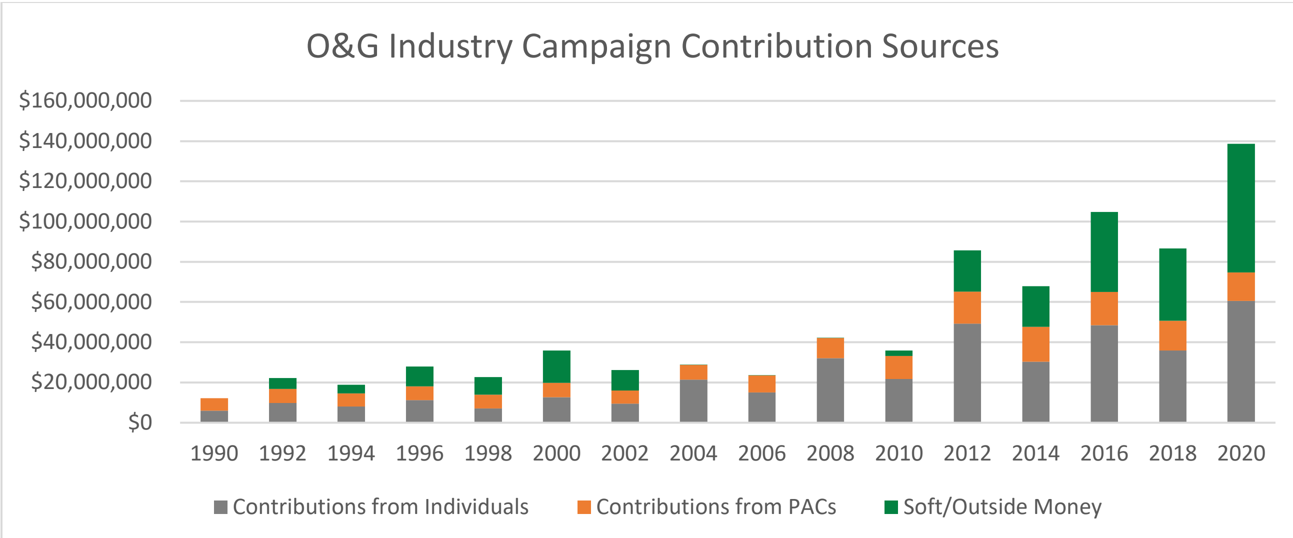
28	Plains All American Pipeline	$650,000
29	SK Group	$650,000
30	Williams Companies	$640,000

Appendix 2. Top 20 Campaign Contributors

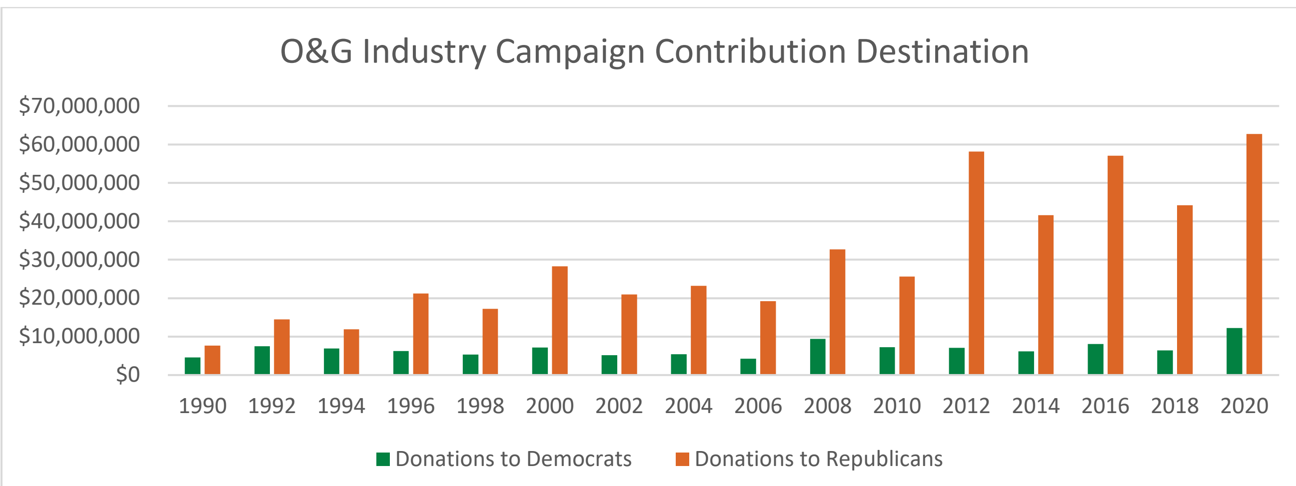
American Petroleum Institute is the 4th biggest campaign contributor but as, a 501(c)(6) organization and a trade association, it does not have to disclose its donors. Therefore, it is hard to get the whole picture of how much oil and gas companies are contributing to keep certain politicians in power.

Top 20 Campaign Contributors		
Rank	Contributor	Total Contributions, 2019-2020
1	Energy Transfer LP	$14,695,708
2	Koch Industries	$13,086,921
3	Chevron Corp	$8,548,479
4	American Petroleum Institute	$5,201,220
5	Marathon Petroleum	$4,265,689
6	Midland Energy	$3,178,697
7	Samson Energy	$3,055,034
8	Magnolia Oil & Gas	$3,049,086
9	Exxon Mobil	$2,790,608
10	Crownquest Operating	$2,091,425
11	Valero Energy	$2,001,532
12	Hilcorp Energy	$1,953,318
13	Parman Capital Group	$1,921,876
14	ConocoPhillips	$1,885,213
15	Pilot Corp	$1,831,475
16	Berexco Inc	$1,816,654
17	Valero Services	$1,801,864
18	Ota Holdings	$1,600,000
19	Red Apple Group	$1,599,034
20	Otis Eastern	$1,562,574

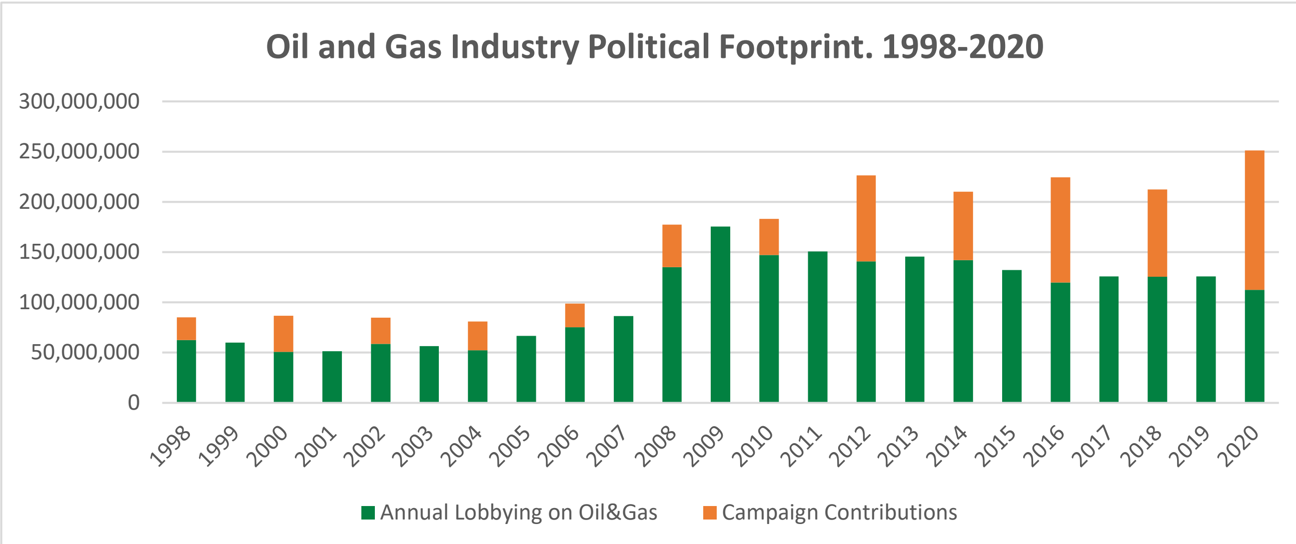
Appendix 3. Oil and Gas Industry Campaign Contributions by Sources, 1990-2020



Appendix 4. Oil and Gas Industry Campaign Contribution by Party, 1990-2020



Appendix 5. Oil and Gas Industry Political Footprint, 1998-2020



Appendix 6. Federal Oil and Gas Subsidies 10-Year Cost Estimate, FY 2011-2020

Federal Oil and Gas Subsidies	10 Year Cost, TCS est. ($-millions)	Source /Notes
Tax Break	**FY11-20**	
Excess of Percentage Over Cost Depletion, Oil and Gas	8,520	JCT
Expensing of Exploration and Development Costs, Oil and Gas	10,100	JCT
Amortization of Geological and Geophysical Expenditures	1,140	JCT
Master Limited Partnerships for Oil and Gas Companies	5,800	JCT
Natural Gas Distribution Lines	1,260	JCT
15-year recovery period for retail motor fuels outlets	1,520	JCT
Election to expense 50 percent of qualified property used to refine liquid fuels	4,500	JCT
Tertiary Injectants	57	JCT
Deductions for Foreign Tax – Dual Capacity	4,835	JCT
Passive Loss Limitations Exemption	217	JCT
Last In, First Out Accounting	19,388	JCT
Domestic Manufacturing deduction for oil & gas	9,394	JCT
Arbitrage Bonds	472	JCT
Subtotal	67,203	
Leasing Policy	**FY11-20**	
Onshore 12.5% rate vs.18.75% royalty rate	12,350	TCS estimate
Onshore rental rates lagging inflation	336	TCS estimate
Lost Gas not charged a royalty		
Onshore	106	FY10-19, TCS estimate
Offshore (16.67% assumed)	45	FY10-19, TCS estimate
Beneficial Use gas not charged a royalty		
Onshore	510	FY10-19, TCS estimate
Offshore (16.67% assumed)	314	FY10-19, TCS estimate
Royalty-free Gulf Of Mexico production		
Gas	1,136	FY10-19, TCS estimate
Oil	10,666	FY10-19, TCS estimate
Others		
Onshore noncompetitive Leasing	5	TCS estimate

Onshore min. bid lagging inflation	5	FY10-19, TCS estimate
Subtotal	25,472	
Grand Total	**92,675**	