TAXPAYERS for COMMON SENSE

O&G REPORT

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Well-Oiled Machine: Lobbying, Subsidies, and Profits of the Oil and Gas Industry

For more than a century, the federal government has subsidized the oil and gas industry through the tax code and the federal oil and gas leasing system. The oil and gas industry is one of the most profitable industries in history. And every year, oil and gas companies spend millions of dollars on lobbying and political contributions to keep their taxpayer subsidies.

Record high gas prices are hurting American consumers. But they are not hurting the oil and gas industry. In fact, oil and gas companies are reporting record-breaking profits.

According to lobby disclosure reports, many oil and gas companies have used this money to lobby Congress and the Administration in the wake of the war in Ukraine. For example, ConocoPhillips spent $4.6 million on lobbying in Q1 2022, more than its lobbying expenditure for all of 2021, lobbying for "support for continued crude oil and LNG exports and U.S. global energy security in the wake of invasion on Ukraine" and against "potential restrictions on U.S. crude oil and/or LNG exports."

ConocoPhillips was one of the 6 top oil and gas companies that reported more than **$90 billion in combined profits in last year**. In 2021, these six companies spent a combined $29.6 million on lobbying, accounting for 25% of all lobbying by the entire industry.

According to data from the Center for Responsive Politics,[1] the oil and gas industry spent $119.33 million dollars lobbying in 2021. That is an average

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

rate of more than $326,000 a day. As of April, the industry has already spent $48.7 million on campaign contributions for the 2022 election cycle.

Yes, times are good for the oil and gas industry. Companies flush with cash have used this windfall for massive stock buybacks. This is good news for their shareholders, but not for American consumers. One thing the industry has not invested in is more production, because higher prices mean higher profits.

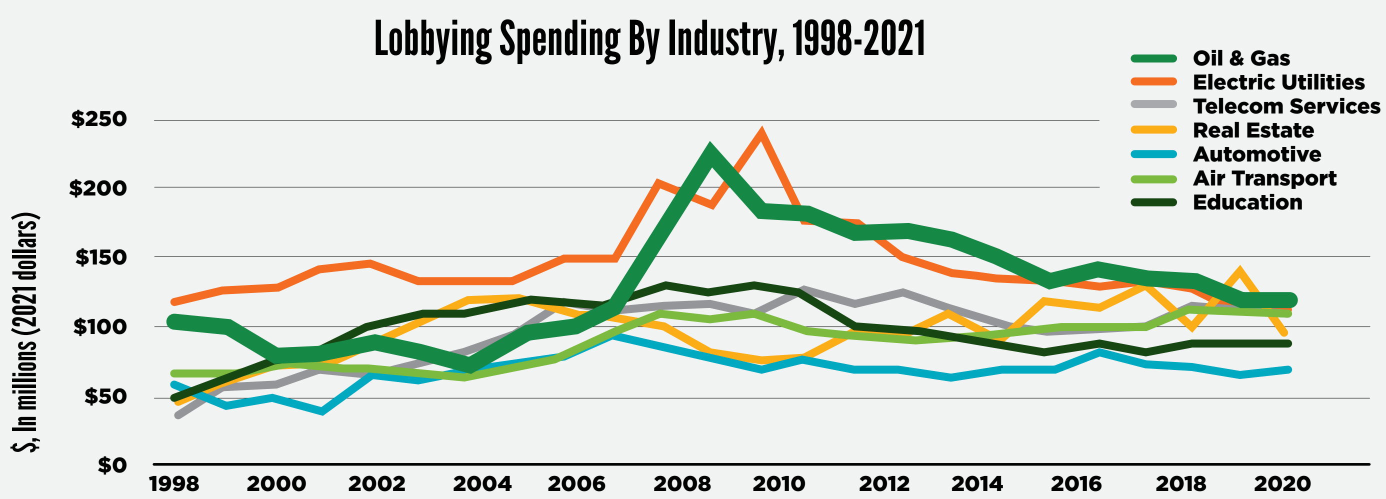
Meanwhile, federal taxpayers will spend an estimated $6.7 billion on subsidies to oil and gas companies this year alone. **This is a waste of federal tax dollars.**

It is time for Congress and the Administration to stop subsidies to this industry that does not need them.

During 2021, the oil and gas industry hired 746 Washington lobbyists – more than one lobbyist per member of Congress. Roughly two-thirds of these lobbyists previously held government positions, such as former government regulators, congressional staff, and even members of Congress. These revolving-door lobbyists leverage their former positions to secure time with policymakers, often their former colleagues, on behalf of the oil and gas industry.

2022 Lobbying

Sustained high oil and gas prices have led oil and gas companies to report record profits in the first quarter of 2022 (see below). The oil and gas industry continues to use its influence to lobby policymakers to create or expand taxpayer handouts in the form of new subsidies or increased access to valuable federal lands and waters.



Lobbying Expenditures

According to data from the Center for Responsive Politics, the oil and gas industry spent $119.33 million lobbying in 2021. That is an average of more than $326,000 per day. Over half (53%) of all lobbying expenditures last year were made by just 10 entities – some of which are the most profitable oil and gas companies in the world. Between 1998 and 2021, the oil and gas industry spent $3.1 billion on lobbying, adjusting for inflation. The industry has spent more than $100 million to influence federal policymakers **every year** since 2006.

As Russia's invasion of Ukraine puts upward pressure on energy prices, the oil and gas industry is exploiting concerns about energy security and spreading **false claims about gas prices and production** to push for more taxpayer subsidies. In their lobbying disclosure statements for Q1 2022, the industry's top drillers and trade associations report lobbying federal officials for issues related to Russia and Ukraine, the global energy market, energy security, production, federal lands, and leasing.

Revolving Door Oil and Gas Industry Lobbyists by Previous Position

All lobbyists working for the oil and gas industry	746
Revolving Door Lobbyists — previously worked or interned for a committee or Member of Congress, or in a federal agency	
U.S. House of Representatives and U.S. Senate	
Former Senators	6
Former Representatives	15
Former staffers of Representatives or Senators	358
Worked/interned for Senate committee	71
for Senate committee with jurisdiction over oil & gas issues	41
Worked/interned for House committee	71
for House committee with jurisdiction over oil & gas issues	39
Federal Agencies	
All agencies	88
Department of Energy	11
Department of the Interior	14
Environmental Protection Agency	12
The White House	55

For example, ConocoPhillips spent $4.6 million on lobbying in Q1 2022 – more than its lobbying expenditure for all of 2021. The company specifically lobbied for "support for continued crude oil and liquefied natural gas (LNG) exports and U.S. global energy security in the wake of invasion on Ukraine" and against "potential restrictions on U.S. crude oil and/or LNG exports." The company also lobbied on issues related to oil and gas development on federal lands.

The American Petroleum Institute – one of the leading oil and gas industry associations – lobbied policymakers for "export of natural gas, petroleum and petroleum products" and "draft legislation to establish more efficient leasing of federal lands." See the chart below for specific issues lobbied on by top oil and gas companies and trade associations.

Unlike many European countries, the U.S. does not rely on Russian oil and gas and is a net exporter of petroleum. The U.S. oil and gas industry also currently holds thousands of leases they're not using to drill new wells. Approximately 11,600 non-producing leases covered 9.6 million acres of federal land at the end of 2021. Despite this, the oil and gas industry is seeking even more access to federal lands, fast-tracked permitting, and more subsidies. The industry is also using hundreds of lobbyists to make their case even though companies already benefit from sweetheart terms for leasing federal land and lucrative tax breaks that cost taxpayers billions of dollars every year.

Political Contributions

Lobbying isn't the only way the oil and gas industry buys political influence. As of April, the industry has already spent $48.7 million on campaign contributions for the 2022 election cycle. For the 11 election cycles between 1990 and 2010, the industry's campaign contributions averaged $44 million per cycle, adjusting for inflation. Starting in the 2012 election cycle through the 2020 cycle, the industry donated an average of $108 million per cycle to candidates and campaigns. Oil and gas industry campaign contributions continue to increase every year for both presidential and non-presidential election cycles. Since the 1990 election, the oil and gas industry contributed more than $900 million to political campaigns, accounting for inflation.

In the 2022 election cycle, as of April the oil and gas industry has contributed $14.6 million directly to congressional candidates with seven months remaining before election day: $8.2 million to 365 members of the House, $4.3 million to 93 Senators, and $2.1 million to non-incumbent congressional candidates.

Billions in Oil and Gas Subsidies Are the Status Quo

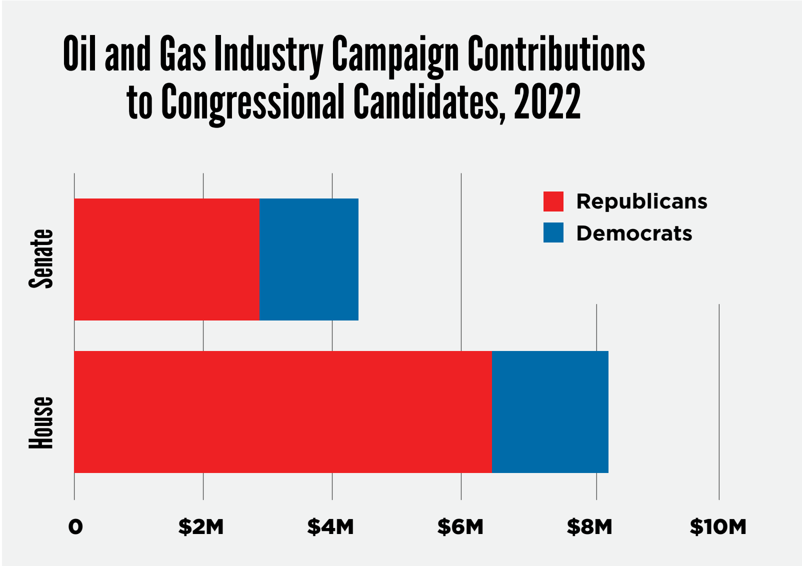
The entrenched and profitable oil and gas industry is receiving an estimated $6.7 billion in taxpayer subsidies in FY2022 alone. With its army of lobbyists, the industry aims to ensure the special interest tax breaks it receives remain on the books. Some of the tax breaks for drillers, like the intangible drilling costs deduction, date back to the very beginning of the federal income tax system in 1916.

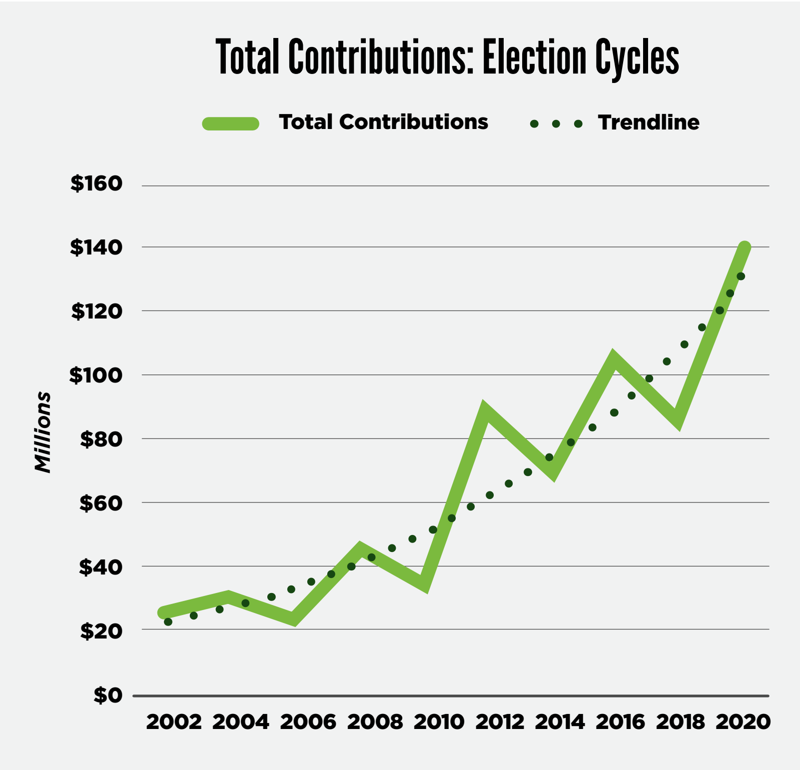
Oil & Gas Industry Lobbying Activities in Q1 2022

Top U.S. E&P Companies	Russia & Ukraine; Europe; Global Energy Market	Energy Security/ Independence; LNG exports; Gas Prices	Energy Development & Production; Federal Lands; Leasing	General Oil & Gas	Lobbying Expenditure
	Lobbying Issues				
Exxon Mobil	Yes		Yes	Yes	$2,050,000
Chevron	Yes	Yes	Yes	Yes	$1,870,000
ConocoPhillips	Yes	Yes	Yes	Yes	$4,600,000
EOG Resources			Yes	Yes	$60,000
Pioneer Natural Resources			Yes	Yes	$20,000
Occidental Petroleum		Yes	Yes		$2,780,000
Devon Energy			Yes		$100,000
Hess	Yes			Yes	$240,000
Marathon Oil		Yes	Yes		$300,000
Ovintiv		Yes	Yes	Yes	$260,000
Chesapeake Energy				Yes	$150,000
Range Resources		Yes	Yes		$20,000
Murphy Oil			Yes	Yes	$110,000
Oil & Gas Trade Associations					
American Petroleum Institute	Yes	Yes	Yes	Yes	$1,150,000
American Fuel & Petrochem Manufacturers		Yes		Yes	$267,500
Interstate Natural Gas Assn of America		Yes		Yes	$248,571
American Gas Association				Yes	$230,000
Independent Petroleum Assn of America		Yes	Yes	Yes	$210,000

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 federal revenues by more than $3.1 billion every year. But those are just part of the taxpayer-funded giveaway to oil and gas interests.

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. The lower royalty for oil produced on federal land costs taxpayers more as the value of oil and gas increases. Because of high oil prices, taxpayers lost **a record $2.3 billion in 2021** from below-market royalty rates on federal oil and gas leases. Current rules also permit drillers to waste natural gas or use it for free. In total, the sweetheart terms embedded in the federal oil and gas leasing program will cost taxpayers more than $3.5 billion during fiscal year 2022.





Profiting from High Prices

U.S. oil and gas companies reported record or near-record profits for 2021 and the beginning of 2022. Federal subsidies aided the earnings of U.S. companies, but high oil and gas prices boosted profits for the entire sector. In October 2021, the benchmark spot price for oil reached $80/barrel, a level not seen since fall 2014. In early 2022, crude oil spot prices rose further as buyers around the world began to shift away from Russian oil supplies. The price has hovered at or above $100/barrel since the beginning of March 2022.

With the value of their product spiking, oil and gas companies have seen their cash flows surge. The world's six largest publicly traded oil and gas companies, Exxon Mobil, Chevron, Shell, Total SE, ConocoPhillips, and BP, reported combined **annual profits of $90.4 billion**. As the price of gas spiked for American consumers, driving inflationary pressures on the entire economy, these same companies lobbied Congress for even more favorable federal policies and subsidies. In 2021, these six companies spent a combined $29.6 million on lobbying, accounting for 25% of lobbying by the industry as a whole.

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**
Exclusion of foreign oil-related income from taxable income for purposes of calculating GILTI and foreign tax credits	**$18**
Total	**$3,169**

Smaller producers have seen their profits rise too. After bringing in combined profits of $73.6 billion in 2021, the top 20 U.S. oil and gas drillers reported profits of $27.8 billion in Q1 2022, more than double the $12.8 billion they earned over the same period in 2021.

Instead of immediately investing more in new production that would help lower prices for consumers, many oil and gas companies are using their huge Q1 2022 profits to boost their stock price or share more of it with investors through special dividends.

- ExxonMobil reported $5.48 billion in profits, despite writing down $3.4 billion worth of impairments due to exiting Russia Sakhalin-1 Operation. The company will increase its previously announced $10 billion buyback program to $30 billion.
- Chevron reported $6.26 billion in profits and spent $1.3 billion in buybacks in Q1, 13% of its previously announced $10 billion buyback program.
- ConocoPhillips reported $5.76 billion in profits in Q1 and will increase its return to shareholders by $2 billion to a total of $10 billion through dividends, special dividends and buybacks.
- Occidental Petroleum raked in $4.68 billion this quarter and will buy back $3 billion worth of the company's stocks.
- Other independent drillers like Devon Energy and Pioneer Natural Resources, plan to distribute 50% and 75%, respectively, of their post-dividend free cash flow to investors through variable dividends.

Leasing Policy	FY22 Cost, TCS est. ($-millions)
Onshore 12.5% rate vs. 18.75% royalty rate	**$2,300**
Onshore rental rates lagging inflation	**$21**
Lost Gas not charged a royalty	
Onshore	**$7**
Offshore (16.67% assumed)	**$6**
Beneficial Use gas not charged a royalty	
Onshore	**$45**
Offshore (16.67% assumed)	**$59**
Royalty-free Gulf of Mexico production	
Gas	**$46**
Oil	**$1,083**
Others	
Onshore noncompetitive leasing & onshore min. bid lagging inflation	**$0.2**
Total	**$3,567**

Lobbying Expenditures, Profits, and Investor Payouts from Top 6 Oil and Gas Companies

Company	2021 Lobbying Expenditures	2021 Profits	2022 Investor Payouts
Exxon Mobile	**$6.82 million**	**$23 billion**	**≤$30 billion in stock buybacks for 2022 + 2023**
Chevron Corp	**$6.45 million**	**$16 billion**	**≤$10 billion in stock buybacks**
Shell p.l.c.	**$7.34 million**	**$20 billion**	**$8.5 billion in stock buybacks through Q2 2022**
TotalEnergies SE	**$260,000**	**$16 billion**	**≤$3 billion in stock buybacks through Q2 2022**
ConocoPhillips	**$4.44 million**	**$8 billion**	**$10 billion in total dividend + buybacks**
BP	**$4.27 million**	**$8 billion**	**$4.1 billion in stock buybacks through Q2 2022**

Conclusion

Every year, the oil and gas industry spends hundreds of millions of dollars to influence federal policy through lobbying top policymakers and political contributions. Despite their false claims about needing ever more federal support, oil and gas companies are raking in profits thanks to the high prices they are able to charge consumers for their products. As profits continue to rise, much of it will continue to be used to advocate for more subsidies – more favorable treatment in the tax code and in the federal oil and gas leasing system. It's time to reverse course and end unnecessary tax breaks, reform the federal leasing system, and hold the oil and gas industry accountable for the ever-rising climate liabilities it creates.