TAXPAYERS for COMMON SENSE

O&G REPORT

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Big Oil Continues to Rake in Profits in 2022

Photo credit: Paul Lowry via flickr

The world's six largest publicly traded oil and gas companies – ExxonMobil, Chevron, BP, Shell, ConocoPhillips, and Total SE – reported their third quarter earnings last week. These oil and gas giants continue to rake in profits thanks to sustained high oil and gas prices. In total, these six companies reported roughly **$60 billion in profits this quarter**, **more than double** what they brought in over the same period last year. Big oil is pocketing record profits, all while receiving billions of dollars' worth of needless taxpayer-backed subsidies each year and creating more environmental and climate liabilities for all of us.

Earnings Results of Top 6 Publicly Traded International Oil & Gas Companies

ExxonMobil reported record profits of $19.7 billion, compared to $6.8 billion reported for the same period in 2021. It is also the highest quarterly net income that the company has ever reported. With a strong free cash flow of $22 billion, the company distributed $8.2 billion to shareholders this quarter, including $3.7 billion of dividends and $4.5 billion of share buybacks. The company is well on track to repurchase $30 billion shares through 2023, consistent with their plan announced earlier this year.

Chevron reported $11.2 billion in profits, compared to $6.1 billion reported in Q3 2021. The company reported free cash flow of $12.3 billion and distributed $6.5 billion of dividends and share repurchases just this quarter.

BP reported net profits of $8.2 billion, almost 2.5 times more than what they reported for Q3 2021. The company completed share buybacks of $2.9 billion during Q3 and plans to execute an additional $2.5 billion worth of share buybacks before announcing Q4 results.

Shell (formerly Royal Dutch Shell, P.L.C.) brought in $9.5 billion in profits, more than doubling the $4.1 billion reported over the same period last year. The company has also announced plans to raise its dividends by 15% for Q4 2022, as well as a $4 billion share repurchase program which will be completed by their next earnings release.

TotalEnergies SE reported quarterly earnings of $6.6 billion, compared to $4.6 billion in Q3 2021. The company increased its dividends by 5% year-over-year and has repurchased $5 billion of shares in 2022.

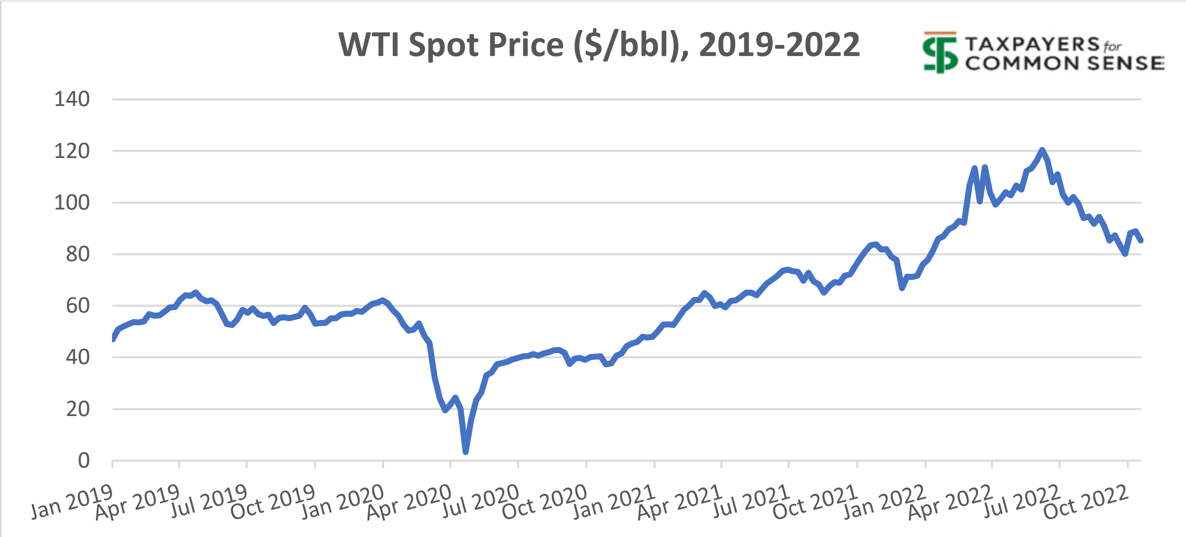
ConocoPhillips reported $4.5 billion in profits this quarter, compared to $2.4 billion over the same period last year. The company approved a $20 billion increase in their share purchase program to $45 billion.

Earnings Result Q3 2022 vs. Q3 2021

$, Billions	Q3 2022	Q3 2021	Change (%)
ExxonMobil Corp.	19.7	6.8	191%
Chevron Corp.	11.2	6.1	84%
BP p.l.c.[1]	8.2	3.3	145%
Shell p.l.c.[2]	9.5	4.1	129%
TotalEnergies SE	6.6	4.6	43%
ConocoPhilips	4.5	2.4	90%
Total	**59.6**	**27.3**	**118%**

After the spike in prices and the market disruption from Russia's invasion of Ukraine, the West Texas Intermediate (WTI) crude oil spot price has been steadily coming back down to where they were a year ago. [The Energy Information Administration (EIA) anticipates]() oil spot prices to average $93 per barrel (bbl) in Q4 2022 and $95 bbl in 2023. The EIA also estimates the Henry Hub natural gas spot price will fall to $6 per million British thermal units (MMBtu) in 2023 as U.S. natural gas production rises.

[1] BP p.l.c. earnings listed are their underlying replacement cost profits, used as a proxy for net profits
[2] Shell p.l.c. earnings listed are their adjusted earnings, which is based on the income attributable to Shell plc shareholders and adjusted for the certain identified items like impairment and the cost of supplies adjustment.

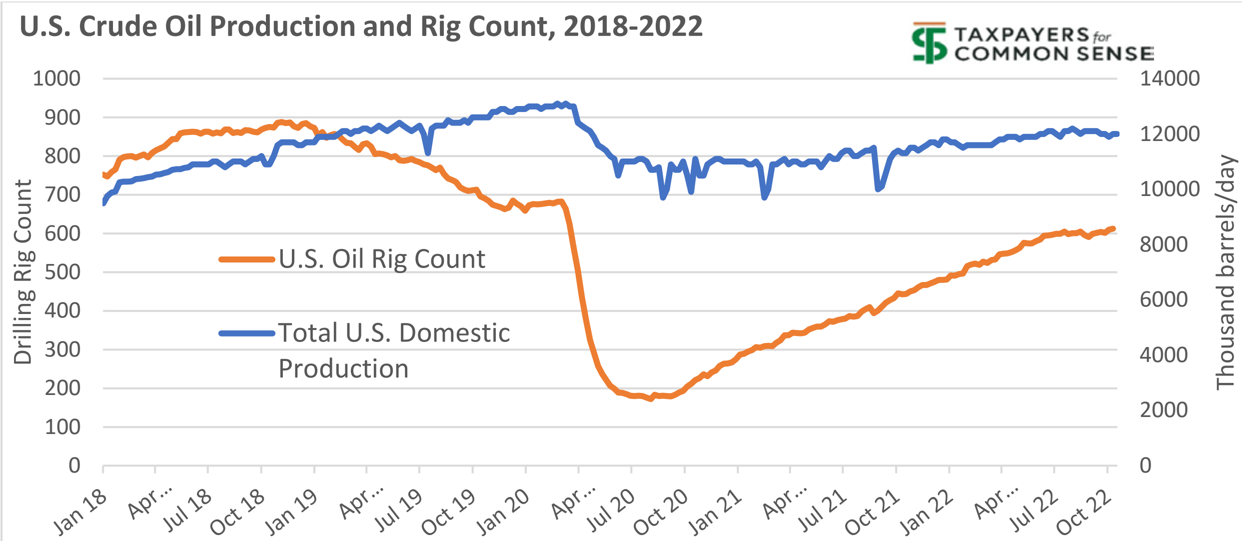


Source: EIA Spot Prices, https://www.eia.gov/dnav/pet/pet_pri_spt_s1_w.htm

U.S. crude oil production and rig count have been steadily increasing since the pandemic first hit, although this has slowed recently. Nevertheless, the EIA forecasts U.S. crude oil production will average 11.7 million barrels per day (b/d) in 2022 and 12.4 million b/d in 2023, which would surpass the record for most U.S. crude oil production in a year set in 2019. In fact, despite false claims about how the Administration's policies affected oil and gas production, oil production on federal land rose by 18% from 2020 to 2021 and reached **its highest production level of all time**.

Oil and gas companies are exploiting concerns about gas prices and energy security and spreading false claims about gas prices and production. The oil and gas industry is calling on the Administration to "unleash" oil and gas production, seeking easier access to federal land. The industry's effort was successful, as the Inflation Reduction Act (IRA) included provisions that tie onshore wind and solar development to onshore oil and gas lease sales. No wind or solar development on federal land can be permitted unless the Department of the Interior (DOI) has held an onshore oil and gas lease sale within the past quarter and offered at least either 2 million acres or 50% of the acreage nominated by industry, whichever is less, over the past year. Had these provisions been in place during the last decade, the Trump Administration would have failed the requirement in 2020. However, offering more public lands for sale does not instantly bring more oil supply to market, as it often takes years before production commences.

Oil prices are set in the global market. Although the United States is already the largest oil producer in the world and accounts for 20% of world oil supply, we will still be affected by price volatilities, such as supply disruptions and OPEC+ production cuts. Quick fixes that are touted to "unleash" domestic production will not have any real impact on supply or prices in the near term.



Source: EIA Weekly Petroleum Status Report, https://www.eia.gov/petroleum/supply/weekly/
Baker Hughes – North America Rig Count, https://rigcount.bakerhughes.com/na-rig-count

Despite a pause early in the current Administration, oil and gas leasing has resumed on federal lands, and the DOI has already announced more lease sales for 2023. Even with new leasing, oil and gas executives have publicly pledged to restrain production growth and prioritize returns for investors so their companies can continue to take advantage of the sustained high oil and gas prices. Oil and gas companies have been **choosing to limit production** so they can return more capital to their shareholders, all while seeking more access to federal lands and more money from taxpayers.

Despite their record-setting profits, oil and gas companies continue to pocket $3.2 billion in tax breaks and $3.6 billion in sweetheart leasing terms every year. There is no reason to continue subsidizing a highly mature and profitable industry. It's time to protect taxpayers' interests, end unnecessary tax breaks, and hold the oil and gas industry accountable. Without passing reform that addresses longer term liabilities caused by oil and gas production like methane emissions and abandoned wells, federal taxpayers will be saddled with more reclamation and cleanup costs and exacerbate the climate crisis.

Photo credit: Babette Plana via flickr