

## Big Oil Making Big Money

*While consumers are pinched with record prices at the pump and growing food costs, oil companies are enjoying times of soaring profit. The higher costs of oil are being passed on to customers. Yet, oil companies continue to enjoy increasing profits and \$18 billion in federal subsidies.*



### **"Oil Industry Profit Review 2007," Congressional Research Service**

- The oil industry recorded \$155 billion in profits, the five major oil companies accounted for 75 percent of these profits.
- On average, the revenue of integrated oil companies increased by 7.1 percent. With output declining, it is likely that revenue growth was based on increasing prices.  
<http://openocrs.com/document/RL34437>

### **"Oil Mergers, Manipulation and Mirages: How Eroding Legal Protections and Lax Regulatory Oversight Harm Consumers," Public Citizen's Energy Program**

- Oil companies are using the recently deregulated energy trading markets to manipulate prices.
- Net income on domestic refineries has experienced much more growth than international refineries.
- Mergers created a tendency for companies to limit production capacity, then the industry supply decreased and profits increased.  
[www.ftc.gov/bcp/workshops/energymarkets/background/slocum\\_oilgas.pdf](http://www.ftc.gov/bcp/workshops/energymarkets/background/slocum_oilgas.pdf)

### **"The Impact of Ethanol Production on U.S. and Regional Gasoline Prices and on the Profitability of the U.S. Oil Refinery Industry," Center for Agricultural and Rural Development, Iowa State University, Xiaodong Du and Dermot J. Hayes**

- The results indicate that ethanol production has significantly reduced the profit margin of the oil refinery industry.  
[www.card.iastate.edu/publications/DBS/PDFFiles/08wp467.pdf](http://www.card.iastate.edu/publications/DBS/PDFFiles/08wp467.pdf)

### **"Big Oil vs. Ethanol," Consumer Federation of America**

- The oil industry is threatened by ethanol and has systematically used its power to prevent ethanol's success.
- Consumers have a stake in the use of ethanol, because of the prices at the pump and to combat the nation's "oil addiction" problems.
- Supporting increased competition in the automobile fuels market will help discipline a market dominated by a handful of multinational oil companies.  
[www.consumerfed.org/pdfs/Ethanol.pdf](http://www.consumerfed.org/pdfs/Ethanol.pdf)

## What They're Saying About Big Oil

"Major oil companies have now declared war on a key policy that can help alleviate the shortage – the expanded production of alternative transportation fuels, particularly biofuels, like ethanol."

"The oil companies have substantial market power over the distribution of alternative fuels."

– **Consumer Federation of America**

"Yet so far, only a tiny fraction of U.S. service stations let a driver fill up with ethanol. There are a number of reasons, but one big one is resistance from oil companies...Oil companies lose sales every time a driver chooses E85, and they employ a variety of tactics that keep the fuel out of stations that bear the company name. For instance, franchises sometimes are required to purchase all the fuel they sell from the oil company...Contracts sometimes limit advertising of E85 and restrict the use of credit cards to apply for it. Some require that any E85 pump be on a separate island, not under the main canopy."

– **Wall Street Journal**

"In 2007, the oil industry recorded revenues of approximately \$1.9 trillion, of which 78% was accounted for by the five major integrated oil companies. Profits for the industry totaled over \$155 billion, 75% of which were earned by the five major oil companies, with the largest, ExxonMobil, earning over 25% of the total profit." – **Congressional Research Service**

"Two of the world's largest oil companies announced their profits for the first quarter and highlighted the increasing disparity between the earnings of oil companies and the strain of high gas prices on American families. Shell Inc. reported \$9.08 billion in profits for the first three months of 2008, and BP listed \$7.62 billion in earnings. Both figures are well above their earnings compared to this time last year, and with oil giants like ExxonMobil and Chevron still yet to report their earnings for the quarter, the total figures for the top five oil companies could easily outpace last year's record take." – **Rep. Edward Markey, D-Mass.**, chairman of the Select Committee on Energy Independence and Global Warming

"These companies are defending billions in federal subsidies needed for renewable fuels and clean energy while reaping over a hundred billion dollars in profits in just the last year alone." – **Rep. Edward Markey**, Select Committee on Energy Independence and Global Warming

"Right now, ethanol may be the only reason prices haven't gone even higher. The ethanol industry continues to grow while oil refiners continue to make excuses for maintaining their profitable status quo."

– **Ron Lamberty, American Coalition for Ethanol**

"In recent years, the balance in the world's oil-supply system has shifted, giving the refining industry more power and more profit...Privately, OPEC members are irked that U.S. refining margins – the profit refiners make in turning crude into gasoline and other products – have soared in recent months...OPEC officials say that if they pump more oil and depress world oil prices, U.S. gasoline prices might remain high, and the result would be even wider refining margins. In essence, OPEC would be putting more money into the pockets of refiners while its own revenue would be hurt by declining crude prices." – **Bhusahn Behree and Ana Campoy, Wall Street Journal**