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FACT SHEET: OIL & GAS INDUSTRY

Capitol, Inc. Project

ICAR International Corporate Accountability Roundtable

ABOUT THE AUTHORS

INTERNATIONAL CORPORATE ACCOUNTABILITY ROUNDTABLE

The International Corporate Accountability Roundtable (ICAR) is a civil society organization that believes in the need for an economy that respects the rights of all people, not just powerful corporations. We harness the collective power of progressive organizations to push governments to create and enforce rules over corporations that promote human rights and reduce inequality.

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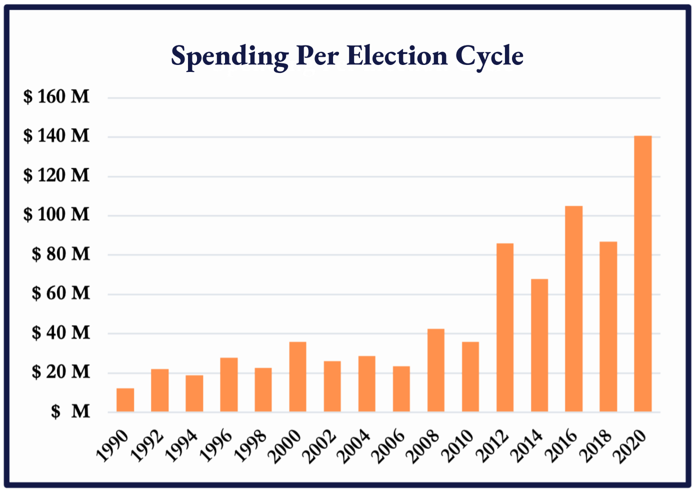
HOW THE OIL & GAS INDUSTRY GETS WHAT IT WANTS

The climate crisis we are currently facing is largely a product of the notoriously profit-hungry fossil fuel industry. They knew about the climate risks 60 years ago and spent billions to cover up the truth, all to protect their profits. The industry has amassed a significant level of power and influence through its strategic campaign spending and extensive lobbying operations, which it uses to protect its massive subsidies, undermine environmental protections, and erect barriers to the clean energy transition. Just between 2000 and 2016, fossil fuel interests spent nearly $2 billion to derail climate legislation. The harms that flow from the industry's activities disproportionately impact people of color, indigenous tribes, and low-income communities.

Election Spending

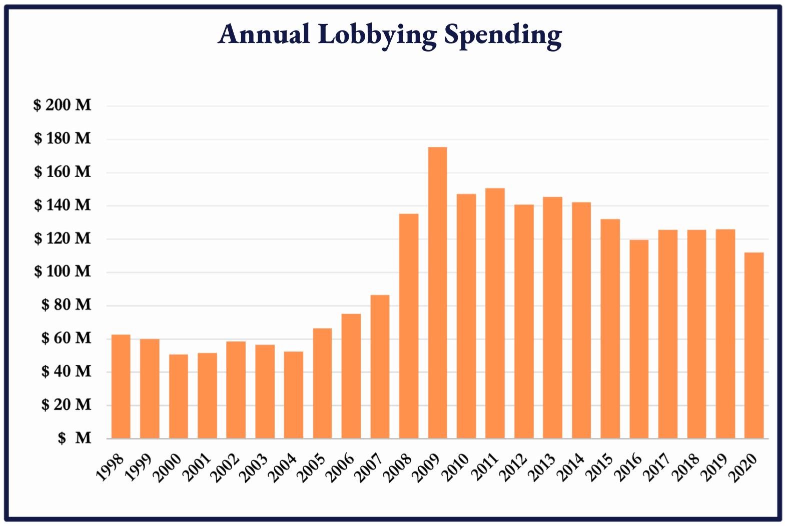


Data from OpenSecrets profile on the Oil & Gas Industry.

- **In the last decade, oil and gas interests have put over *$529 million dollars* towards influencing the outcome of federal elections.**
- **During the 2016 election cycle, the oil and gas industry contributed over *$103 million*, which included millions in donations to Super PACs and untraceable dark money.**
- **There were *180 climate science deniers* in the 115th Congress. Combined, these members *received over $82 million* in fossil fuel industry funds.**

Lobbying

- **Since 1998, the industry has spent over *$2.4 billion dollars* lobbying the federal government.**
- **In the last decade, oil and gas interests spent over *$1.5 billion dollars* lobbying the federal government.**
- **In 2020 alone the industry spent over *$110 million* on lobbying and had *686 lobbyists*, which is more than enough to provide each member of Congress with a personal oil and gas lobbyist.**



Data from OpenSecrets lobbying profile on the Oil & Gas Industry

The Revolving Door

- **In 2017, at least 15 staffers on the eight main congressional committees covering energy and the environment previously worked as industry lobbyists for oil, gas, mining, coal, petrochemical, and electric utility interests.**

- **Under President Trump, at least 25 officials across DoI, DoE, the EPA, and the White House went through the revolving door with the fossil fuel industry.**

- **During the Trump Administration officials at the Department of the Interior, which was full of industry insiders, held 12 times as many meetings with executives from fossil fuel industries than with representatives of conservation and renewable energy interests.**

- **President Obama also failed to close the revolving door between his administration and fossil fuels. At least 12 senior Obama officials either came from or went into the industry, including Energy Secretary Ernest Moniz and Secretary of the Interior Ken Salazar, among others.**

- **Between 2000 and 2017, 12 of the 15 Commissioners who left the federal agency in charge of pipeline approvals went on to work either directly or indirectly in the fossil fuel industry.**

EXAMPLES OF HARM

- ***Oil and gas interests ensure Congress continues to prop up the industry with taxpayer dollars.***

Every year, the fossil fuel industry rakes in at least $20 billion in taxpayer dollars through direct subsidies, the vast majority of which (80%) flows to oil and gas companies. When indirect subsidies are factored in, the total jumps to $649 billion. That is a huge amount of money to put towards propping up an industry that is quite literally killing us and the planet.

The oil and gas industry invests significant time and resources into making sure the federal government maintains and expands these corporate giveaways. For example, oil and gas executives and lobbyists essentially wrote the Energy Policy Act of 2005, which contained massive handouts to fossil fuels including $6 billion in subsidies for oil and gas companies alone. The industry's substantial campaign contributions and lobbying also helped block the modest subsidy reforms President Obama repeatedly proposed to Congress. Even now, the industry is engaged in a "lobbying blitz" to protect a lucrative subsidy that allows them to deduct the cost of drilling new wells from their taxes.

The industry's investment pays off. Analysis conducted by Oil Change International found that "for every $1 that fossil fuel companies spent on lobbying and campaign finance contributions to Congress" in 2011 and 2012, "it got over $100 back in subsidies – that's a more than 10,000 percent return on investment."

These subsidies divert federal resources from crucial social programs, delay our transition to clean energy, and free up funds for oil and gas companies to expand their already outsized influence in government.

- ***After aggressive lobbying by the oil and gas industry, the EPA rolled back crucial car emissions standards.***

In August 2018, the EPA and National Highway Traffic Safety Administration (NHTSA) proposed a rule that would gut fuel efficiency standards for cars. By freezing emissions standards for model years 2021-2026 at 2020 levels, the proposed rule, if implemented, would significantly increase greenhouse gas emissions in the U.S., put thousands of jobs at risk, and transfer an additional $170 billion from consumers into the hands of oil companies.

This rollback came after aggressive campaigning by the oil industry and its allies, whose profits were threatened by the existing Clean Car Standards requiring automakers to roughly double the fuel economy of new cars by 2025. Their efforts to undo this ambitious Obama-era policy were multifaceted and well-hidden.

In addition to direct lobbying by oil companies, almost two dozen industry front-groups with vague names like "Frontiers of Freedom" and "60 Plus Association" lobbied federal officials urging them to weaken the standards. An industry association even used a covert Facebook ad campaign and petition to generate public pressure during the rulemaking process.

The industry also successfully mobilized its allies in Congress. In the two months before the proposed rule was issued, 19 lawmakers sent letters to NHTSA's Deputy Administrator, large portions of which (37%, 40%, and 80%) came directly from a draft written by a Marathon Petroleum lobbyist and circulated to members of congress.

Although the final rule issued in April 2020 did include a 1.5% annual increase in emissions standards, this is still drastically lower than the 5% annual increase of the original standards. It would put an additional billion metric tons of carbon dioxide in the atmosphere, lead to more premature deaths from air pollution, and cost consumers $80 billion more at the pump.

- ***The federal agency responsible for approving oil & gas pipelines is dominated by industry and has a clear record of putting corporate profits above the public interest.***

The Federal Energy Regulatory Commission (FERC) is an independent agency with substantial power over whether proposed oil and gas pipelines move forward or not. It is infamous for its revolving door - with Commissioners frequently coming from industries the agency is meant to regulate, and many taking lucrative industry jobs after they leave. FERC is also notorious for its industry-friendly approach to pipeline regulation.

Since 1986, the agency has approved *nearly 100%* of proposed natural gas pipeline projects. These pipelines contribute to environmental injustice, disproportionately impacting communities of color and low-income families. They often cut through tribal lands – typically without effective (or any) consultation as required by federal law - destroying important natural and cultural resources. Pipelines contaminate our streams, rivers, and drinking water; destroy critical ecosystems and habitats; ruin farms and landscapes; release planet-killing greenhouse gasses; and can cause lethal explosions, among other impacts. Under the Energy Policy Act of 2005, when FERC authorizes a pipeline it comes with the power of eminent domain, giving the developer the right to take property from landowners against their will.

There is ample evidence of FERC's strong pro-industry bias, which is not surprising given the agency's cozy relationship with the entities it is supposed to regulate. For example, from mid-2010 through 2016 FERC officials met with large energy companies at least 93 times, compared to just 17 meetings with environmental and public-interest groups over the same period. The agency's penchant for putting profits above the public interest has disastrous consequences.

In the last five years alone, FERC has greenlighted the construction of dozens of pipelines, including the unlawful and unneeded *Spire STL pipeline*, which caused tens of millions of dollars' worth of harm to local farmers in Illinois. The 350-mile-long *Mariner East 2 pipeline* released over 400,000 gallons of drilling fluid into the environment, contaminated drinking water, and caused dozens of sinkholes that threatened to swallow homes. The *Revolution pipeline* also destroyed at least 23 streams and 17 wetlands and damaged many more.

- ***The industry successfully lobbied to gut environmental review requirements, paving the way for faster approval of pipelines and other environmentally harmful projects while sidelining impacted communities.***

For 50 years, the National Environmental Policy Act (NEPA) has required federal agencies to conduct robust environmental impact reviews before approving major agency actions and projects (like permitting oil and gas drilling operations and pipelines on federal lands, expanding highways, and building airports). NEPA reviews also have to give the public a meaningful opportunity to learn about and offer input on these proposed federal actions before any decisions are made. The oil and gas industry has long sought to weaken this bedrock environmental law, "a crucial safeguard for communities' clean air, clean water, and health, as well as imperiled species and wild lands."

During the Trump Administration, the industry got its wish. Following significant lobbying by BP America, the American Petroleum Institute (API), and other industry groups, the Council on Environmental Quality (CEQ) issued a final rule eviscerating the statute's implementing regulations in July 2020. By undercutting core elements of the environmental review process under NEPA, CEQ paved the way for oil and gas pipelines and other dangerous projects to be pushed through without meaningfully examining their environmental consequences or giving frontline communities adequate opportunities to voice concerns about potential health and safety impacts. Many of CEQ's revisions directly reflected industry requests.

Among other problematic rollbacks, the 2020 rule no longer requires agencies to consider a project's impact on climate change or other "cumulative effects and indirect impacts." In a serious blow to environmental justice, the 2020 rule also erected significant barriers to public participation in the environmental review process. Overall, the changes in the 2020 rule are "expected to lead to more permitting for pipelines and other projects that worsen global greenhouse gas emissions."

Just before formalizing this rule, the Trump Administration capitalized on the coronavirus pandemic to further expedite the environmental review process. In early June, Trump instructed CEQ to utilize its "emergency" powers and work with agencies to find "flexible alternatives" to the NEPA process. This allowed for the expedited approval of numerous oil and gas projects, including both the Converse County Oil and Gas Pipeline and the Moneta Natural Gas and Oil Development Project. The former stands to destroy thousands of acres of greater sage-grouse habitat, while the latter would pump billions of gallons of polluted water into the Madison Aquifer, a valuable water source for Wyoming.

- ***The Department of the Interior gutted critical protections for the greater sage grouse for the benefit of oil, gas, & mining companies.***

The greater sage grouse, an icon of the American west, was once so prevalent that when the birds took flight they could block out the sun with their numbers. By 2010, habitat loss from development (including oil and gas activity) had caused the bird's population to drop significantly, and the U.S. Fish and Wildlife Service (FWS) determined that the sage grouse should be listed as endangered under the Endangered Species Act (ESA).

To keep the sage grouse off the endangered species list, the Department of the Interior and 11 western states set out to develop federal and state-specific sage grouse management plans to protect the bird and its unique sagebrush habitat. The plans were finalized in 2015 after a decade-long multi-stakeholder negotiation process that included ranchers, conservationists, energy companies, farmers, and scientists, among others. As part of the federal strategy, DoI amended 98 federal land use plans and initiated the withdrawal of about 10 million acres of critical sage grouse habitat from development, closing it off to oil and gas activities.

Just two years later, the 2015 plans – which had led the FWS to determine that listing the sage grouse as endangered was no longer needed – were threatened. In June 2017, then-Secretary of the Interior Ryan Zinke ordered the formation of a "Sage Grouse Review Team" to reassess and recommend changes to the 2015 Sage Grouse Plans, despite opposition from Western citizens, governors, politicians, and other stakeholders.

During this review process, the oil and gas industry leveraged its influence and heavily lobbied the Review Team, which itself included officials with strong ties to the oil and gas industry. The Review Team's final report (published on August 4, 2017) catered to the oil and gas industry and showed clear signs of industry influence. For example, the Review Team's recommendations incorporated 13 of the 15 requests laid out in an "industry wish list" submitted by the Western Energy Alliance (an oil and gas industry association). Several of the requests made by a top lobbyist for the Independent Petroleum Association of America were also incorporated into the final report.

DoI implemented the Review Team's recommendations over the course of the Trump administration, making fundamental changes to the 2015 plans and eliminating the strongest sage grouse protections for the benefit of oil, gas, and mining companies. In a massive blow, the Bureau of Land Management also cancelled the withdrawal of ten million acres of critical greater sage-grouse habitat from oil and gas development. Although a federal judge eventually overturned this decision in early 2021, significant damage had already been done.

Unfortunately, this is just one example of the Trump administration's effort to open land to oil and gas development. According to the Center for American Progress, during its first three years the Trump administration removed or proposed to remove "protections from nearly 35 million acres of public lands —approximately 1,000 times more land than his administration has protected." CAP notes that "the driving force behind most of the Trump administration's rollbacks has been to give the fossil fuel industry unfettered access to public lands and waters." As part of this, the administration opened up "hundreds of thousands of acres of protected tribal lands" to leasing and mineral extraction.

- ***After lobbying by the oil industry Congress lifted the ban on exporting crude oil in 2015, helping deepen the climate crisis.***

In mid-December 2015 congress voted to repeal the export ban on crude oil, which had been in place since 1975. The repeal of the export ban was the result of an aggressive, multi-year lobbying effort led by a handful of powerful oil and energy companies & trade associations. Overall, the industry spent at least $38 million dollars pressuring the government to lift the ban, and had an army of over 200 lobbyists working to advance this goal. Among these lobbyists were individuals with significant experience working in Congress, including at least 3 former aides to the speaker of the House John Boehner; a former aide to Senator Murkowski; and 3 former members of Congress. Additionally, the CEOs of 16 oil producers formed a single-issue lobbying coalition called PACE that focused all its energy on overturning the ban.

Ultimately, the oil industry successfully convinced Congress that allowing producers to sell oil on the global market would reduce the country's reliance on foreign fuel, benefit consumers, and bolster the economy. This has not proven to be true.

As confirmed by the GAO in a report published in November 2020, lifting the ban (1) has led to record-breaking amounts of U.S. oil being sold abroad; (2) has not led to lower prices for consumers; and (3) has not lowered U.S. dependence on foreign sources of fuel. The GAO report also highlights that "higher prices and an expanded market for U.S. crude oil further incentivized domestic crude oil production."

In other words, lifting the export ban has helped deepen the climate crisis by encouraging more oil production at a time when we should be pushing for less. According to one crude oil CEO: "Without the crude oil export ban repeal, the United States would not be producing half of the oil it is today because it could not be exported."

Efforts to reinstate the export ban -- which "could lead to reductions in global carbon emissions by as much as 73 to 165 million metric tons of CO2-equivalent each year" -- are underway, but are likely to face significant opposition from the oil industry.

- ***The fossil fuel industry leveraged the pandemic to secure $120 billion in direct & indirect benefits from government stimulus programs.***

Fossil fuel interests successfully pushed Congress to include corporate tax provisions in the CARES Act that amounted to a "stealth bailout" for the industry. One of these tax credits allowed corporations to retroactively deduct losses in 2018, 2019, and 2020 from income taxes paid over the previous five years, resulting in potentially massive tax refunds from the IRS. Although this was available to all industries, oil and gas companies were more likely than others to benefit from the change because of widespread recent losses "driven by falling demand and volatile oil prices." Notably, this provision covered losses that pre-dated the pandemic, and the tax refunds came with no strings attached.

In the months leading up to the passage of the CARES Act at least 11 oil and gas companies and trade associations reported lobbying on tax issues in the stimulus package. In the end, this paid off, as these changes were hugely profitable for the industry. As of April 2021, 77 fossil fuel companies had pocketed a total of $8.24 billion through this stealth bailout.

The industry also successfully pressured the FED to make changes to its Main Street Lending Program (MSLP) to benefit oil and gas companies. The MSLP was intended to provide a lifeline for "small-and medium-sized businesses that were in good financial shape before the pandemic struck"; it was supposed to help save jobs and keep companies operating.

When the MSLP was first announced by the FED in April 2020, it included eligibility criteria and requirements that would have made many oil and gas companies ineligible for the program. In the weeks that followed, the industry, its allies in Congress, and the Trump administration lobbied the FED to relax the rules so that more oil and gas companies could access these low-interest rate loans.

On April 30, the FED bowed to this pressure and announced changes to the program that matched the requests of the oil and gas industry and its allies in government. For example, the FED allowed borrowers to use public funds to pay down old debt. The FED also significantly relaxed criteria related to the financial health of borrowers, throwing the door wide open for heavily indebted oil and gas companies that were in trouble before the pandemic began to qualify for this public support. Even the very modest employee retention standard was gutted, paving the way for the benefits of the emergency loans to flow to oil and gas executives and creditors instead of workers.

Although the FED maintained that these changes were not made in response to industry pressure, Energy Secretary Brouillette "later said he had worked with Treasury Secretary Steven Mnuchin and the Fed to increase drillers' access to the program."

"[The FED] had structured the program in a way so as not to lose taxpayers' money. And now members of Congress and industry have lobbied them. And under that pressure, they have buckled. They have changed the program to help out a specific industry," *— Graham Steele, director of the Corporations and Society Initiative at Stanford Graduate School of Business.*

By the time MSLP ended, fossil fuel companies had received $2.2 billion in loans through the program. Overall, almost 13% of the loans purchased through MSLP went to the industry. Clean energy accounted for just 1%.

All told, fossil fuel companies were able to leverage the pandemic to obtain $17 billion in direct benefits through the MSLP, CARES Act tax provisions, the Paycheck Protection Program, and reductions in fees for drilling on public lands. When combined with indirect benefits related to the pandemic, the number jumps to at least $120 billion.

Despite this windfall, fossil fuel companies laid off workers, choosing instead to divert taxpayer bailouts to shareholders and executives. For example, 8 of the 15 oil and gas companies that received over $100 million through the CARES Act tax loophole "increased spending on the dividends paid to their shareholders" by $769 million combined. Seven of the eight companies also cut jobs.

THE SOLUTION

This fact sheet provides information about the outsized influence of one industry over our government decision-makers. But the oil and gas industry's influence is an illustrative example of a broader, cross-cutting problem. Outsized corporate influence exists across many industries, enabled by the same structural gaps and weaknesses. Countering corporate capture of the federal government will require significant reform covering a variety of issues ranging from campaign finance, government ethics rules, and lobbying disclosure, among others. As a starting place, the following legislation and policy solutions would help to ensure our government serves the public interest.

- *Pass The Freedom to Vote Act:* To ensure that our government works for us by ending the use of dark money and reducing the influence of big money in politics.
- *Pass the Democracy for All Amendment:* To overturn *Citizens United v. FEC* and give the power in elections back to people, not big business.
- *Ban Corporate PACs:* To protect elections from excessive corporate influence.
- *Ban Contributions to Lawmakers from Entities Under Their Committees' Jurisdiction:* To minimize perverse incentives in legislation by preventing conflicts of interest.
- *Strengthen Federal Lobbying Disclosure Requirements:* To unveil the corporate interests influencing legislators behind closed doors.
- *Ban Lobbyists from Fundraising for Federal Candidates:* To reduce the leverage that lobbyists have over our elected officials.
- *Expand and Strengthen Revolving Door Provisions:* To prevent conflicts of interest and restrain former government officials from exploiting their influence for corporate gain.

ADDITIONAL RESOURCES

- ***Fossil Filled: Oil, Mining Companies Seeking Bailouts Dominate Interior Department Officials' Calendars, Alan Zibel,*** Public Citizen (May 2020), available here.

- ***The Chilling Effect of Oil & Gas Money on Democracy Environmental Policy and Oversight Influenced by Polluter Interests,*** Clean Water Action (June 2016), available here.

- ***Bailed Out & Propped Up: U.S. Fossil Fuel Pandemic Bailouts Climb Toward $15 Billion,*** Bailout Watch, Public Citizen, & Friends of the Earth (November 2020), available here.

- ***Stranglehold: Oil & Gas Money is Choking Our Democracy,*** Clean Water Action & Clean Water Fund (2017), available here.

- ***Oil & Gas Royalty Relief Research Book,*** Accountable.US & Western Values Project (September 2020), available here.

- ***Critical energy justice in US natural gas infrastructuring,*** Mary Finley-Brook, Travis L. Williams Et Al. (July 2018), available here.

- ***Fueling Failure: How Execs at Bankrupt U.S. Oil & Gas Companies Pocketed Nearly $200M in Payouts While Leaving More than 10,000 Workers Jobless,*** Alan Zibel & Kelly Mitchell, Public Citizen (August 2021), available here.

- ***Pandemic Crisis, Systemic Decline: Why Exploiting the COVID-19 Crisis Will Not Save the Oil, Gas, and Plastic Industries,*** Center for International Environmental Law (April 2020), available here.

- ***Occidental Lobbying Pays Off: Changes to the Federal Reserve's Main Street Lending Program are a giveaway to oil industry players following intensive lobbying efforts,*** Global Witness (May 2020), available here.

- ***Natural Gas Exports: Washington's Revolving Door Fuels Climate Threat***, Republic Report & Desmog (November 2014), available here.

- ***Dollars vs. Democracy: Companies and the Attack on Voting Rights and Peaceful Protest***, Greenpeace (May 2021), available here.

- ***How the oil industry has spent billions to control the climate change conversation***, Emily Holden, The Guardian (January 2020), available here.

- ***Regulatory Blowout: How Regulatory Failures Made the BP Disaster Possible, and How the System Can Be Fixed to Avoid a Recurrence***, Robert L. Glicksman, George Washintgon Law Faculty Publications (2010), available here.