



REPORT ON OIL AND GAS COMPANIES' RESPONSES TO MARCH 2022 INQUIRY



**The Committee on Ways and Means
Subcommittee on Oversight Majority Staff Report**



August 24, 2022



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INTRODUCTION

On March 10, 2022, U.S. Representative Bill Pascrell, Jr. (D-NJ), the Chair of the Committee on Ways and Means Subcommittee on Oversight, sent letters to the heads of 11 oil and gas companies. Chair Pascrell, concerned with the impact of Russia's invasion of Ukraine on the global oil supply and rampant gas price increases, requested answers from the companies on their operations or financial interests in Russia, oil and gas production, executive profiteering, corporate stock buybacks, and use of certain federal tax incentives and benefits.

As Americans at the pump saw gas prices rise, oil companies saw their profits and shareholder dividends increase across the board. Of the large oil and gas companies, 28 of them made a combined \$183.9 billion in profits in 2021.[1] In the first quarter of 2022, these 28 companies made \$93.3 billion in profits.[2] Five of these companies (ExxonMobil, Chevron, BP, Shell, and ConocoPhillips) have taken in \$35 billion in profits during the first quarter of 2022.[3] That is more than 300% greater than profits in the first quarter of 2021.[4] An article from the Center for American Progress states that, “[T]hese five companies’ first-quarter profits alone are equivalent to almost 28 percent of what Americans spent to fill up their gas tanks in the same time period.”[5]

Surging gas prices are a major source of overall inflation, leading to higher prices for consumers overall. Joe Brusuelas, chief economist with RSM, a Wall Street research firm, said, “Rising prices will disproportionately hit poor, working class, and middle class Americans.”[6] As companies raise their prices due to the increased cost of transporting goods, hardworking Americans bear the increased fuel costs when they buy groceries, drive to work, take their children to school, and pay utility bills. The Washington Post reported, “[W]orries are gripping the airline industry as jet fuel becomes more scarce. Manufacturers are wrestling with the cost of plastic packaging, which is made from the same crude oil in high demand for gasoline.”[7]

While families across the country continue to stretch their budgets, oil and gas companies are raking in huge profits. Chair Pascrell believes that oil and gas companies should be held accountable for their decisions to benefit off the backs of hardworking Americans. Chair Pascrell's inquiries were sent to: APA Corporation, BP America, Chevron Corporation, ConocoPhillips, Devon Energy Corporation, Enbridge (U.S.) Inc., Equinor, ExxonMobil Corporation, Marathon Petroleum, Pioneer Natural Resources Company, and Royal Dutch Shell PLC.

[1] The Guardian, Largest oil and gas producers made close to \$100bn in first quarter of 2022 (May 13, 2022), <https://www.theguardian.com/business/2022/may/13/oil-gas-producers-first-quarter-2022-profits>.

[2] *Id.*

[3] CNN, White House official blasts ‘outrageous’ oil profits, leaves door open to windfall profit tax (June 9, 2022), <https://www.cnn.com/2022/06/09/politics/white-house-oil-profits/index.html>.

[4] Center for American Progress, Release: Top 5 Oil Companies Made \$35 Billion in Profits While Americans Paid more at the Pump, CAP Analysis Shows (May 17, 2022), <https://www.americanprogress.org/press/release-top-5-oil-companies-made-35-billion-in-profits-while-americans-paid-more-at-the-pump-cap-analysis-shows/>.

[5] Center for American Progress, These Top 5 Oil Companies Just Raked In \$35 Billion While Americans Pay More at the Pump (May 17, 2022), <https://www.americanprogress.org/article/these-top-5-oil-companies-just-raked-in-35-billion-while-americans-pay-more-at-the-pump/>.

[6] National Public Radio, Record gas prices hit working class Americans with inflation already surging (March 10, 2022), <https://www.npr.org/2022/03/10/1085710426/record-gas-prices-hit-working-class-americans-with-inflation-already-surging>.

[7] The Washington Post, Even as gas prices rattle economy, Americans can't stay off the road (May 20, 2022), <https://www.washingtonpost.com/business/2022/05/20/gas-prices-driving-inflation/>.

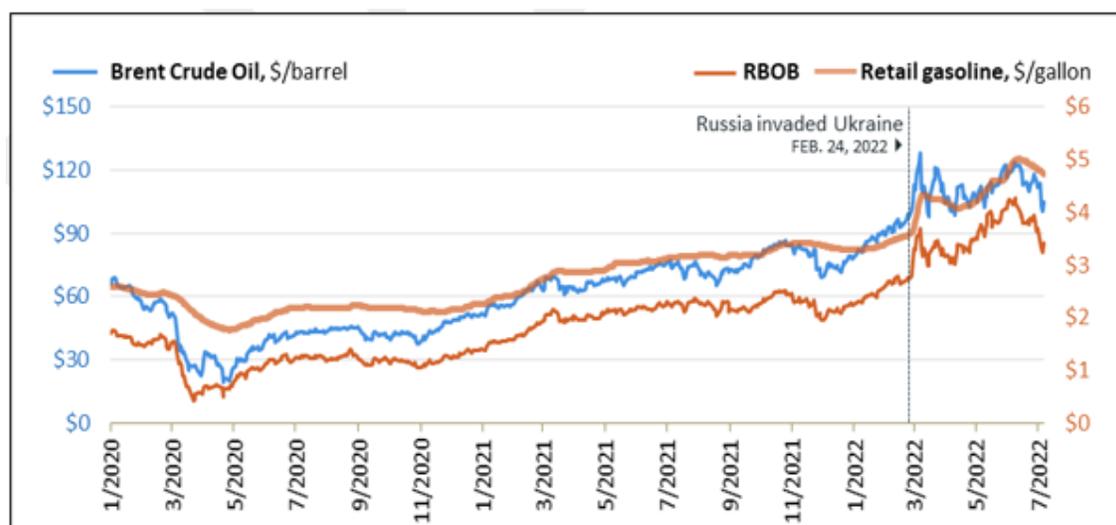


OIL AND GAS PRICE EFFECTS FROM RUSSIA'S INVASION OF UKRAINE

The following information is an excerpt from a Congressional Research Service (CRS) Memorandum to Chair Pascrell on July 19, 2022. The subject of the CRS Memorandum is: "Background Information: Oil and Gas Production and Prices." The CRS Memorandum is attached in full in Appendix A.

Russia's invasion of Ukraine resulted in a high degree of uncertainty with respect to a large source of global petroleum supply, at a time when oil markets were undersupplied (consumption exceeded production), commercial inventories were declining, and prices had been trending upward since mid-2020 (see Figure 1). Russia is currently one of the largest crude oil producing countries, with production of approximately 10.5 million barrels per day in 2021. (footnote omitted). Russia is also a large petroleum exporter, including approximately 7.5 million barrels per day of crude oil and petroleum product exports in 2021. (footnote omitted). Immediately following Russia's military invasion, markets reflected uncertainty about the continuity of Russian supply. Crude oil, wholesale gasoline, and retail gasoline prices escalated rapidly. Prices exhibited high levels of intra-day volatility, and have—as of July 7, 2022—come off their recent highs as Russia's petroleum exports have remained near pre-invasion levels amidst growing concerns about global economic conditions. At this time, however, short-term price outlooks and projections are highly uncertain.

Figure 1. Crude Oil, RBOB, and Retail Gasoline Prices
January 2, 2020-July 7, 2022



Source: CRS, data from Bloomberg L.P.

Notes: RBOB = Reformulated Blendstock for Oxygen Blending, Daily RBOB prices are settlement prices at New York Harbor. Retail gasoline prices are national average prices reported by the American Automobile Association (AAA)



COMPANY ACTIVITIES IN THE U.S. OIL AND GAS SECTOR

The following excerpt from the CRS Memorandum in Appendix A describes activities in the U.S. oil and gas sector.

Gasoline and other petroleum product prices paid by U.S. consumers are a function of numerous market and financial variables. (footnote omitted). . . .

The U.S. Energy Information Administration (EIA) provides monthly, national-level retail gasoline prices and the relative contribution of four price components: (1) Crude oil, (2) Refining, (3) Distribution & Marketing, and (4) Taxes. (footnote omitted). Generally, each category's relative gasoline price contribution changes over time. For the May 2022 national average retail price of \$4.44 per gallon, crude oil contributed 59%, refining 26%, distribution & marketing 5%, and taxes 11%. (footnote omitted). . . .

. . . .

Producing more crude oil than any country in 2021 (more than 11 million barrels per day), the U.S. oil sector is one of the largest in the world. Activities within the oil sector generally fall into one of three categories: (1) Upstream, (2) Midstream, and (3) Downstream.

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Upstream primarily consists of crude oil exploration and production (E&P) activities. . . .

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The midstream segment generally consists of transportation and storage of crude oil and refined petroleum products. . . .

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The downstream segment of the oil sector consists of refining, distribution, marketing, and retail fuel sales. . . .

. . . Companies with activities in each category—upstream, midstream, and downstream—are generally considered to be vertically integrated. **Table 1** includes an assessment of each company's business activities within upstream, midstream, and downstream oil sector categories. . . .



Table 1. U.S. Oil Sector Activities by Company

Company	Upstream	Midstream	Downstream
APA	Yes	--	--
BP	Yes	Yes	Yes
Chevron	Yes	Yes	Yes
ConocoPhillips	Yes	Yes	--
Devon Energy	Yes	--	--
Enbridge	--	Yes	--
Equinor	Yes	--	--
ExxonMobil	Yes	Yes	Yes
Marathon			
Petroleum	--	Yes	Yes
Pioneer Natural			
Resources	Yes	--	--
Shell	Yes	Yes	Yes

Source: CRS



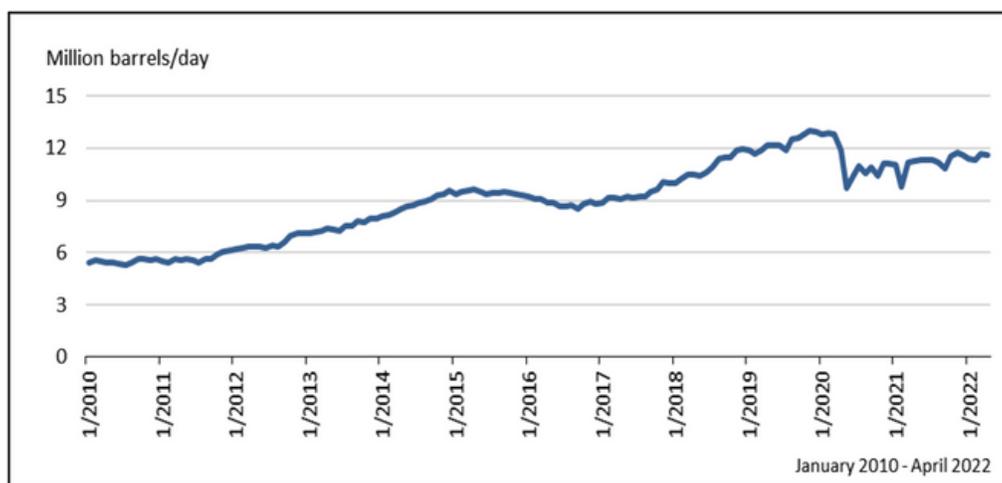
U.S. OIL PRODUCTION AND REFINING CAPACITY

The following excerpt from the CRS Memorandum in Appendix A describes U.S. oil production and refining capacity.

Crude oil production in the United States more than doubled between January 2010 and March 2020 (see **Figure 2**). This production increase of more than six million barrels per day resulted from commercial application of new production technologies such as horizontal drilling and hydraulic fracturing. Oil production declined in 2020 in response to demand-related effects from COVID-19 mitigation measures. Production has generally trended up since spring 2020, but has not yet returned to pre-pandemic levels. . . .

Figure 2. U.S. Crude Oil Production

January 2010-April 2022



Source: CRS, data from the U.S. Energy Information Administration

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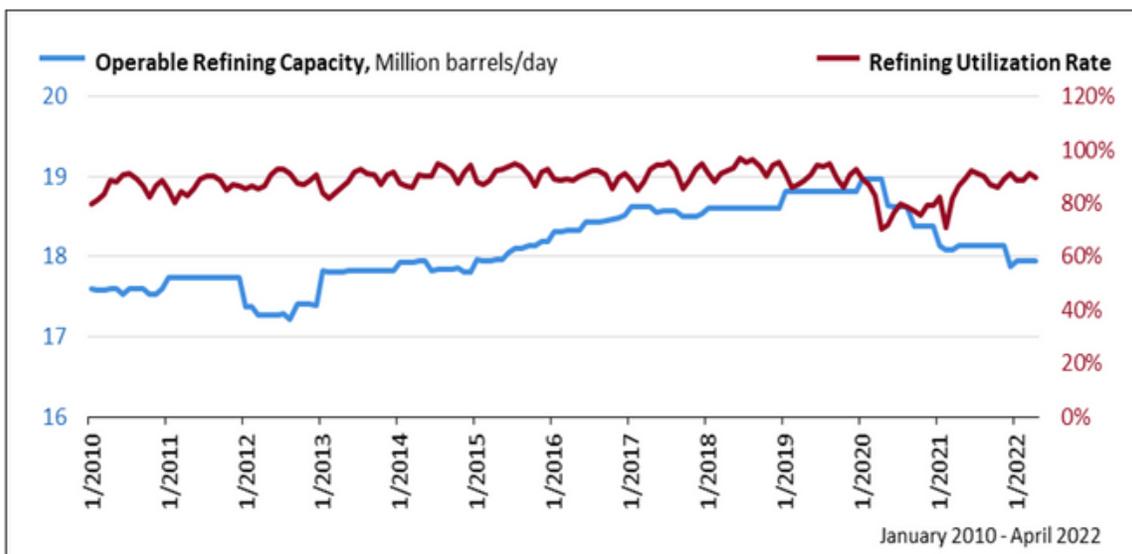
Oil refining capacity—representing petroleum throughput capacity of atmospheric crude distillation units—in the United States had been trending upward between 2013 and early 2020, rising by more than one million barrels per day (see Operable Refining Capacity in **Figure 3**). (footnote omitted). However, operable refining capacity has since declined by approximately one million barrels per day to less than 18 million barrels per day as of April 2022. . . .

Refinery utilization rates (see Refining Utilization Rate in **Figure 3**)—ratio of petroleum processed by crude distillation units compared to the operable capacity of those units—generally ranged between 80% and 95% from January 2010 through March 2020. Refinery utilization dropped to approximately 70% in April 2020 as



refiners responded to demand impacts from COVID-19. Utilization has since increased to the 90% range as of April 2022.

Figure 3. U.S. Operable Refining Capacity and Refining Utilization



Source: CRS, data from the U.S. Energy Information Administration



FINANCIAL HIGHLIGHTS OF SELECTED OIL COMPANIES

The following excerpt from the CRS Memorandum in Appendix A describes financial highlights of the selected oil companies

At the onset of the COVID-19 pandemic in 2020, all 11 companies reported substantially less revenue and cash flow than in prior years. Net debt was also at the highest in 2020. Between 2018 and 2021, stock buybacks went down a little and dividends paid remained relatively the same.

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Generally, the companies reported the highest level of net debt during 2020 and as of Q1 2022 are carrying less debt than at any time since 2018; see Table 3 and Figure 6.

Table 3. Net Debt

All figures are in millions of dollars (add 000,000)

Company Name	2018	2019	2020	2021	Q1 2022
APA	\$7,530	\$8,488	\$8,626	\$7,459	\$5,765
BP	\$43,109	\$54,927	\$50,799	\$39,063	\$34,555
Chevron	\$24,114	\$25,109	\$42,594	\$29,197	\$17,629
ConocoPhillips	\$7,343	\$5,600	\$8,298	\$14,010	\$11,602
Devon Energy	\$2,040	\$3,091	\$2,506	\$4,661	\$4,286
Enbridge	\$49,771	\$50,357	\$52,323	\$58,708	\$58,589
Equinor	\$11,130	\$16,429	\$19,493	\$867	\$(10,429)
ExxonMobil	\$34,754	\$49,678	\$68,577	\$46,227	\$36,463
Marathon Petroleum	\$4,037	\$4,851	\$4,815	\$3,532	\$3,472
Pioneer Natural Resources	\$844	\$2,349	\$2,501	\$3,795	\$2,769
Shell	\$50,083	\$78,369	\$76,184	\$52,116	\$47,688
Total Net Debt	\$234,755	\$299,248	\$336,716	\$259,635	\$212,389

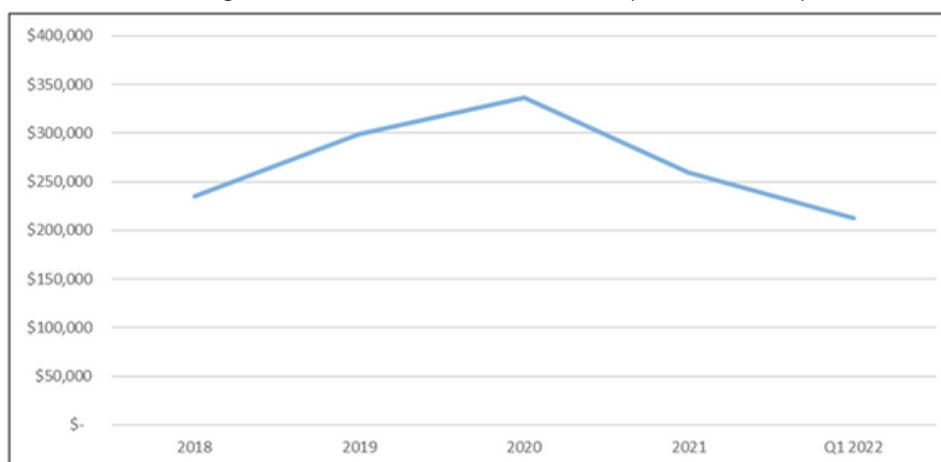
Source: S&P Capital IQ.

Notes: S&P Capital IQ defines Net Debt as total debt less cash and short-term investments. All balances are as of year-end, except Q1 2022 is as of March 31, 2022. Equinor's cash and short-term investments exceeded its debt position at the end of Q1 2022 resulting in a negative net debt position of \$(10,429).



Figure 6. Net Debt for 11 Selected Companies

All figures are in millions of dollars (add 000,000)



Source: CRS.

Notes: All balances are as of year-end, except Q1 2022 is as of March 31, 2022.

Cash Flow from Operations reflects the cash received and paid by the company to operate its core business; see Table 4. . . .

. . . .

Table 4. Cash Flow from Operations

All figures are in millions of dollars (add 000,000)

Company Name	2018	2019	2020	2021	Q1 2022
APA	\$3,777	\$2,867	\$1,388	\$3,496	\$891
BP	\$22,873	\$25,770	\$12,162	\$23,612	\$8,210
Chevron	\$30,618	\$27,314	\$10,577	\$29,187	\$8,055
ConocoPhillips	\$12,934	\$11,104	\$4,802	\$16,996	\$5,068
Devon Energy	\$2,704	\$2,071	\$1,354	\$4,899	\$1,837
Enbridge	\$8,082	\$7,232	\$7,527	\$7,123	\$2,262
Equinor	\$19,694	\$13,749	\$10,386	\$28,816	\$15,771
ExxonMobil	\$36,014	\$29,716	\$14,668	\$48,129	\$14,788
Marathon Petroleum	\$3,234	\$2,749	\$1,473	\$3,239	\$1,067
Pioneer Natural Resources	\$3,242	\$3,115	\$2,083	\$6,059	\$2,584
Shell	\$53,085	\$42,178	\$34,105	\$45,104	\$14,815
Total Cash Flow from Operations	\$196,257	\$167,865	\$100,525	\$216,660	\$75,348

Source: S&P Capital IQ.

Notes: S&P Capital IQ defines Net Debt as total debt less cash and short-term investments. All balances are as of year-end, except Q1 2022 is as of March 31, 2022. Equinor's cash and short-term investments exceeded its debt position at the end of Q1 2022 resulting in a negative net debt position of \$(10,429).



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. . . As Dividends Paid constitute cash that is relied on by stockholders, most companies, even during financially challenging times will attempt to maintain the amount of Dividends Paid; see Table 6

Table 6. Dividends Paid

All figures are in millions of dollars (add 000,000)

Company Name	2018	2019	2020	2021	Q1 2022
APA	\$3,904	\$2,961	\$1,302	\$1,113	\$379
BP	\$16,707	\$15,418	\$12,306	\$10,887	\$2,602
Chevron	\$13,792	\$14,116	\$8,922	\$8,056	\$1,960
ConocoPhillips	\$6,750	\$6,636	\$4,715	\$5,324	\$3,161
Devon Energy	\$2,171	\$1,941	\$1,161	\$2,007	\$538
Enbridge	\$5,238	\$4,226	\$4,160	\$6,016	\$807
Equinor	\$11,367	\$10,204	\$8,476	\$8,040	\$1,846
ExxonMobil	\$19,574	\$24,361	\$17,282	\$12,076	\$3,911
Marathon Petroleum	\$2,753	\$2,550	\$1,343	\$1,046	\$332
Pioneer Natural Resources	\$3,520	\$2,988	\$1,602	\$3,169	\$917
Shell	\$23,011	\$22,971	\$16,585	\$19,000	\$4,237
Total Dividends Paid	\$108,787	\$108,372	\$77,854	\$76,734	\$20,690

Source: S&P Capital IQ.

Notes: The balances reported in Table 6 reflect dividends paid to common and preferred shareholders. S&P Capital IQ defines Common and Preferred Stock Dividends Paid as distributions made to both common and preferred shareholders. All balances are as of year-end, except Q1 2022 is as of March 31, 2022.

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While the 11 companies substantially reduced the amount of Stock Repurchase in 2020 when compared with 2019 (see Table 7), they increased the amount of stock buybacks in 2021, and the amount spent during the first quarter 2022 on stock buybacks is nearly the same as it was during all of fiscal year 2021. . . .



Table 7. Stock Repurchase

All figures are in millions of dollars (add 000,000)

Company Name	2018	2019	2020	2021	Q1 2022
APA	\$305	-	-	\$847	\$261
BP	\$355	\$1,511	\$824	\$3,177	\$1,592
Chevron	\$604	\$2,935	\$1,531	-	-
ConocoPhillips	\$2,999	\$3,500	\$892	\$3,623	\$1,425
Devon Energy	\$2,995	\$1,875	\$56	\$634	\$284
Enbridge	\$162	-	-	-	\$616
Equinor	-	\$442	\$1,059	\$321	\$439
ExxonMobil	\$626	\$594	\$405	\$155	\$2,067
Marathon Petroleum	\$713	\$362	\$92	\$734	\$613
Pioneer Natural Resources	\$179	\$653	\$176	\$269	\$276
Shell	\$5,062	\$11,362	\$2,084	\$3,174	\$3,575
Total Stock Repurchases	\$14,000	\$23,234	\$7,119	\$12,934	\$11,148

Source: S&P Capital IQ.

Notes: S&P Capital IQ defines Repurchase of Common Stock as a line item that represents cash used for repurchase of common stock. Repurchase of preferred stock is defined similarly. The only company that repurchased preferred stock during the period reflected above was Equinor. All other companies only repurchased common stock. All balances are as of year-end, except Q1 2022 is as of March 31, 2022.



FEDERAL ACTIONS AIMED AT LOWERING GAS PRICES

The following excerpt from the CRS Memorandum in Appendix A describes federal actions aimed at lowering gas prices.

Executive branch authorities that could lower U.S. gasoline prices are limited. Generally, crude oil releases from the Strategic Petroleum Reserve (SPR), temporary environmental and transportation waivers, investigation requests, calls to oil producing countries to increase supply, and calls on Congress to enact certain legislation are often actions taken by an administration when gasoline prices are at elevated levels. The Biden Administration has exercised several authorities with the intent to address regional fuel supply interruptions. Following a cyberattack on the Colonial Pipeline fuel transportation system, administrative actions to increase regional fuel supply included temporary environmental waivers and transportation waivers for certain states that allowed drivers transporting fuels to work extended hours. (footnote omitted). In the wake of Hurricane Ida, the Administration issued temporary environmental and transportation waivers, waived Internal Revenue Service (IRS) penalties for using certain types of diesel fuel, and released crude oil from the SPR through an exchange transaction. (footnote omitted).

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Following Russia's invasion of Ukraine on February 24, 2022, the Biden Administration activated emergency SPR oil sale authorities and issued a Notice of Sale on March 2, 2022. To date, the Administration has announced plans to sell up to 190 million barrels under emergency release authorities. (footnote omitted). In mid-April 2022, the Biden Administration announced measures to leverage U.S.-produced biofuels as a means of addressing high gasoline prices, including an Environmental Protection Agency (EPA) waiver to allow sales of gasoline containing 15% ethanol during summer months. (footnote omitted). EPA issued the temporary waiver on April 29, 2022. (footnote omitted). President Biden has sent letters to U.S. oil refining companies, requesting them to increase fuel supply to lower gasoline prices. The Administration has also convened meetings with oil industry representatives and the Secretary of Energy. . . .



CONGRESSIONAL ACTIONS AIMED AT LOWERING GAS PRICES

The following excerpt from the CRS Memorandum in Appendix A describes congressional actions aimed at lowering gas prices.

... In May 2022, the House passed the Consumer Fuel Price Gouging Prevention Act (H.R. 7688), which would prohibit gasoline sales at “unconscionably excessive” prices during a declared energy emergency, would amend FTC monitoring, investigation, and enforcement authorities, and would require the EIA to collect information about transportation fuel markets.

This bill passed by a vote of 217-207 with every Republican Member who cast a vote being in opposition.[8]

[8] <https://clerk.house.gov/Votes/2022232>



OIL AND GAS TAX PROVISIONS

The following information is excerpted from a CRS In Focus report entitled “Oil and Gas Tax Preferences.”^[9]

Oil and Gas Tax Preferences

Several features of the income tax system reduce the tax liability of oil and gas companies. Special tax provisions include exclusions, deductions, credits, deferrals, or preferential tax rates that reduce a taxpayer’s tax liability. Tax preferences for oil and gas reduce the after-tax cost of investing in oil and gas exploration and production, encouraging additional investment in this sector relative to other economic sectors.

Percentage Depletion: Depletion deductions allow taxpayers to recoup the value of capital investments in mineral property. For exhaustible resources of extractive industries, depletion cost recovery allows taxpayers to take deductions as the resource is extracted and sold. *Cost depletion* is cost recovery based on the proportion of total estimated recoverable reserves produced or sold in the year. Deductions taken for cost depletion cannot exceed the taxpayer’s investment in the resource. Certain independent oil and gas producers (producers who are not retailers or refiners) may elect to claim *percentage depletion* as opposed to cost depletion. The percentage depletion allowance is 15% of gross income from the property, not to exceed (1) 100% of taxable income from the property, and (2) 65% of the taxpayer’s taxable income. Oil and gas producers may claim percentage depletion on up to 1,000 barrels of average daily production (or an equivalent amount of domestic natural gas). When oil prices are low, the deduction can be up to 25% of gross income for marginal wells (generally, wells for which average daily production is less than 15 barrels of oil or barrel-of-oil equivalents or that produce only heavy oil). . . .

Expensing of Intangible Drilling Costs (IDCs): IDCs include expenses on items without salvage value (e.g., wages, fuel, and drilling site preparations). Integrated producers (producers who also have substantial refining or retail activities) must capitalize 30% of IDCs and then recover those costs over a five-year period. The remaining 70% of IDCs can be fully expensed (costs deducted in the year they are incurred). Nonintegrated producers can fully expense IDCs.

. . . .

^[9] Congressional Research Service, Oil and Gas Tax Preferences (April 16, 2021), Oil and Gas Tax Preferences (congress.gov).



Oil and Gas “Tax Expenditures”

Special features of the income tax system that reduce tax collections are called “tax expenditures.” The Joint Committee on Taxation (JCT) regularly publishes tax expenditure estimates—the revenue losses attributable to special income tax provisions. Tax expenditure estimates for provisions that benefit the oil and gas industry are summarized in Table 1.

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Table 1. Oil and Gas Tax Expenditures
(billions of dollars)

Provision	FY2020	FY2020-FY2024
Percentage depletion	0.6	2.9
Expensing of IDCs	0.5	2.3
Amortization of G&G expenditures	0.1	0.5
Expensing of tertiary injectants	-i-	-i-
Marginal well credit	-i-	-i-
EOR credit	-i-	-i-
Passive loss exception ^a	-i-	0.1
Publicly traded partnership	0.3	1.8

Source: Joint Committee on Taxation (JCT), JCX-23-20; and U.S. Department of the Treasury FY2021 Tax Expenditures estimates.
Notes: An “-i-” indicates a federal revenue loss of less than \$50 million. All tax expenditure estimates are forward looking and do not reflect actual foregone revenue associated with the provision. All tax expenditure estimates are from the JCT, unless noted.
a. Estimate from the Treasury’s tax expenditure publication; estimate is \$10 million per year or \$50 million over 5 years.

Other Tax Provisions Important to the Oil and Gas Industry

Many features of the U.S. tax system affect oil and gas industry taxpayers, beyond the more targeted tax expenditure provisions. As a capital-intensive industry, the oil and gas sector benefits from provisions that allow immediate expensing or bonus depreciation. Full expensing (100% bonus depreciation) is in effect through 2022, after which it begins to phase out (reaching 0% by 2027). Because the industry often relies on debt to finance investment, limits on net interest expense deductions might increase tax burdens for some taxpayers in the industry. Volatility in oil prices can cause oil and gas companies to experience a net operating loss (NOL). Provisions that relax NOL carryback rules or allow NOL carryforwards to be more generous can provide tax relief. The ability to use last-in, first-out (LIFO) inventory accounting methods can be beneficial to the oil and gas sector, particularly when



oil prices are rising. Finally, many oil and gas companies are multinationals with cross-border operations. Thus, the tax treatment of foreign-source oil and gas income is important to U.S. oil and gas companies.



CHAIR PASCRELL'S LETTER

The text of Chair Pascrell's letter is below.

Dear NAME,

While it is bad enough American drivers are facing record high gas prices as Vladimir Putin conducts an illegal invasion of Ukraine, it is unpatriotic and unconscionable for any corporation to use the ongoing conflict as cover to gouge drivers even more. Consequently, as Chairman of the Ways and Means Subcommittee on Oversight, I write to inquire whether COMPANY is using federal tax benefits and manipulating our tax laws to reward shareholders with large dividends and stock buybacks, while pocketing record profits and simultaneously jacking up gas prices for American drivers.

In the first three quarters of 2021, the 24 top oil and gas companies around the world made a combined \$174 billion in net income, with COMPANY raking in NUMBER. Since that time, average retail gasoline prices have steadily risen from around \$2 per gallon in December 2020 to approximately \$4.10 per gallon in March 2022. (footnote omitted). As these record profits for your company occurred, I understand in 2020 your compensation was at least NUMBER and that your company has engaged, or has made plans to engage, in massive stock buybacks and shareholder dividend increases.

The Biden administration has estimated that ending current tax credits, deductions and other special provisions that are targeted towards encouraging oil, gas, and coal production would generate an additional \$35 billion in federal tax revenue over the 10-year budget window. (footnote omitted). Under broader corporate and international tax reform, the Biden administration has also proposed modifications to the tax treatment of foreign fossil fuel income that is estimated will generate an additional \$86.2 billion over the 10-year budget window. The Biden administration has also ensured federal policies are not limiting our energy production within the United States by approving essential domestic production permits. At a time of record profits for the oil and gas industry, American taxpayers are entitled to know how much benefit COMPANY receives under special oil and gas provisions of the tax code as well as the tax cuts and other advantageous changes made by the Tax Cuts and Jobs Act of 2017 (TCJA).

To better understand how COMPANY benefits from the federal tax code at a time when our country needs increased production or reinvestment of profits to meet the expected energy demand from society's reemerging from COVID-19 and recent world events with Russia's unprovoked invasion of Ukraine, please respond to the following questions by DATE:

1. Please detail the federal oil and gas tax incentives COMPANY has received for the last decade. Please include the total value for each fiscal year for each of the following tax incentives, if applicable:



- a. the enhanced oil recovery credit for eligible costs attributable to a qualified enhanced oil recovery project;
- b. the credit for oil and gas produced from marginal wells;
- c. the expensing of intangible drilling costs;
- d. the deduction for costs paid or incurred for any tertiary injectant used as part of a tertiary recovery method;
- e. the use of percentage depletion with respect to oil and gas wells;
- f. expensing of exploration and development costs;
- g. percentage depletion for hard mineral fossil fuels;
- h. capital gains treatment for royalties;
- i. the Oil Spill Liability Trust Fund excise tax exemption for crude oil derived from bitumen and kerogen rich rock; and
- j. accelerated amortization for air pollution control facilities.

2. Please provide total investment in additional oil and gas production that COMPANY has undertaken in the past ten years.

3. Please detail what tax savings the TCJA conferred on COMPANY. Has COMPANY engaged in stock buybacks or dividend increases since the enactment of TCJA and if so, how do they compare to such activity prior to TCJA, going back ten years? If so, please detail the value of each for each fiscal year.

4. Please outline if COMPANY has lobbied the federal government for policies to lower its taxable income or incentivize buybacks. If so, please quantify the amount spent.

5. Please confirm and detail your total compensation for each of the past ten fiscal years.

6. Please confirm if your company has ceased all operations and divested of all financial interests in Russia. If not, please explain.

7. How has your company invested in renewable resources to ensure a global commodity controlled in part by foreign nations and their leaders is not abused as an economic weapon? How much has your company invested?

As the Ukrainian people suffer grievously from Russian aggression, and Americans finally begin to resume their ordinary lives, this is a particularly egregious moment for big businesses to gouge their customers to reward COMPANY's executives and investors. No firm should be profiteering during Europe's darkest hour since 1945. Therefore, I look forward to your prompt response and working together to ensure COMPANY is not using Putin's illegal war as an excuse for anti-social and immoral corporate behavior. Thank you for your urgent attention to this matter.

All 11 companies responded to Chair Pascrell's inquiry. Subcommittee staff has summarized the responses to certain questions below.



STAFF SUMMARY OF RESPONSES RELATED TO CERTAIN OIL AND GAS TAX INCENTIVES AND THE IMPACT OF THE TCJA

In the letter to the oil companies, the Chair noted that American taxpayers need to know the extent to which companies are benefitting from special oil and gas tax provisions in the Internal Revenue Code (Code) as well as the tax cuts and other changes made by the Republican-passed TCJA.

Oil and Gas Tax Incentives. With respect to utilization of the tax incentives in the Code for the oil and gas industry, the responses were varied. None of the companies reported utilizing tax incentives providing for capital gains for certain royalties or accelerated amortization of pollution control facilities.

Staff learned that the tax provisions most frequently utilized by the respondents were the enhanced oil recovery (EOR) credit, the credit for oil and gas produced from marginal wells, and the optional allowance of expensing for IDCs. Five companies noted using the credit for EOR and the credit for oil and gas produced from marginal wells at some point during those years when it was available (2016, 2017, 2018, and 2021). With respect to the expensing of IDCs, the responses varied. Two companies noted that the expensing of IDCs has been taken every year over the ten-year period requested. One company noted that it benefited from expensing, but it did not provide yearly information. Others reported the expensing of IDCs provided no benefit for a variety of reasons: one company was in a “tax loss position” and two companies do not benefit from the listed tax provisions because they are midstream energy companies (e.g., they transport fuel, rather than extract it). One company noted that it has a “history of sometimes utilizing the IDC expensing option and sometime not, most of the time opting instead to capitalize and amortize the costs over time” and also stated that “had the expensing option never existed, amortization from the capitalized IDC would be available to reduce future tax liabilities.” Since two of the companies are large integrated companies, they responded to the Chair that current law provides for their expensing of 70 percent of total IDCs with the remaining 30 percent amortized over five years.

Finally, there was some, but little, reported use of the Code provisions related to: percentage depletion for oil and gas wells; expensing exploration and development costs (other than claiming expensing for IDCs); percentage depletion for hard mineral fossil fuels (only one company used this incentive during the specified time period); and the exemption to the Oil Spill Liability Trust Fund excise tax for crude oil derived from bitumen and kerogen-rich rock. Finally, one company simply referenced materials that show, generally, it claimed accelerated depreciation and tax credits during the specified time-period.



TCJA. The summary of the responses related to the impact of the TCJA are below.

Company	Response Regarding Impact of the TCJA
Company A	No direct response. References tax report for 2020 and no discussion specific to TCJA therein.
Company B	[Company B] had a one-time “US GAAP earnings benefit of [] billion, which primarily reflects the re-measurement of U.S. deferred tax assets and liabilities associated with the change in the corporate tax rate as modified by TCJA.”
Company C	No response.
Company D	“With regard to TCJA, the only benefit [Company D] has utilized is the full expensing for tax purposes of qualified property the year the asset was placed into service. However, due to [Company D’s] large tax loss carryforward position, the accelerated use of these expenditures for tax purposes provided [Company D] little to no tax benefit in this period.”
Company E	[Company E] “received no cash tax savings nor incurred any net cash tax costs due to the changes in TCJA.” Company E reported a mix of tax benefits and detriments under TCJA offset each other.
Company F	<p>“In 2017, [Company F] recognized a provisional, noncash tax benefit of [] million, which is included as a component of its 2017 income tax expense, primarily related to the revaluation of deferred taxes at the lower 21 percent federal statutory rate.”</p> <p>“We have not obtained cash tax savings resulting from the TCJA. Although we do anticipate the TCJA will provide cash tax savings in the future primarily because of the reduced U.S. federal statutory rate. We generated significant U.S. tax losses resulting primarily from low oil prices in 2015, 2016, 2017 and 2020.”</p>
Company G	<p>“It is important to note that the TCJA was not specific to oil and gas companies. In addition, some TCJA provisions were unfavorable to taxpayers. For instance, [Company G] recognized approximately [] million of income due to newly enacted GILTI provisions.”</p> <p>“[Company G] has generated or utilized net operating losses since enactment due to low commodity pricing. Therefore, [Company G] has not realized any cash tax savings directly related to the rate change for the applicable tax years.”</p> <p>[Company G] also “reported a deemed repatriation of [] billion, offset by a [] billion deduction. [Company G] also generated [] million of deemed paid foreign tax credits related to the repatriation. [Company G] has not yet received the cash tax benefit of the deduction or credits.”</p>
Company H	“In the first four years of the TCJA [Company H] paid higher taxes as a result of its tax provisions. In 2021, we benefitted from its immediate expensing measures, largely as a direct result of our infrastructure spend”



Company	Response Regarding Impact of the TCJA
Company I	“Since the TCJA’s enactment in 2017, [Company I] has had net operating losses in each taxable year and, therefore, has not benefitted from the reduction in corporate income tax rates provided by the TCJA. [Company I] received AMT refunds of [] million.”
Company J	“[Company J] has not seen a tax benefit from the Tax Cuts and Jobs Act. Even though [Company J] was in a tax loss position, due to certain minimum tax provisions in the Act, [Company J] paid more than [] million in additional taxes following enactment of the statute. [Company J] expects a similar effect with respect to its 2021 return to be filed this year.”
Company K	“Following the December 22, 2017 enactment of the U.S. Tax Cuts and Jobs Act, [Company K] included a total [] million non-cash credit in its 2017 and 2018 results representing a reasonable estimate of the income tax effects of the changes in the tax law and tax rate.”



STAFF SUMMARY OF RESPONSES RELATED TO GAS PRICES

In the letter to the oil companies, the Chair asserted that “it is unpatriotic and unconscionable for any corporation to use the ongoing conflict as cover to gouge drivers even more.” The Chair then asked whether each company “is using federal tax benefits and manipulating our tax laws to reward shareholders with large dividends and stock buybacks . . . while pocketing record profits and simultaneously jacking up gas prices for American drivers.”

Nine of the 11 oil companies addressed the price of gas in their responses and stated that they do not set the price of gas to consumers. The detailed responses are below.

Company	Response Regarding Gas Prices
Company A	“Russia’s invasion has significantly contributed to the increase in global oil and natural gas prices. As you know, prices at the pump are affected by costs of fuels on the global market. Highly cyclical, these costs have risen sharply since the invasion. Prices also reflect costs related to logistics, transportation, taxes and compliance with government mandates. As each location has different circumstances, there is often variation in price.”
Company B	No response.
Company C	No response.
Company D	“Our products are traded at open exchanges in the US, [], where market balances and financial positions combine to determine prices. The increase in prices over the last several months is driven by underlying market fundamentals. This includes supply challenges, rising demand following relaxation of Covid restrictions, historically lower investments in production capacity, and signals from energy and climate policies resulting in the tightening of balances.”
Company E	<p>“Prices that govern the commodity end of the oil and gas value chain are dictated by global commodity markets and the contracts that govern our transactions are linked to indexed prices. We exercise no control over the prices we charge for our products in the wholesale market. We are a commodity price taker and thus bear significant financial risk directly related to the volatility of those commodity markets.”</p> <p>“In closing, let me return to the primary point in your letter. Your letter asked, ‘whether [Company E] is using federal tax benefits and manipulating our tax laws to reward shareholders with large dividends and stock buybacks, while pocketing record profits and simultaneously jacking up gas prices for American drivers.’ The answer to that question is demonstrably and unequivocally ‘no.’”</p>



Company	Response Regarding Gas Prices
Company F	<p>“We do not manufacture gasoline, diesel, or other refined products, and we are not involved in pricing these products in the wholesale or retail markets.</p> <p>Crude oil and natural gas are traded in the global marketplace and their prices are determined by global supply and demand. [Company F] is a price-taker in this global market. We do not set the price of crude oil or natural gas. We sell what we produce at the market price at the time of the sale. Gasoline prices tend to follow the international Brent crude oil price. According to the American Petroleum Institute (API), 56 percent of the price of gasoline is attributable to the price of crude oil. Refining, distribution, marketing, taxes, and refining costs make up the remainder.”</p>
Company G	<p>“Numerous factors play a role in the price of any product – the availability of workers and supplies, the reliability of transportation, a set supply chain, and much more. For our industry specifically, the price of gasoline is set by a complex global market, and as the past two years have demonstrated, the global oil market went from an all-time low in April of 2020 to an all-time high last month. We simply do not set or ‘jack up’ the price on the energy we produce. It is set by a market with varying influencing factors we do not control.”</p>
Company H	<p>“[Company H’s] role in the energy value chain is as a transporter of energy: we move energy supply to where it is needed, safely and reliably. . . . We have no role or accountability for setting consumer prices for petroleum products.”</p>
Company I	<p>“[Company I] is solely an upstream company that explores for, develops, and produces oil, natural gas, and natural gas liquids exclusively on private lands. These products are purchased by refiners, manufacturers, and utilities at prices determined by international markets based on global supply and demand fundamentals. [Company I] does not refine its oil and gas commodities, produce or sell gasoline, or operate retail gasoline stations.”</p>
Company J	<p>“Because oil is a global commodity, [Company J] does not set or control the price of oil. Similarly, [Company J] does not set or control the price that consumers pay for retail gasoline. Nearly all of the [Company J]-branded retail stations in the United States are owned by independent operators who set their own prices in the marketplace. Numerous government and nongovernmental examinations have concluded that crude oil prices are the primary factor in determining gasoline prices.” (footnote omitted).</p>
Company K	<p>“To be clear, we do not control the price of a barrel of oil, or a gallon of gas at the pump. The market establishes the price based on available supply, and the demand for that supply. Continued investment in new production to offset depletion and meet growing demand is the only way to achieve balanced markets and more affordable prices, bringing real relief at the pump.”</p>



STAFF SUMMARY OF RESPONSES RELATED TO STOCK BUYBACKS AND DIVIDEND INCREASES

In the letter to the oil companies, the Chair indicated that, “[i]n the first three quarters of 2021, the 24 top oil and gas companies around the world made a combined \$174 billion in net income.” The Chair asked each company if they have “engaged in stock buybacks or dividend increases since the enactment of TCJA and if so, how do they compare to such activity prior to TCJA”

Nine out of the 11 companies answered this question in their responses and reported that they have engaged in some sort of buyback over the past ten years. Two companies did not directly answer this question in their response to the Chair. However, both companies have publicly reported engaging in stock buybacks this year.

The detailed responses are below.

Company	Response Regarding Stock Buybacks and Dividend Increases
Company A	No direct response.
Company B	<p>“[Company B’s] decision to return value to our shareholders through share repurchase is not one that we tie to our income tax obligations. [Company B] has four consistent financial priorities: maintain and grow dividend; fund [Company B’s] capital program; maintain a strong balance sheet; and return surplus cash to shareholders. We return surplus cash to shareholders only after the first three priorities have been satisfied.”</p> <p>Company B also included a summary of its dividends and share repurchases.</p>
Company C	No direct response.
Company D	Company D linked to their 2021 annual report, which showed dividends paid and stock buybacks.
Company E	<p>“Under the oil price environment outlined above for the ten-year period ended Dec. 31, 2021, under Generally Accepted Accounting Principles, and as required under SEC reporting requirements, [Company E] reported an aggregate net loss of [] billion. While some may believe [Company E] shareholders are benefiting today from lavish dividends and share buybacks, the reality is the last ten years have been particularly painful for our shareholders. Over this ten-year period, our shareholders lost [] billion in total equity value, as measured by the trading price of [Company E] shares. During that same time, we have returned [] billion to shareholders in the form of dividends and share buybacks; repaying only a fraction of what they have lost.”</p> <p>Company E also included a summary of its dividends and share repurchases.</p>



Company	Response Regarding Stock Buybacks and Dividend Increases
Company F	<p>“As it relates to whether [Company F] has paid dividends or offered stock buybacks to our shareholders, we do pay dividends and have offered stock buybacks, however this has no impact on the price of gasoline.</p> <p>....</p> <p>[Company F] has maintained a dividend policy and a stock buyback program, which was established prior to the enactment of the TCJA. The execution of our capital return program is subject to certain conditions. . . . we have regularly engaged in stock buybacks repurchasing at prevailing market prices. We intend to continue delivering a sustainable, growing ordinary dividend.”</p>
Company G	<p>“With regard to the payment of dividends, other than potentially impacting the amount of money available to be considered for returning as a fixed dividend or a variable dividend to shareholders, the TCJA has not impacted [Company G's] dividend payment practice. It should be noted that [Company G] has paid a fixed dividend every quarter for 29 years. This obviously predates the TCJA.”</p> <p>Company G included a summary of its stock buybacks and dividends paid.</p>
Company H	<p>“Furthermore, any tax benefits to be derived from the TCJA will in large part be reinvested back into our business.”</p>
Company I	<p>Company I included a summary of its dividends and share repurchases.</p>
Company J	<p>“[Company J's] policy related to share repurchase and dividends are unrelated to any tax savings. . . . Further, [Company J's] quarterly dividend per share has been reduced by roughly []%, on a net basis, since implementation of the Act.”</p>
Company K	<p>“Beginning in the first quarter of 2022, [Company K] initiated stock buybacks of up to [] billion over a 12 to 24 months period.”</p> <p>Company K also provided an overview of its stock buybacks and dividends per share.</p>



STAFF SUMMARY OF RESPONSES RELATED TO INVESTMENTS IN RENEWABLE RESOURCES

Investments in renewable energy would dramatically cut American dependence on foreign oil and gas.[10] These investments would insulate American households from future price shocks in the fossil fuel market.[11] Direct investments in American clean energy production are essential not only to protect our climate, but also to save taxpayers money.[12]

In the letter to the oil companies, the Chair asked, “How has your company invested in renewable resources to ensure a global commodity controlled in part by foreign nations and their leaders is not abused as an economic weapon? How much has your company invested?”

The detailed responses are below.

Company	Response Regarding Investments in Renewable Resources
Company A	<p>“We are committed to our strategy and our plans to use oil and gas revenues to finance major investments – in low and zero-carbon products as well as resilient hydrocarbons – to help transition our company to net zero and help the world get there too.”</p>
Company B	<p>“Building on its strengths, the company has set the following 2030 growth targets for its new energy businesses:</p> <ul style="list-style-type: none"> • Grow renewable natural gas production . . . to supply a network of stations serving heavy duty transport customers; • Increase renewable fuels production capacity . . . to meet growing customer demand for renewable diesel and sustainable aviation fuel; • Grow hydrogen production . . . to supply industrial, power and heavy duty transport customers; and • Increase carbon capture and offsets . . . by developing regional hubs in partnership with others. <p>To achieve this scale, the company is also investing more than [] billion between 2021 and 2028, including [] billion to lower the carbon intensity of [Company B] operations.”</p>
Company C	<p>“At [Company C], we are committed to meeting the world's energy needs while lowering the carbon intensity of our operations and the products we manufacture. We continue to invest and grow the volume of renewable fuels we produce and work to deploy emerging technologies that reduce our environmental impact while enhancing business performance.”</p>

[10] <https://rmi.org/clean-energy-development-could-save-billions/>

[11] *Id.*

[12] *Id.*



Company	Response Regarding Investments in Renewable Resources
Company D	<p>"[Company D] is growing its investments in renewable energy to realize its strategy to be a leader in the energy transition. [Company D's] ambition is to have installed capacity . . . by 2030; investing more than [] billion in renewables towards 2026. [Company D] currently has offtake agreements in the US for . . . offshore wind power, representing more than [] of the Biden Administration's 30 GW by 2030 goal . . . [Company D] and its strategic partner for US offshore wind [] are currently evaluating opportunities in future offshore wind lease sales. To accelerate the development of this industry, [Company D] supports the climate and energy tax provisions that are part of the Reconciliation package, particularly the 100% direct pay component for the ITC."</p>
Company E	<p>"Made investments over the years to diversify our power generation sources across our operations. In our U.S. field operations . . . we have begun transitioning from generator-based power to solar power and/or electrification. By connecting to the grid, we benefit from the substantial renewable generation in the [] power grid. In our international field operations, we have historically focused on power consumption reduction and on switching from diesel-fired to natural gas-fired power generation. In addition, we are presently analyzing opportunities to support field electrification with solar, wind and/or hydrogen power."</p>
Company F	<p>"We are committed to meeting the triple challenge of taking action on climate-related risk, improving lives by meeting society's demand for energy and making sustainable financial investments."</p> <p>"[Company F] believes that managing climate change-related risks and energy transition opportunities is foundational to the long-term value of our business. That is why we adopted our . . . in 2020 and have continued to adjust it to reflect our changing asset base.</p> <p>In early 2021 we established, and continue to expand, a multi-disciplinary . . . organization within our company. Its remit is to develop the corporate net-zero roadmap for Scope 1 and 2 emissions, understand the new energies landscape, and prioritize opportunities for future competitive investment. We are in our first full year of this new effort, and as such have not externally announced specific investments up to now. Approximately [] million of the company's 2022 capital budget is allocated toward energy transition efforts across our global operations."</p>



Company	Response Regarding Investments in Renewable Resources
Company G	<p>“The short answer to the question as phrased, is never. The energy transition and the development of renewable sources of energy is a global project being undertaken to address climate change. The success of this work may have a meaningful impact on the use of a commodity as a weapon. This notwithstanding, [Company G] has recently created a . . . team tasked with investigating numerous possible business transactions in the energy space including renewables. To the extent [Company G] undertakes a renewables project it will be at least in part with a goal of addressing its ESG goals that relate to the ongoing energy transition occurring in the United States.”</p>
Company H	<p>“Addressing energy security and affordability – both globally and here at home – while investing in the energy transition is a critical priority for policymakers and for market participants alike. . . . [Company H] is building a bridge to a cleaner energy future, contributing to an energy transition that carefully considers impacts on communities, the environment, and consumers. In 2020, we . . . set a goal to achieve net zero greenhouse gas emissions by 2050, aligned to the Paris Agreement and with performance tied to executive compensation. (footnote omitted). We have, and continue to evolve, emissions reduction action plans across all of our businesses towards net zero and our interim goal to reduce emissions intensity by []% by 2030.</p> <p>[Company H] is also a generator of energy through our growing renewable power business, with wind and solar operations across North America and offshore wind in []. We were an early adopter of wind and solar and to date we’ve committed more than [] billion to renewable energy and power transmission projects. Collectively, our renewable energy projects in operation or under construction have the capacity to generate [] megawatts (MW) gross of zero-emission energy [] which is just under the entire state of New Jersey’s renewable MW production.” (footnote omitted).</p>
Company I	<p>“[Company I] has invested considerable time and resources over the past several years in the development of renewable resources. [Company I] has partnered in both a wind and a solar power project in [] that will generate renewable electricity that [Company I] will utilize in its operations</p> <p>Additionally, [Company I] has committed to invest [] million, with an option to invest additional capital, in investment funds focused on energy transition technology ventures.”</p>



Company	Response Regarding Investments in Renewable Resources
Company J	“[Company J] is strongly committed to the urgent need to address climate change, including investments in lower-carbon energy sources. [Company J’s] commitment to renewable investments is reflected in its [] strategy. [Company J] focuses its renewable investment on new fuels for transport, such as advanced biofuels, hydrogen and charging for battery-electric vehicles, and power, including from natural gas and lower carbon sources such as wind and solar. Notable recent examples include [Company J’s] recent acquisition of solar and energy storage provider []; the company’s substantial wind power investments and partnerships in [] and offshore [] and [], such as the recent winning bids; . . . and renewable natural gas ventures in. . . . Under its [] strategy, [Company J] plans globally investments in its renewables and energy solutions segment of around [] billion annually. In 2022, [Company J] expects that [] of its operating and capital expenditures will go toward energy transition including renewables and energy solutions; carbon capture, utilization, and storage; nature-based solutions; and downstream energy transition resilient activities.”
Company K	“[Company K] procures renewable power as appropriate through Power Purchase Agreements (PPAs). [Company K] spent [] million in 2021 on PPAs. Over the past two decades, [Company K] has invested more than [] billion to research, develop and deploy lower-emission energy solutions. Over the next six years, we plan to invest more than [] billion on initiatives to lower greenhouse gas emissions.”



**APPENDIX A: CONGRESSIONAL RESEARCH
SERVICE MEMORANDUM TO REPRESENTATIVE
BILL PASCRELL PROVIDING “BACKGROUND
INFORMATION: OIL AND GASOLINE
PRODUCTION AND PRICES,” (JULY 19, 2022).**



MEMORANDUM

July 19, 2022

To: Representative Bill Pascrell
Attention: Chris Hadad

From: Phillip Brown, Specialist in Energy Policy, pbrown@crs.loc.gov, 7-7386
Raj Gnanarajah, Analyst in Financial Economics, rgnanarajah@crs.loc.gov, 7-2175

Subject: Background Information: Oil and Gasoline Production and Prices

This memorandum responds to your request for background information about gasoline prices, price effects resulting from Russia's invasion of Ukraine, business activities in the U.S. oil sector, U.S. crude oil production, U.S. refining capacity and utilization, U.S. petroleum imports and exports, financial information for 11 oil companies identified in your request, and federal actions aimed at lowering U.S. retail gasoline prices.

Please note, information contained in this memo may be used in other CRS products. However, the nature of your specific request will remain confidential.

Background on U.S. Gasoline Prices and Production

Gasoline and other petroleum product prices paid by U.S. consumers are a function of numerous market and financial variables.¹ Prices for crude oil, gasoline, and other petroleum products are linked to commodity futures (e.g., West Texas Intermediate crude oil, Brent crude oil, and Reformulated Blendstock for Oxygenate Blending, RBOB) as well as oil/product benchmarks and physical spot trades published by price reporting agencies (PRAs, such as S&P Platts and Oil Price Information Service).² Generally, futures contract prices influence physical spot prices and vice versa with the two expected to converge over time. Additionally, charges for transportation (i.e., pipeline, barge, rail, and truck), consumer delivery, and federal/state taxes and fees are included in prices reflected at gasoline service stations.

The U.S. Energy Information Administration (EIA) provides monthly, national-level retail gasoline prices and the relative contribution of four price components: (1) Crude oil, (2) Refining, (3) Distribution & Marketing, and (4) Taxes.³ Generally, each category's relative gasoline price contribution changes over time. For the May 2022 national average retail price of \$4.44 per gallon, crude oil contributed 59%,

¹ U.S. Energy Information Administration (EIA), "What Drives Petroleum Product Prices?," at <https://www.eia.gov/finance/markets/products/>.

² Reformulated Blendstock for Oxygenate Blending (RBOB) is motor gasoline blending components that are blended with oxygenates, such as ethanol, into finished reformulated gasoline.

³ EIA, *Gasoline and Diesel Fuel Update*, at <https://www.eia.gov/petroleum/gasdiesel/>, accessed June 29, 2022.

refining 26%, distribution & marketing 5%, and taxes 11%.⁴ Following is a brief overview of each price component.

Crude Oil

Crude oil is generally the largest contributor to U.S. gasoline prices. Prices for both commodities tend to be closely correlated.⁵ EIA's approach for estimating crude oil's contribution to gasoline prices is based on a monthly average refiner acquisition cost (RAC) of crude oil, which includes domestic purchases, import purchases, transportation charges, and other delivery fees.⁶ The RAC closely tracks calendar monthly average front-month futures prices, which are the basis for many physical crude oil spot transactions. Crude oil futures are traded on regulated exchanges by commercial (e.g., refineries, oil producers) and non-commercial (e.g., financial institutions) entities. The globally integrated nature of physical crude oil trade (imports and exports) results in futures price discovery, spot prices, and RACs being influenced by world economic conditions, geopolitical events, and other circumstances that might affect global oil supply and demand balances.

Refining

EIA estimates refining costs and profits, and their relative contribution to gasoline prices, by subtracting the crude oil price component (discussed above) from the calendar monthly average spot price of gasoline. Gasoline spot prices represent the wholesale price of gasoline, which is used as a proxy for the value of gasoline leaving a refinery. EIA provides gasoline spot price information for three U.S. locations: (1) New York Harbor, (2) U.S. Gulf Coast, and (3) Los Angeles.⁷ Spot gasoline prices are directly linked to RBOB futures, which serve as the basis for many physical spot transactions. Much like crude oil, RBOB futures are traded on regulated exchanges and prices are influenced by world market conditions and geopolitical events.

Distribution and Marketing

Distribution and marketing costs represent charges associated with transporting gasoline from a refinery to a distribution terminal, storing gasoline, blending gasoline as needed, and transporting gasoline from the distribution terminal to retail gasoline stations. EIA does not publish distribution and marketing cost data. Rather, these costs are estimated by subtracting crude oil, refining, and tax price components from monthly national average retail gasoline prices obtained from EIA surveys.

Taxes

Taxes and fees at both the federal and state levels are applied to gasoline sales. Effectively, these taxes and fees are passed through to consumers. As of January 2022, federal taxes/fees were \$0.184 per gallon and state taxes/fees averaged \$0.3102 per gallon.⁸

⁴ Ibid. May not sum to 100% due to rounding.

⁵ For additional information, see: EIA, *Gasoline and Diesel Fuel Update: Gasoline Pump Components History*, at https://www.eia.gov/petroleum/gasdiesel/gaspump_hist.php.

⁶ For additional information, see: EIA, *Gasoline and Diesel Fuel Update: Methodology for Gasoline and Diesel Fuel Pump Components*, at https://www.eia.gov/petroleum/gasdiesel/pump_methodology.php.

⁷ For additional information, see: EIA, *Spot Prices*, at https://www.eia.gov/dnav/pet/pet_pri_spt_s1_d.htm.

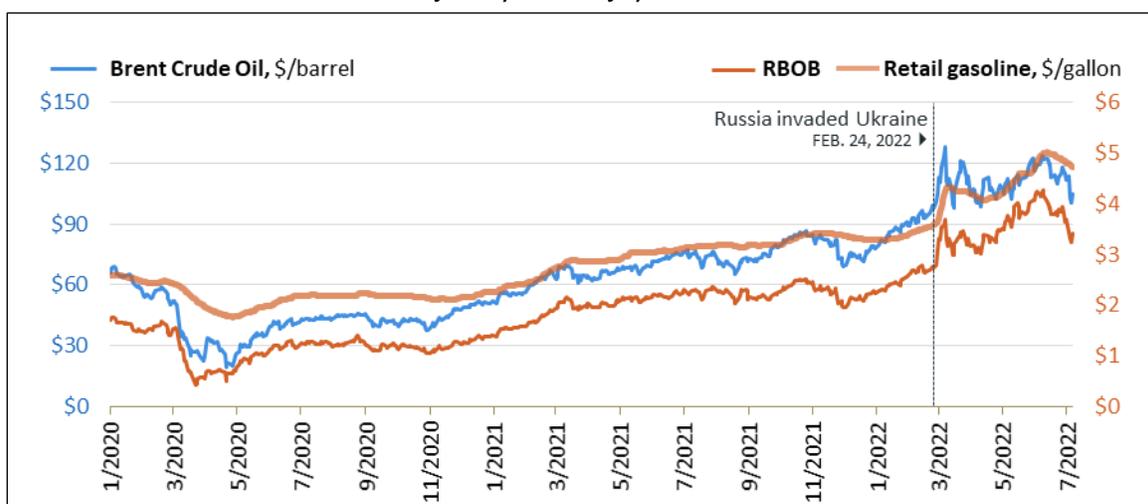
⁸ For additional information, see: EIA, *Federal and State Motor Fuel Taxes*, at <https://www.eia.gov/petroleum/marketing/monthly/xls/fueltaxes.xlsx>.

Price Effects from Russia's Invasion of Ukraine

Russia's invasion of Ukraine resulted in a high degree of uncertainty with respect to a large source of global petroleum supply, at a time when oil markets were undersupplied (consumption exceeded production), commercial inventories were declining, and prices had been trending upward since mid-2020 (see **Figure 1**). Russia is currently one of the largest crude oil producing countries, with production of approximately 10.5 million barrels per day in 2021.⁹ Russia is also a large petroleum exporter, including approximately 7.5 million barrels per day of crude oil and petroleum product exports in 2021.¹⁰ Immediately following Russia's military invasion, markets reflected uncertainty about the continuity of Russian supply. Crude oil, wholesale gasoline, and retail gasoline prices escalated rapidly. Prices exhibited high levels of intra-day volatility, and have—as of July 7, 2022—come off their recent highs as Russia's petroleum exports have remained near pre-invasion levels amidst growing concerns about global economic conditions. At this time, however, short-term price outlooks and projections are highly uncertain.

Figure 1. Crude Oil, RBOB, and Retail Gasoline Prices

January 2, 2020–July 7, 2022



Source: CRS, data from Bloomberg L.P.

Notes: RBOB = Reformulated Blendstock for Oxygenate Blending. Daily RBOB prices are settlement prices at New York Harbor. Retail gasoline prices are national average prices reported by the American Automobile Association (AAA).

Background on the U.S. Oil Sector

Producing more crude oil than any country in 2021 (more than 11 million barrels per day), the U.S. oil sector is one of the largest in the world. Activities within the oil sector generally fall into one of three categories: (1) Upstream, (2) Midstream, and (3) Downstream.

Upstream

Upstream primarily consists of crude oil exploration and production (E&P) activities. E&P companies acquire or lease land and mineral rights, secure all necessary operating permits and utility access (e.g., water and electricity), conduct geological assessments to determine oil resource potential, drill

⁹ BP, *Statistical Review of World Energy 2022*, June 2022.

¹⁰ International Energy Agency, *Oil Market Report*, June 2022.

exploratory wells, arrange financing for oil production activities, contract with oilfield service companies for drilling and well completion work, manage production schedules, and market, sell, and arrange for delivery of crude oil, associated natural gas, and other petroleum commodities (e.g., natural gas liquids).

Midstream

The midstream segment generally consists of transportation and storage of crude oil and refined petroleum products. Upstream crude oil production must be delivered to refineries that convert oil into consumer fuels such as gasoline and diesel fuel. While pipelines are the most common transportation mode, crude oil is also transported by tanker, barge, rail, and truck. During the journey from wellhead to refinery, crude oil is often stored for a period of time in commercial storage tanks. Storage provides the oil sector with flexibility to manage supply/demand imbalances that can result from refinery outages, abrupt demand changes (e.g., COVID-19), and sudden supply changes (e.g., hurricanes and geopolitical events).

Downstream

The downstream segment of the oil sector consists of refining, distribution, marketing, and retail fuel sales. Refineries convert crude oil into petroleum products, including motor gasoline, distillate fuel oil (i.e., diesel fuel), jet fuel, and various other products. Petroleum products, such as gasoline, are generally transported by pipeline, tanker, barge, rail, or truck to distribution terminals located throughout the country. Generally, distribution terminals sell gasoline and schedule deliveries, mostly by truck, to retail service stations, where consumers purchase the fuel.

Company Activities in the U.S. Oil Sector

Your request identified 11 companies that received a letter from Chairman Pascrell requesting financial, investment, and tax information. You also requested information about U.S. business activities for each company, including identification of vertically integrated companies (i.e., companies with business operations spanning the entire petroleum value chain). Companies with activities in each category—upstream, midstream, and downstream—are generally considered to be vertically integrated. **Table 1** includes an assessment of each company’s business activities within upstream, midstream, and downstream oil sector categories. This assessment is limited to a review of public information about each company’s core business operations. Economic and other non-operational interests each company might have in other sector categories are not considered.

Table 1. U.S. Oil Sector Activities by Company

	Upstream	Midstream	Downstream
APA	Yes	--	--
BP	Yes	Yes	Yes
Chevron	Yes	Yes	Yes
ConocoPhillips	Yes	Yes	--
Devon Energy	Yes	--	--
Enbridge	--	Yes	--
Equinor	Yes	--	--
ExxonMobil	Yes	Yes	Yes
Marathon Petroleum	--	Yes	Yes
Pioneer Natural Resources	Yes	--	--

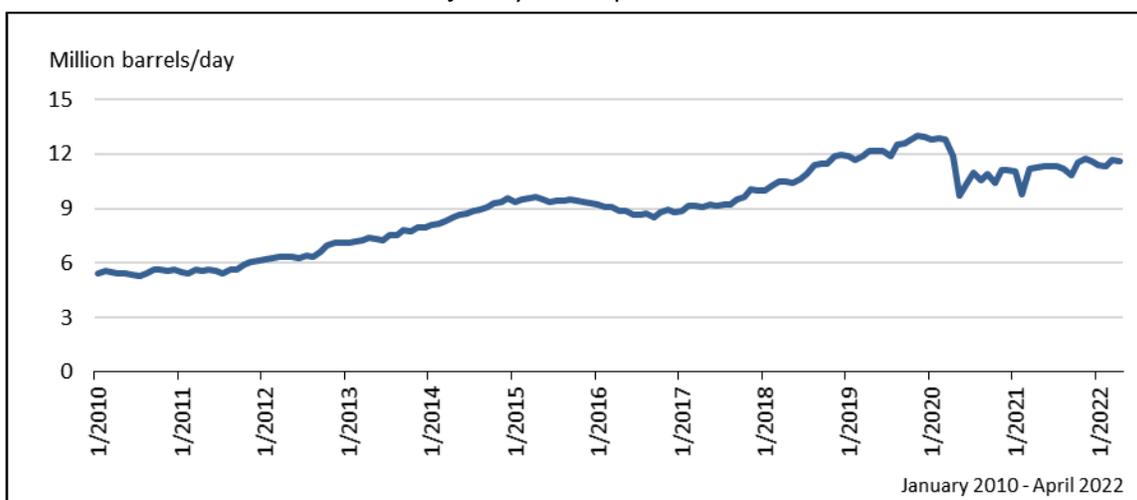
	Upstream	Midstream	Downstream
Shell	Yes	Yes	Yes

Source: CRS

U.S. Oil Production

Crude oil production in the United States more than doubled between January 2010 and March 2020 (see **Figure 2**). This production increase of more than six million barrels per day resulted from commercial application of new production technologies such as horizontal drilling and hydraulic fracturing. Oil production declined in 2020 in response to demand-related effects from COVID-19 mitigation measures. Production has generally trended up since spring 2020, but has not yet returned to pre-pandemic levels. However, the EIA projects U.S. crude oil production will exceed pre-pandemic levels by the end of calendar year 2023.¹¹

Figure 2. U.S. Crude Oil Production
January 2010-April 2022



Source: CRS, data from the U.S. Energy Information Administration

U.S. Refining Capacity and Utilization

Oil refining capacity—representing petroleum throughput capacity of atmospheric crude distillation units—in the United States had been trending upward between 2013 and early 2020, rising by more than one million barrels per day (see Operable Refining Capacity in **Figure 3**).¹² However, operable refining capacity has since declined by approximately one million barrels per day to less than 18 million barrels per day as of April 2022. Reductions in U.S. refining capacity have been attributed to multiple factors, including COVID-19 effects on petroleum product demand, refinery damage from accidents and natural disasters, and decisions to convert refining facilities to produce renewable fuels.¹³

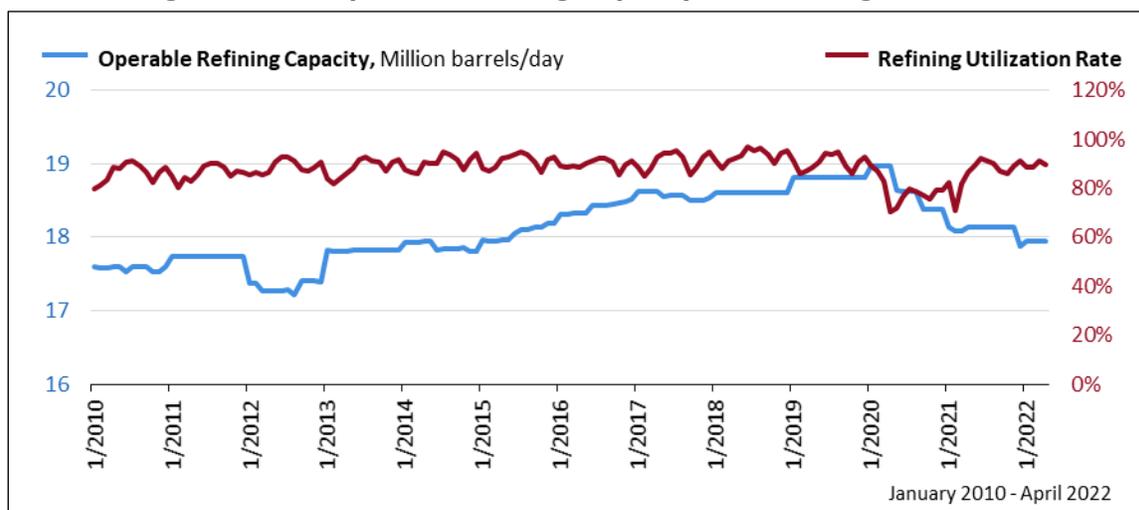
¹¹ EIA, *Short-Term Energy Outlook*, June 2022.

¹² For general information about oil refining, see: EIA, “Oil and petroleum products explained: Refining crude oil,” at <https://www.eia.gov/energyexplained/oil-and-petroleum-products/refining-crude-oil-the-refining-process.php>.

¹³ For additional information, see: U.S. Energy Information Administration, *This Week in Petroleum*, “U.S. refinery capacity decreased for second consecutive year,” June 23, 2022.

Refinery utilization rates (see Refining Utilization Rate in **Figure 3**)—ratio of petroleum processed by crude distillation units compared to the operable capacity of those units—generally ranged between 80% and 95% from January 2010 through March 2020. Refinery utilization dropped to approximately 70% in April 2020 as refiners responded to demand impacts from COVID-19. Utilization has since increased to the 90% range as of April 2022.

Figure 3. U.S. Operable Refining Capacity and Refining Utilization



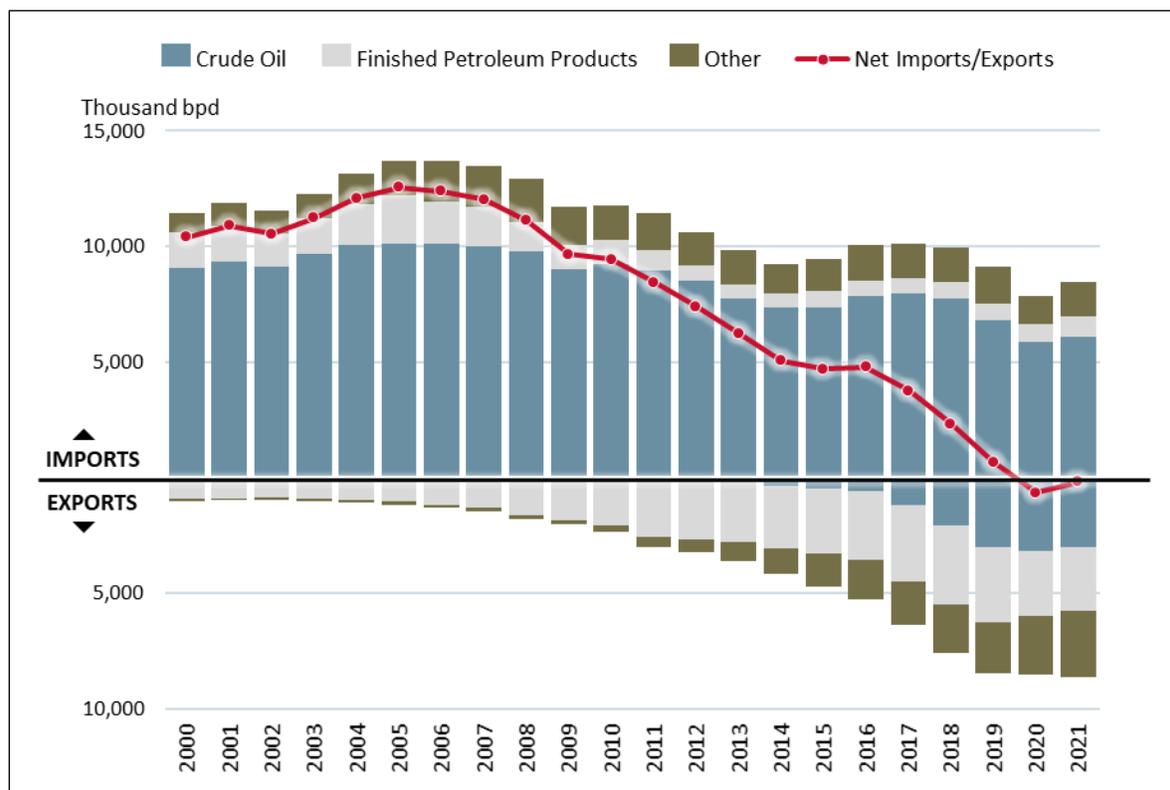
Source: CRS, data from the U.S. Energy Information Administration

U.S. Petroleum Trade

U.S. petroleum trade balances—imports and exports—since 2000 have changed from the United States being a large net importer to being a net exporter in 2020 and 2021 (see **Figure 4**). This trade balance shift is the result of increased petroleum product exports combined with increasing crude oil exports enabled by legislation enacted in 2015 (P.L. 114-113) that repealed crude oil export restrictions.¹⁴ While overall petroleum trade is at a relatively balanced level, the United States continues to be one of the largest crude oil importing countries and remains integrated with the global petroleum market. This import trend could continue should U.S. refiners—with capacity to efficiently process heavy/lower quality crude oil—choose to source crude oil with quality characteristics that support optimized refining operations and petroleum product yields. The increase in U.S. crude oil production tends to be lighter oil grades, while many U.S. refinery configurations include oil processing equipment designed to process heavier grades.

¹⁴ For additional information about repeal of the U.S. crude oil export prohibition, see CRS Report R44403, *Crude Oil Exports and Related Provisions in P.L. 114-113: In Brief*, by Phillip Brown, John Frittelli, and Molly F. Sherlock.

Figure 4. U.S. Petroleum Imports, Exports, and Trade Balance
Calendar Years 2000-2021



Source: CRS analysis of U.S. Energy Information Administration petroleum import and export data.

Notes: “Other” includes hydrocarbon gas liquids, oxygenates, renewable fuels, blending components, and unfinished oils. Bpd = barrels per day. Net petroleum exports in 2021 = 164,000 bpd.

Financial Highlights of Selected Oil Companies

This section of the memorandum contains financial information, represented in tables and figures, for the 11 companies identified in your request. The reporting periods are from January 1, 2018 through March 31, 2022. Information was obtained from S&P Capital IQ, a subscription-based service.¹⁵ Because of how data aggregators define financial information, there might be some variances in the figures reported. CRS’s review of the information reported by S&P did not indicate substantial variability from other publicly available information. At the time we gathered data for this memorandum, companies had not released financial information for the second quarter of 2022.

The graphs below reflect the aggregate figures for the 11 companies. While financial information for the first quarter (Q1) of 2022 is included in all tables, CRS did not include Q1 2022 figures in the graphs, except for net debt (total debt less cash and short-term investments). As all other periods in the graphs reflect financial information for the full year, including only Q1 2022 information in the graphs would not be a valid comparison. Except for net debt all other information reported below reflects the financial activity during the fiscal year—they are all income statement items. Net Debt is a rolling number that is updated quarterly—it is reported on the balance sheet.

¹⁵ S&P Global Market Intelligence, *S&P Capital IQ*, July 14, 2022, <https://www.capitaliq.spglobal.com/web/client?auth=inherit#dashboard/sfi>.

Overview

At the onset of the COVID-19 pandemic in 2020, all 11 companies reported substantially less revenue and cash flow than in prior years. Net debt was also at the highest in 2020. Between 2018 and 2021, stock buybacks went down a little and dividends paid remained relatively the same.

While the aggregate revenue in 2021 has surpassed the 2019 revenue, it is still less than the revenue realized in 2018, as shown in **Table 2** and **Figure 5**.

Table 2. Total Revenue

All figures are in millions of dollars (add 000,000)

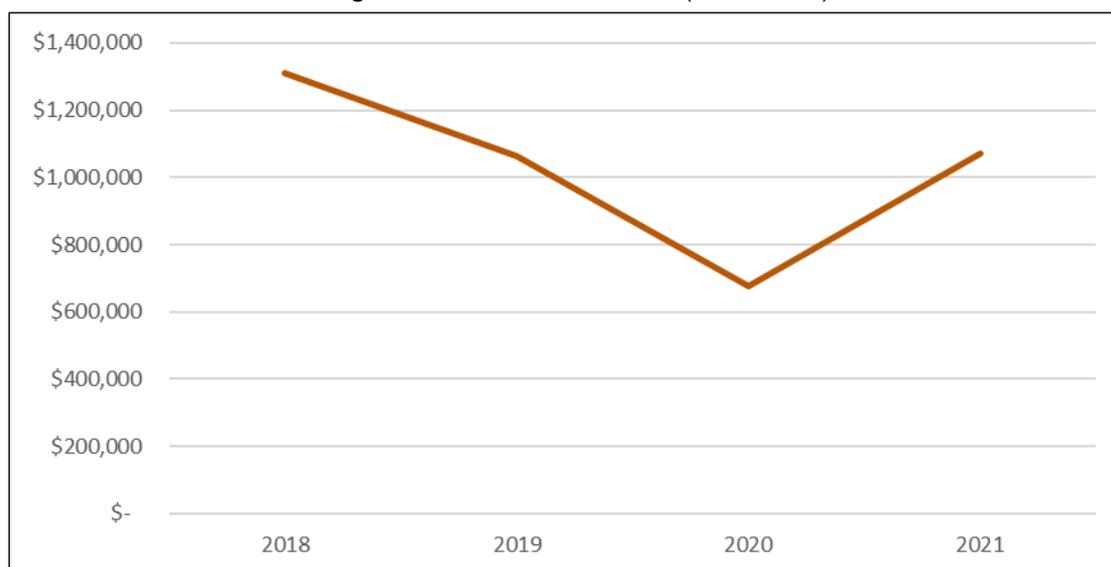
Company Name	2018	2019	2020	2021	Q1 2022
APA	\$7,555	\$6,354	\$ 4,393	\$8,025	\$2,714
BP	\$297,533	\$158,109	\$ 105,672	\$156,786	\$48,753
Chevron	\$158,902	\$139,865	\$ 94,471	\$155,606	\$52,314
ConocoPhillips	\$37,491	\$33,346	\$ 19,216	\$46,660	\$18,188
Devon Energy	\$8,439	\$6,674	\$ 4,503	\$13,117	\$4,281
Enbridge	\$35,691	\$38,531	\$ 30,080	\$36,224	\$11,618
Equinor	\$78,556	\$62,967	\$ 45,753	\$90,273	\$36,050
ExxonMobil	\$281,060	\$259,497	\$ 179,784	\$278,981	\$87,962
Marathon Petroleum	\$6,052	\$5,125	\$ 3,122	\$5,616	\$1,769
Pioneer Natural Resources	\$9,384	\$9,676	\$ 7,026	\$17,870	\$6,147
Shell	\$388,379	\$344,877	\$ 180,543	\$261,504	\$84,204
Total Revenue	\$1,309,042	\$1,065,021	\$ 674,563	\$1,070,662	\$354,000

Source: S&P Capital IQ.

Notes: S&P Capital IQ defines Total Revenue as Revenues and Other Revenues. All balances are as of year-end, except Q1 2022 is as of March 31, 2022.

Figure 5. Total Revenue for 11 Selected Companies

All figures are in millions of dollars (add 000,000)

**Source:** CRS.**Notes:** All balances are as of year-end.

Generally, the companies reported the highest level of net debt during 2020 and as of Q1 2022 are carrying less debt than at any time since 2018; see **Table 3** and **Figure 6**.

Table 3. Net Debt

All figures are in millions of dollars (add 000,000)

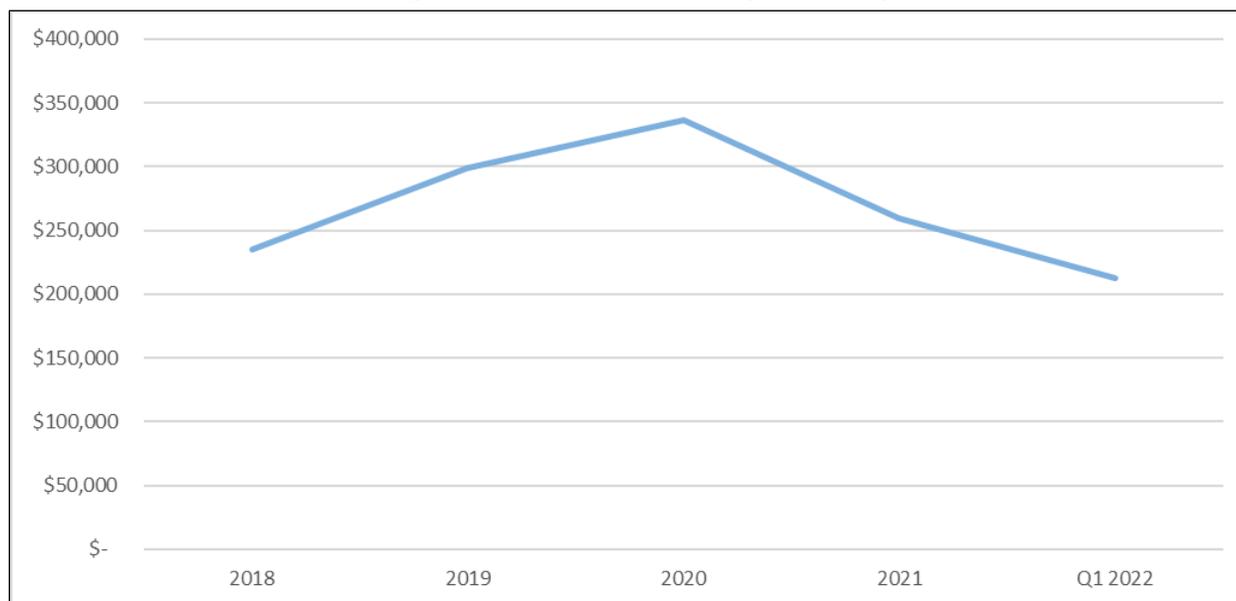
Company Name	2018	2019	2020	2021	Q1 2022
APA	\$7,530	\$8,488	\$8,626	\$7,459	\$5,765
BP	\$43,109	\$54,927	\$50,799	\$39,063	\$34,555
Chevron	\$24,114	\$25,109	\$42,594	\$29,197	\$17,629
ConocoPhillips	\$7,343	\$5,600	\$8,298	\$14,010	\$11,602
Devon Energy	\$2,040	\$3,091	\$2,506	\$4,661	\$4,286
Enbridge	\$49,771	\$50,357	\$52,323	\$58,708	\$58,589
Equinor	\$11,130	\$16,429	\$19,493	\$867	\$(10,429)
ExxonMobil	\$34,754	\$49,678	\$68,577	\$46,227	\$36,463
Marathon Petroleum	\$4,037	\$4,851	\$4,815	\$3,532	\$3,472
Pioneer Natural Resources	\$844	\$2,349	\$2,501	\$3,795	\$2,769
Shell	\$50,083	\$78,369	\$76,184	\$52,116	\$47,688
Total Net Debt	\$234,755	\$299,248	\$336,716	\$259,635	\$212,389

Source: S&P Capital IQ.

Notes: S&P Capital IQ defines Net Debt as total debt less cash and short-term investments. All balances are as of year-end, except Q1 2022 is as of March 31, 2022. Equinor's cash and short-term investments exceeded its debt position at the end of Q1 2022 resulting in a negative net debt position of \$(10,429).

Figure 6. Net Debt for 11 Selected Companies

All figures are in millions of dollars (add 000,000)

**Source:** CRS.**Notes:** All balances are as of year-end, except Q1 2022 is as of March 31, 2022.

Cash Flow from Operations reflects the cash received and paid by the company to operate its core business; see **Table 4**. It is different from Net Income, a measure widely used in the media. Net Income is not reflective of the cash received by a company, but it is more reflective of income earned during a period whether cash was received or not. Among other things, in addition to the product sold, net income includes the contractual right to receive funds in a later period for product or service delivered and write down of certain assets, such as machinery, that are already owned by the company. As the useful life of a machine diminishes over time, a company will reduce the value of the machine in its accounting record. Cash flow from Operations only considers the cash received and paid by the company.

A company with sufficient cash generating capability has the potential to maintain and expand its business. The funds spent to maintain or expand a company's business are considered to be Capital Expenditures; see **Table 5**.

Operating cash flow was the lowest in 2020 as were the Capital Expenditures; see **Figure 7**. While the companies' Cash Flow from Operations in 2021 has surpassed the prior years' cash flow, their Capital Expenditures have not returned to the previous levels, and were generally trending down at the end of 2021.

Table 4. Cash Flow from Operations

All figures are in millions of dollars (add 000,000)

Company Name	2018	2019	2020	2021	Q1 2022
APA	\$3,777	\$2,867	\$1,388	\$3,496	\$891
BP	\$22,873	\$25,770	\$12,162	\$23,612	\$8,210
Chevron	\$30,618	\$27,314	\$10,577	\$29,187	\$8,055
ConocoPhillips	\$12,934	\$11,104	\$4,802	\$16,996	\$5,068
Devon Energy	\$2,704	\$2,071	\$1,354	\$4,899	\$1,837

Company Name	2018	2019	2020	2021	Q1 2022
Enbridge	\$8,082	\$7,232	\$7,527	\$7,123	\$2,262
Equinor	\$19,694	\$13,749	\$10,386	\$28,816	\$15,771
ExxonMobil	\$36,014	\$29,716	\$14,668	\$48,129	\$14,788
Marathon Petroleum	\$3,234	\$2,749	\$1,473	\$3,239	\$1,067
Pioneer Natural Resources	\$3,242	\$3,115	\$2,083	\$6,059	\$2,584
Shell	\$53,085	\$42,178	\$34,105	\$45,104	\$14,815
Total Cash Flow from Operations	\$196,257	\$167,865	\$100,525	\$216,660	\$75,348

Source: S&P Capital IQ.

Notes: S&P Capital IQ defines Cash Flow from Operations as a line item that begins with net income and adds or subtracts certain components from the financial statements to determine the reported figures. All balances are as of year-end, except, Q1 2022 is as of March 31, 2022.

Table 5. Capital Expenditures

All figures are in millions of dollars (add 000,000)

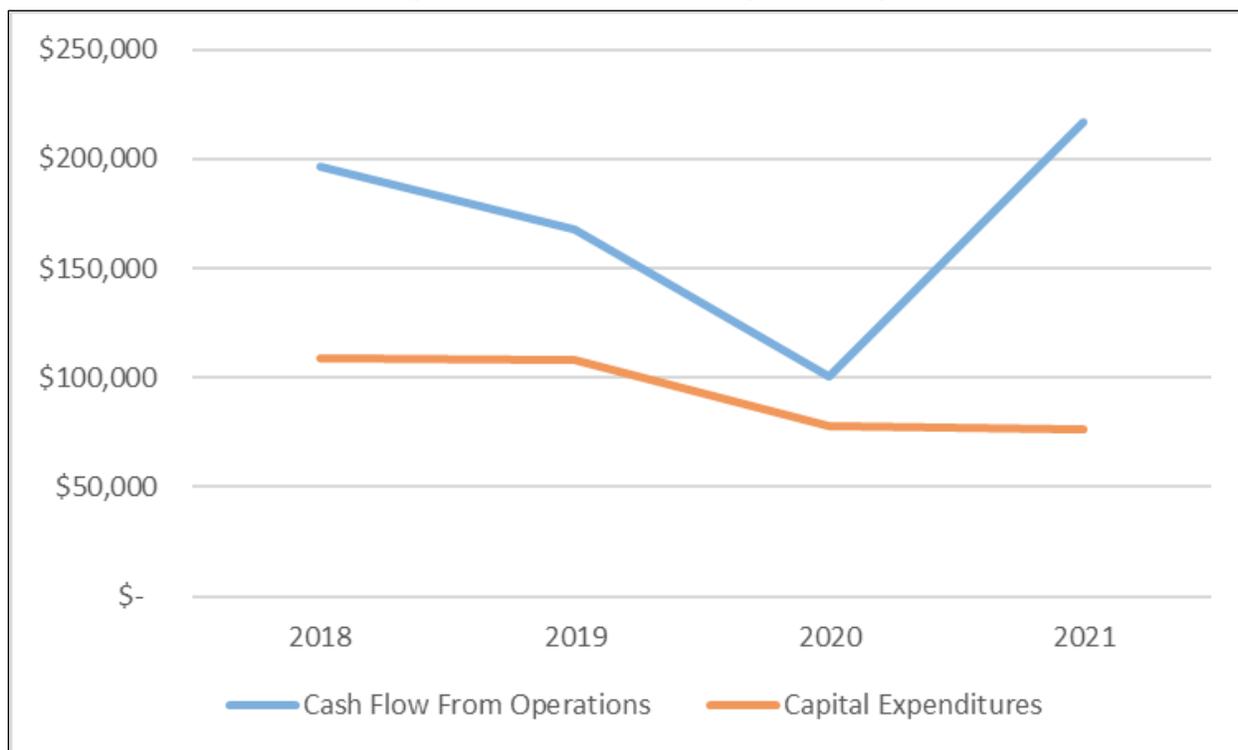
Company Name	2018	2019	2020	2021	Q1 2022
APA	\$3,904	\$2,961	\$1,302	\$1,113	\$379
BP	\$16,707	\$15,418	\$12,306	\$10,887	\$2,602
Chevron	\$13,792	\$14,116	\$8,922	\$8,056	\$1,960
ConocoPhillips	\$6,750	\$6,636	\$4,715	\$5,324	\$3,161
Devon Energy	\$2,171	\$1,941	\$1,161	\$2,007	\$538
Enbridge	\$5,238	\$4,226	\$4,160	\$6,016	\$807
Equinor	\$11,367	\$10,204	\$8,476	\$8,040	\$1,846
ExxonMobil	\$19,574	\$24,361	\$17,282	\$12,076	\$3,911
Marathon Petroleum	\$2,753	\$2,550	\$1,343	\$1,046	\$332
Pioneer Natural Resources	\$3,520	\$2,988	\$1,602	\$3,169	\$917
Shell	\$23,011	\$22,971	\$16,585	\$19,000	\$4,237
Total Capital Expenditures	\$108,787	\$108,372	\$77,854	\$76,734	\$20,690

Source: S&P Capital IQ.

Notes: S&P Capital IQ defines Capital Expenditures as cash outflows towards purchase of plant, property, and equipment by the company. All balances are as of year-end, except Q1 2022 is as of March 31, 2022.

Figure 7. Operating Cash Flow and Capital Expenditures for 11 Selected Companies

All figures are in millions of dollars (add 000,000)



Source: CRS.

Notes: All balances are as of year-end.

Dividends Paid is the amount that has been paid to shareholders from a company’s earnings. When dividends are paid, the amount of cash available to a company is reduced and that amount is not available for other uses. As Dividends Paid constitute cash that is relied on by stockholders, most companies, even during financially challenging times will attempt to maintain the amount of Dividends Paid; see **Table 6** and **Figure 8**.

Table 6. Dividends Paid

All figures are in millions of dollars (add 000,000)

Company Name	2018	2019	2020	2021	Q1 2022
APA	\$3,904	\$2,961	\$1,302	\$1,113	\$379
BP	\$16,707	\$15,418	\$12,306	\$10,887	\$2,602
Chevron	\$13,792	\$14,116	\$8,922	\$8,056	\$1,960
ConocoPhillips	\$6,750	\$6,636	\$4,715	\$5,324	\$3,161
Devon Energy	\$2,171	\$1,941	\$1,161	\$2,007	\$538
Enbridge	\$5,238	\$4,226	\$4,160	\$6,016	\$807
Equinor	\$11,367	\$10,204	\$8,476	\$8,040	\$1,846
ExxonMobil	\$19,574	\$24,361	\$17,282	\$12,076	\$3,911
Marathon Petroleum	\$2,753	\$2,550	\$1,343	\$1,046	\$332
Pioneer Natural Resources	\$3,520	\$2,988	\$1,602	\$3,169	\$917

Company Name	2018	2019	2020	2021	Q1 2022
Shell	\$23,011	\$22,971	\$16,585	\$19,000	\$4,237
Total Dividends Paid	\$108,787	\$108,372	\$77,854	\$76,734	\$20,690

Source: S&P Capital IQ.

Notes: The balances reported in **Table 6** reflect dividends paid to common and preferred shareholders. S&P Capital IQ defines Common and Preferred Stock Dividends Paid as distributions made to both common and preferred shareholders. All balances are as of year-end, except Q1 2022 is as of March 31, 2022.

Similar to Dividends Paid, stock purchases reduce the amount of cash available for a company to spend on other uses. Companies repurchase the amount of stock that is available to increase the value of the company stock. The stock grants or options that are given to company employees dilute the amount of dividends available for all shareholders. Companies also issue stock to raise more capital when it is financially advantageous to them, such as when the stock price is high, or they are in need of cash. Companies may buy them back, ideally, when the stock price is lower.

While the 11 companies substantially reduced the amount of Stock Repurchase in 2020 when compared with 2019 (see **Table 7**), they increased the amount of stock buybacks in 2021, and the amount spent during the first quarter 2022 on stock buybacks is nearly the same as it was during all of fiscal year 2021. To illustrate generalized directional changes, a combined graph of Cash Flow from Operations, Dividends Paid, and Stock Repurchases is shown in **Figure 8**.

Table 7. Stock Repurchase

All figures are in millions of dollars (add 000,000)

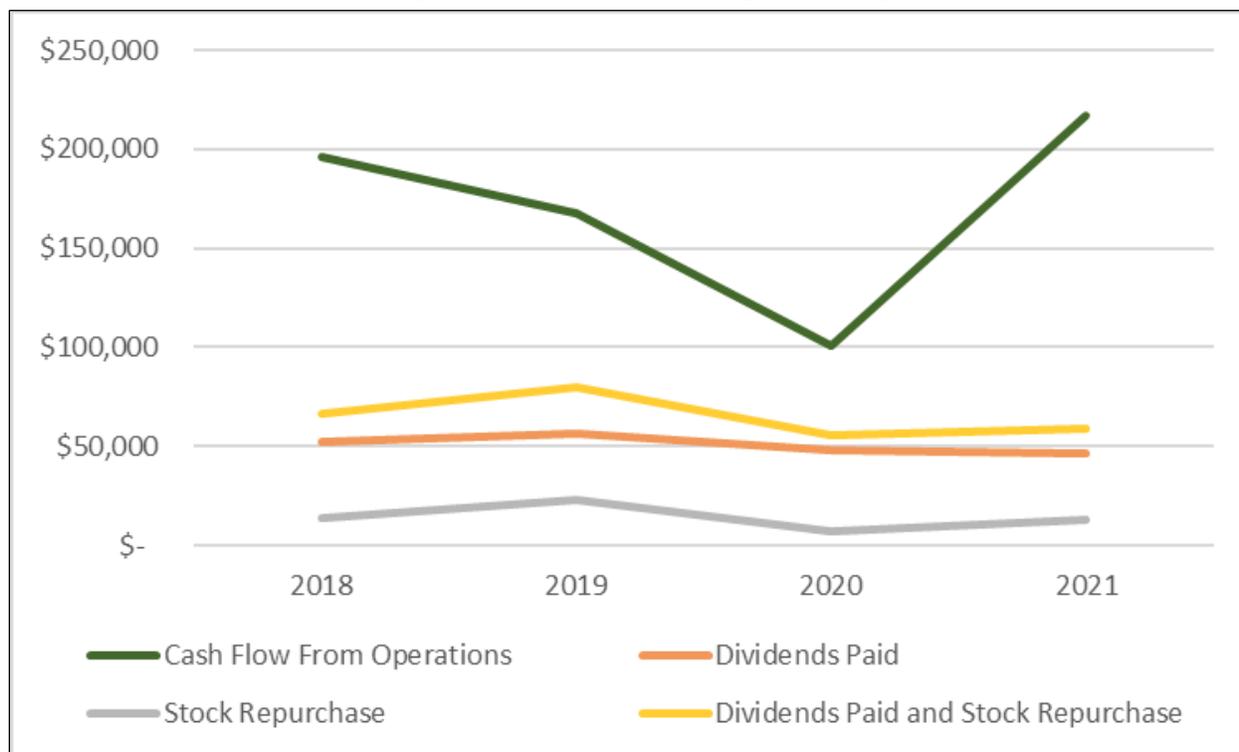
Company Name	2018	2019	2020	2021	Q1 2022
APA	\$305	-	-	\$847	\$261
BP	\$355	\$1,511	\$824	\$3,177	\$1,592
Chevron	\$604	\$2,935	\$1,531	-	-
ConocoPhillips	\$2,999	\$3,500	\$892	\$3,623	\$1,425
Devon Energy	\$2,995	\$1,875	\$56	\$634	\$284
Enbridge	\$162	-	-	-	\$616
Equinor	-	\$442	\$1,059	\$321	\$439
ExxonMobil	\$626	\$594	\$405	\$155	\$2,067
Marathon Petroleum	\$713	\$362	\$92	\$734	\$613
Pioneer Natural Resources	\$179	\$653	\$176	\$269	\$276
Shell	\$5,062	\$11,362	\$2,084	\$3,174	\$3,575
Total Stock Repurchases	\$14,000	\$23,234	\$7,119	\$12,934	\$11,148

Source: S&P Capital IQ.

Notes: S&P Capital IQ defines Repurchase of Common Stock as a line item that represents cash used for repurchase of common stock. Repurchase of preferred stock is defined similarly. The only company that repurchased preferred stock during the period reflected above was Equinor. All other companies only repurchased common stock. All balances are as of year-end, except Q1 2022 is as of March 31, 2022.

Figure 8. Operating Cash Flow, Dividends Paid, and Stock Repurchase for 11 Selected Companies

All figures are in millions of dollars (add 000,000)



Source: CRS.

Notes: All balances are as of year-end.

Federal Actions Aimed at Lowering Gasoline Prices

Executive branch authorities that could lower U.S. gasoline prices are limited. Generally, crude oil releases from the Strategic Petroleum Reserve (SPR), temporary environmental and transportation waivers, investigation requests, calls to oil producing countries to increase supply, and calls on Congress to enact certain legislation are often actions taken by an administration when gasoline prices are at elevated levels. The Biden Administration has exercised several authorities with the intent to address regional fuel supply interruptions. Following a cyberattack on the Colonial Pipeline fuel transportation system, administrative actions to increase regional fuel supply included temporary environmental waivers and transportation waivers for certain states that allowed drivers transporting fuels to work extended hours.¹⁶ In the wake of Hurricane Ida, the Administration issued temporary environmental and transportation waivers, waived Internal Revenue Service (IRS) penalties for using certain types of diesel fuel, and released crude oil from the SPR through an exchange transaction.¹⁷

Additionally, the Biden Administration has expressed concerns about rising U.S. gasoline prices and the global oil market since at least August 2021, when the Director of the National Economic Council sent a

¹⁶ The White House, “FACT SHEET: The Biden-Harris Administration Has Launched an All-of-Government Effort to Address Colonial Pipeline Incident,” May 11, 2021.

¹⁷ The White House, “FACT SHEET: How the Biden Administration is Supporting Hurricane Ida Response Efforts in the Gulf Coast,” September 2, 2021. For additional information about the Hurricane Ida SPR exchange, see: U.S. Department of Energy, “DOE Authorizes Strategic Petroleum Reserve Exchange to Support Region Impacted by Hurricane Ida,” September 3, 2021.

letter to the Federal Trade Commission (FTC) requesting use of available tools to monitor gasoline markets and address any illegal conduct.¹⁸ At the same time, the Director of the National Security Council issued a statement calling on the Organization of the Petroleum Exporting Countries (OPEC) and other non-OPEC countries (collectively OPEC+, which includes Russia) to accelerate plans to increase oil supply.¹⁹ In November 2021, President Biden sent a follow-up letter to the FTC, and the Department of Energy executed an unplanned SPR oil release that included accelerating congressionally-mandated sales and a competitive exchange.²⁰

Following Russia's invasion of Ukraine on February 24, 2022, the Biden Administration activated emergency SPR oil sale authorities and issued a Notice of Sale on March 2, 2022. To date, the Administration has announced plans to sell up to 190 million barrels under emergency release authorities.²¹ In mid-April 2022, the Biden Administration announced measures to leverage U.S.-produced biofuels as a means of addressing high gasoline prices, including an Environmental Protection Agency (EPA) waiver to allow sales of gasoline containing 15% ethanol during summer months.²² EPA issued the temporary waiver on April 29, 2022.²³ President Biden has sent letters to U.S. oil refining companies, requesting them to increase fuel supply to lower gasoline prices. The Administration has also convened meetings with oil industry representatives and the Secretary of Energy. Furthermore, President Biden has called on Congress to enact various legislation that could increase oil supply and contribute to lower retail gasoline prices. In May 2022, President Biden called on Congress to enact legislation requiring oil companies to pay fees on non-producing acreage and assets located on federal lands.²⁴ In June 2022, President Biden called on Congress to enact legislation that would suspend federal gasoline taxes for three months and also called on states to suspend their gasoline taxes.²⁵

Congressional Actions Related to Gasoline Prices

Congressional committees in the House and Senate have held multiple hearings about gasoline prices during the 117th Congress. Members of Congress have introduced numerous bills that could affect gasoline prices, including legislation that would temporarily suspend the federal gasoline tax, increase transportation fuel market transparency, and amend anti-trust law to allow the Department of Justice to bring suit against oil cartels. In May 2022, the House passed the Consumer Fuel Price Gouging Prevention Act (H.R. 7688), which would prohibit gasoline sales at “unconscionably excessive” prices during a declared energy emergency, would amend FTC monitoring, investigation, and enforcement authorities, and would require the EIA to collect information about transportation fuel markets.

¹⁸ White House letter from National Economic Council Director to the Federal Trade Commission Chair, August, 11, 2021, at <https://www.whitehouse.gov/wp-content/uploads/2021/08/Letter-to-Chair-Khan-Federal-Trade-Commision.pdf>.

¹⁹ The White House, “Statement by National Security Advisor Jake Sullivan on the Need for Reliable and Stable Global Energy Markets,” August 11, 2021.

²⁰ For additional information about SPR releases, see: CRS Insight IN11916, *Strategic Petroleum Reserve Oil Releases: October 2021 Through October 2022*, by Phillip Brown.

²¹ *Ibid.*

²² The White House, “FACT SHEET: Using Homegrown Biofuels to Address Putin’s Price Hike at the Pump and Lower Costs for American Families,” April 12, 2022.

²³ Environmental Protection Agency, “EPA Issues Emergency Fuel Waiver for E15 Sales,” April 29, 2022.

²⁴ The White House, “The Biden-Harris Inflation Plan: Lowering Costs and Lowering the Deficit,” May 10, 2022.

²⁵ The White House, “FACT SHEET: President Biden Calls for a Three-Month Federal Gas Tax Holiday,” June 22, 2022.