#BigOilLies

Memo

BIG OIL LIES: WHAT IS BIG OIL *REALLY* DOING WITH THEIR MASSIVE PROFITS?

FOSSIL FREE MEDIA

September 2022

TABLE OF CONTENTS

INTRODUCTION

On September 15th, the House Oversight Committee will host its third hearing into Big Oil's role in spreading climate disinformation. The committee had invited the Chief Financial Officers from Exxon, Chevron, Shell and BP, four of the world's largest publicly traded oil companies, to testify, but all of the companies refused to attend and answer questions about their obscene profits, so instead, the committee will be hearing from people impacted by climate disasters and a panel of experts who will focus on a key question: what is Big Oil really doing with all their money?

This hearing was initially scheduled for March of this year, but was put on hold due to Putin's unlawful invasion of Ukraine. At the time, few Americans could predict what was ahead: after years of collaborating with Putin to expand Russian oil and gas production and deepen the world's dependence on the country's exports, Big Oil would take advantage of the war's disruption of international oil markets to further constrain supply, drive up already skyrocketing prices, and reap unprecedented profits by gouging consumers at the pump and on their home heating bills. Despite showy statements from Exxon, BP, and Shell about being willing to absorb the costs of pulling out of Russia (Chevron just hedged), Big Oil didn't see the war in Ukraine as a crisis: they saw it as a golden opportunity.

The result? As millions of Americans have struggled to pay to fill up their tanks or keep their homes warm, Big Oil companies have raked in obscene profits at consumers' expense. Since the beginning of 2022, the major oil and gas companies have earned over $100 billion in profits. Chevron and Exxon saw their Q2 profits more than *triple* what they were in the same period last year. BP's profits in the US nearly tripled as well, and Shell's quintupled.

Which brings us to the question that the House Oversight Committee will pressure the CFOs and other Big Oil representatives to answer: where is all this money going? And is it actually being invested in the climate solutions that these companies have promised to support in their previous statements to Congress, messages to shareholders, and endless advertisements?

This report lays out the truth of the matter, whether the CFOs will admit it or not (and there's still some question if they will even be brave enough to appear). To get there, all you have to do is follow the money – from our pockets, to Big Oil's coffers, and then directly into the hands of their wealthy shareholders and CEOs. We'll also examine the holes in Big Oil's "net zero" pledges, the commitments that the industry *says* it is working to meet, but is in fact undermining every day by lobbying against climate solutions and funding ever more oil and gas production.

These House Oversight Committee Hearings began with the mission of examining Big Oil's use of climate disinformation to keep our country reliant on fossil fuels and hold back the clean energy economy. Throughout, we've been told by the Big Oil CEOs and their front groups that we have the industry all wrong – they never denied that climate change was real, never opposed climate action, and are deeply committed to working towards a solution. But as this hearing will show, money speaks louder than words. And the message is clear: Big Oil lies.

THE BIG OIL HEARINGS

The House Oversight Committee's first Big Oil Hearing took place last October, when Chairwoman Carolyn Maloney and Rep. Ro Khanna called on the "Slippery Six," top executives from Exxon, Chevron, BP, Shell, the American Petroleum Institute, and the US Chamber of Commerce, to testify about their role in spreading climate disinformation and lobbying against climate solutions.

Over the course of the six-hour hearing, the Big Oil executives repeatedly gave misleading statements about their companies' involvement in spreading climate disinformation. All of them denied being involved in disinformation campaigns, despite the well-documented evidence of their past efforts and current lobbying. Yet amid their mock-outrage at the line of questioning, Rep. Khanna asked if they would "stop lobbying against climate action," which none of them were willing to answer with a simple "yes."

At the second hearing, held on February 8th, Big Oil's board members were asked to appear, but pleaded scheduling challenges. In their stead, experts from the field testified on the validity of Big Oil's climate pledges. The hearing confirmed that Big Oil's showy announcements are no more than greenwash, and that the industry intends to continue deploying its playbook of deceit, denial, and delay as the climate crisis intensifies.

This upcoming hearing will feature a panel of experts who will attempt to answer some important questions about Big Oil: are they putting their money where their mouths are?

Can Big Oil present any evidence to demonstrate a real commitment to climate action?

Or, do the price gouging, war profiteering, and stock buybacks speak for themselves—pointing to decades of backroom dealings that led the industry to present a united front of lies?

FOLLOW THE MONEY: HOW BIG OIL COMPANIES ARE PADDING THE POCKETS OF ITS CEOS AND SHAREHOLDERS

Since the beginning of 2022, the major oil and gas companies have raked in over $100 billion in obscene profits at the expense of the American people.

By purchasing their own stocks, Big Oil rigged the investment game in favor of their investors. While regular people across the country are fed the lie that increasing oil production will lower prices, CEOs boasted in private about their embarrassment of riches. For the oil and gas industry, it seems that standard rules of supply and demand no longer apply. From tinkering with gas prices to lying about why they're so high, Big Oil is attempting to lock in decades of continued reliance on their dirty and devastating products.

As the companies previously admitted to the Dallas Fed, the cause of these profits wasn't just the war in Ukraine, or paltry restrictions of drilling on public lands and waters by the Biden Administration. Rather, pressure for the industry's investors to restrict supply in order to drive up prices and increase company share prices is to credit. After a decade of burning through money on a fracking Ponzi-scheme, wealthy shareholders now wanted their money back – and taking advantage of the war to drive up prices was the perfect way to do it.

Big Oil has been happy to oblige. As record profits began to stream in during the first quarter of this year, the major oil companies announced a series of ever-greater stock buybacks. BP bought back $1.6 billion in stocks during this period; Exxon, $2 billion; Shell, $3.5 billion; and Chevron, $4 billion. When a company buys its own stock, it juices the share price by taking those shares out of circulation. The result? More money in the pockets of existing investors, including the CEOs of each company, many of whom are compensated with major stock holdings.

Some commentators (including a number of Republican lawmakers on the House Oversight Committee) have had the audacity to suggest that these stock buybacks are good for the American people because, hey, anyone can own a share of ExxonMobil. But in reality, nearly half of Americans don't own any stocks at all; stock ownership is particularly low among Black and Latino people. Meanwhile, the wealthiest 10% of Americans own a record 89% of all stocks. So when oil and gas companies' stock prices skyrocket, it's far from the average consumer who benefits, but rather the very Americans who are least affected by rising prices.

The conclusion is simple: continued reliance on fossil fuels will keep pouring money into the pockets of those who are most protected from the damage of the climate crisis and rising costs, while the vast majority of Americans and people around the world suffer. This devastation will continue unchecked unless this dirty and dangerous industry is held to account for the harm it has caused, and made to help pay for a rapid and just transition to renewable energy sources.

GREENWASHING: THE LATEST FORM OF CLIMATE DENIAL

Let's next examine the argument that the oil companies have been making when pressured about their climate plans: that the net zero commitments their companies have made are real, verifiable, and an investment priority. The reality?

Net zero pledges are the latest round of greenwashing in Big Oil's decades-long campaign of denial and disinformation.

The longer the public (and the US Government) accepts Big Oil's sob story that they're reforming their ways towards net zero, the longer Big Oil gets to have its way with the economy and the planet.

Ever since its own scientists realized the catastrophic climate damage that fossil fuels cause, Big Oil has poured resources into deceit, delay, and denial. This industry has misled the public with advertorials in major newspapers; generated junk science to distract from the truth; interfered in policymaking at national and international levels; and waged deadly campaigns to evade liability and continue extracting fossil fuels.

In the last 20 years, as the climate justice movement has tipped the scales of public opinion, eroding Big Oil's social license to operate, the industry has had to change its approach: pretend to be part of the solution, while blaming the rest of us for the problem. Case in point: BP infamously peddled the idea of "carbon footprints" to foist responsibility for the industry-driven climate crisis onto individuals, rather than the corporations that have known and lied about this for decades.

Most recently, Big Oil and other polluting industries have embraced and advocated for "net zero" as an agreed-upon standard. But a closer look at these pledges shows they don't hold water (or greenhouse gases). Rather, these empty pledges are simply the latest way to mislead the public to think that Big Oil does care about climate change, and somehow magically can continue extracting fossil fuels, maintain emissions levels and profits, and still look good doing it.

The truth is, none of the Big Oil companies being called to testify before the committee have a credible plan to keep the world below a still-catastrophic 1.5ºC of warming—let alone take responsibility for the damage they've done to the climate and communities around the world.

After the first hearing last October, Politifact did a deep dive into each company's publicly available business plans and found that *none of them* are investing the type of resources that would be necessary to make a transition to clean energy.

An earlier report from the group Oil Change International came to a similar conclusion, while also pointing out that all four companies are continuing to explore for new oil and gas fields, something the International Energy Agency has said needs to stop immediately in order to meet the goals of the Paris Climate Agreement.

Another recent peer-reviewed study found that ExxonMobil, Chevron, Shell and BP's claims about cutting emissions aren't backed up by actual results. "Until actions and investment behavior are brought into alignment with discourse, accusations of greenwashing appear well-founded," the researchers wrote.

The fossil fuel industry hasn't come anywhere close to making the sorts of commitments necessary to address the climate emergency. Instead, they're attempting to mislead the public and policymakers with vague, long term commitments. In particular, they've focused on the goal of achieving "net zero by 2050," a target that has lost nearly all meaning as corporation after corporation adopts it with no plans or intentions of actually achieving it.

Big Oil's false climate commitments are all designed for one purpose: delay. Delay regulations, delay public pressure, delay accountability, delay the inevitable transition to clean, renewable energy. Delay has become the new denial – and it's exactly what this committee hearing aims to expose.

THE LOOPHOLES IN BIG OIL'S CLIMATE PLANS

It will be important for the House Oversight committee to cut through the industry's polluted PR and expose their climate commitments as nothing but empty promises. Here are some of the ways that Big Oil uses "net zero" and other tricks and loopholes to mislead the public, investors, and regulators.

FOCUSING ON LONG-TERM TARGETS

Exxon, Chevron, BP and Shell have all made some sort of commitment to be net zero by 2050 – long after the current CEOs and board members are likely to be dead. None have made an immediate commitment to end fossil fuel production. That's because vague, long term targets allow the industry to pretend like they care about the future while continuing business as usual for the present. It's a classic corporate tactic and needs to be seen as such.

IGNORING SCOPE 3 EMISSIONS

Just after the October hearing, ExxonMobil announced a "net zero ambition." In case the timing wasn't enough to raise suspicions, the pledge only includes emissions of Scope 1 and 2—the emissions of extracting and refining resources—but not Scope 3 emissions, which are generated when those resources are used. This category accounts for the lion's share of emissions, rendering pledges that exclude it empty and misleading.

RELYING ON THE "NET" IN NET ZERO

The "net" in net zero is based on the idea that corporations will be able to offset any emissions they can't eliminate by planting trees, building renewable energy, or purchasing "carbon offsets," likely from some international carbon market. There are huge problems with this plan.

First, it allows companies to continue to pollute while pretending that someday they'll magically find a way to offset their mess. Second, there aren't nearly enough offsets in the world to cover Big Oil's pollution, and the offsets that do exist are notoriously problematic and corrupt. Third, carbon markets have already proven to be climate failure in many places. For example: polluting industries in California have saved up so many carbon credits as to jeopardize the state's climate goals while still adhering to the rules of California's cap-and-trade carbon market. This "pay to pollute" model is just more BS from an industry intent on maintaining business as usual – no wonder Shell's CEO bragged about getting "net zero" into the Paris Climate Agreement.

PROMOTING CARBON CAPTURE (UTILIZATION) AND STORAGE

A favorite buzzword of the industry, CC(U)S is a crucial element of the "pay to pollute" model. CC(U)S relies on technology that would capture emissions at the smokestack or wellhead, or even suck carbon dioxide out of the air, and store it underground—but this technology, at the heart of many "net zero" plans, has yet to be proven at scale. More concerning is that when the industry has done this, it's either to capture carbon to extract more, otherwise inaccessible fossil fuels (the utilization piece), or just failed to meet targets altogether.

PROMISING NEW FUELS LIKE "BLUE HYDROGEN"

Oil companies have been increasingly talking up hydrogen as a fuel for the future. While "green hydrogen," hydrogen made from renewable energy sources, may hold some potential, "blue hydrogen," hydrogen made from methane gas, is a climate disaster. Recent studies have found that blue hydrogen may be more harmful to the climate than fossil fuels, with a carbon footprint up to 60% greater than using diesel oil for heat. Big Oil has long branded its products in ways that conceal the truth; see natural gas, a fossil gas that is in no way "clean" or "green" as it so often is touted to be.

PLAYING UP INVESTMENTS IN CLEAN ENERGY

Big Oil companies love to talk about (and advertise) how they're increasing investments in clean energy. But according to the International Energy Agency, in 2020 clean energy investments made up just 1% of the oil industry's capital expenditures. The big increases in spending that companies like BP are promising would still only total a small fraction of the money they're planning to spend on oil and gas. If money talks, Big Oil's investments still scream climate destruction.

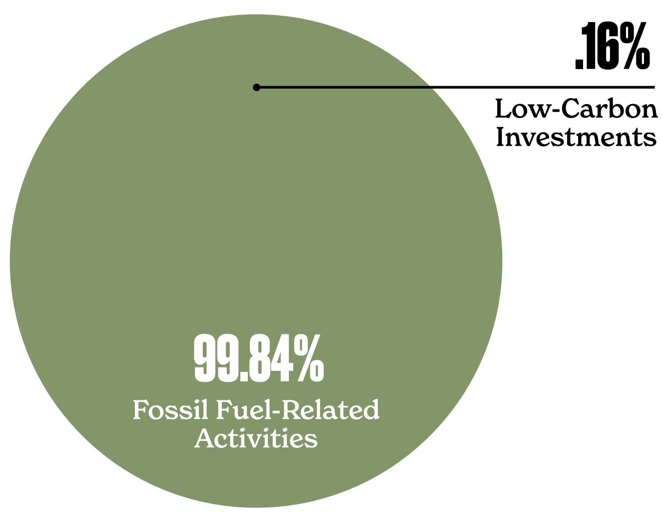
Exposing these industry PR tricks and false promises will need to be a top priority for the House Oversight Committee – and journalists who are covering the hearing.

A CLOSER LOOK AT EACH COMPANY

Here are a few relevant facts about each company that will be testifying and their lack of a serious plan to address their carbon emissions.

ExxonMobil

Exxon's own scientists discovered the impact of oil extraction on our climate decades ago, but instead of changing business practices or alerting the public, Exxon and others invested in a multi-decade misinformation campaign to distract from, deny, and delay climate action by a crucial half century. That lobbying continues into the present day: in June 2021, a top Exxon lobbyist was caught on tape bragging about how the company was successfully derailing President Biden's climate agenda, how the American Petroleum Institute was a "whipping boy" that provided cover for Exxon, and how the corporation only supported a carbon tax because they knew it was "never going to happen." Under incredible investor and public pressure, Exxon finally came out with a "net zero: pledge in January of 2020, but completely left out Scope 3 emissions, which account for 80% of Exxon's carbon footprint. In 2021, Exxon spent only 0.16% of its capital expenditures on "low carbon investments," many of which actually turned out to be false solutions like blue hydrogen and carbon capture and sequestration. Meanwhile, Exxon continues to work with some of the world's largest PR firms, like Edelman, to spread disinformation about its commitment to climate action while lobbying against solutions.



Exxon 2021 Capital Expenditures

BP fancies itself a green champion among the oil majors, but there are serious holes in their "net zero" pledge. First, BP plans to keep producing fossil fuels for the foreseeable future, and in fact is still inventing new ways to extract more oil faster. Second, while BP's commitment does take responsibility for some of its Scope 3 emissions, it excludes oil and gas from other producers that BP sells to consumers. BP's commitment also excluded its 20% share in the Russian oil giant Rosneft, which BP was just forced to divest from because of the conflict in Ukraine. Third, BP's investments in "clean energy" aren't nearly at the scale they need to be and many of their investments, like finding ways to make "blue hydrogen" fuel from methane, are designed to further perpetuate our dependence on fossil fuels. Finally, BP has refused to quit trade associations like the American Petroleum Institute, which continues to lobby against climate action and push for greater fossil fuel development.

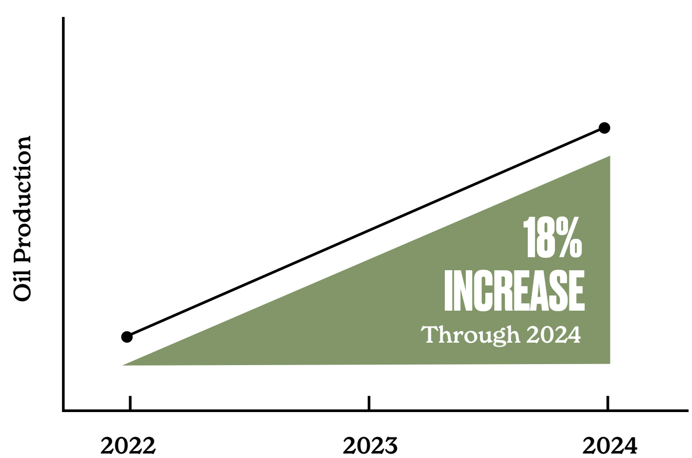
Chevron is also one of the world's biggest polluters. Since 1965, Chevron has contributed more greenhouse gas emissions to the atmosphere than any other investor-owned corporation in the world. It has also spent millions of dollars lobbying against climate action and supporting climate-denying politicians, including many that supported this January's insurrection at the US Capitol. The corporation's climate ambitions are "grossly insufficient" across all categories of assessment, from continuing to expand fossil fuel development to lobbying against climate action. Chevron's "net zero" pledge relies on massive amounts of carbon sequestration projects which have already failed to deliver. Case in point: Chevron's largest CCS project at the Gorgon LNG plant in Australia, has been "a disaster from the beginning" and is now just venting CO2 into the atmosphere. Chevron is also a notorious human rights offender, evading billions in liability payments for pollution in the Ecuadorian rainforest and polluting low-income, Black and brown communities in the US, like in Richmond, California. Chevron is also a leading source of climate disinformation, going so far as to launch its own "newsroom" and news outlet to churn out industry-friendly stories as they continue pollution as usual.

$65 → $150M

Chevron's 2019 Ad Budget

Shell

Shell has pledged "net zero" by 2050, but it plans to expand gas operations by at least 20% in the next few years and its short term targets are based on "intensity" pledges, rather than absolute reductions in fossil fuels. Its investments in clean energy are also problematic: between 2010 and 2018, Shell was reported to have dedicated just 1% of its long-term investments to clean energy, and while it says it will increase its investments in the future, the majority of its capital expenditures are still slated to go towards fossil fuels. Shell also must win an award for the greatest caveats on its net zero plans: the company's own website, which is full of pictures of wind turbines and solar panels, has a disclaimer that says Shell's current business plans "do not reflect" their net zero target. Shell also has a clause that they're only planning on reaching net zero "in step with the movement towards a Net Zero Emissions economy within society and among Shell's customers." In other words: we'll drag our feet and only make the transition if we're forced to do so, while using government inaction (which we help create with our lobbying) as an excuse. Shell has also appealed a case in Dutch court that would require the corporation to reduce emissions—a clear conflict with the image it's trying to project.



Shell's Oil Production Through 2024

BIG OIL CONTINUES TO LOBBY AGAINST CLIMATE SOLUTIONS

While Big Oil attempts to mislead the public about its commitment to climate action, it has continued to lobby against real climate solutions.

In 2020 alone, oil and gas sector businesses shelled out $9.5 million in advertising that pushed messages about how essential fossil fuels are to the energy mix; that these corporations are good for communities and espouse patriotic values; and, most of all, that the industry is invested in climate solutions.

Meanwhile, the same sector poured over $112 million into political lobbying that year. In 2021, that number ticked up to over $115 million, accommodating a payroll of 746 lobbyists, one of whom was infamously caught on camera bragging about weekly meetings with Joe Manchin. This month, ExxonMobil responded to shareholder demands for better lobbying disclosure with a report showing that the company contributed up to $44 million in 2020 to trade associations, think tanks and coalitions including the American Petroleum Institute and US Chamber of Commerce.

It doesn't take a seasoned detective to identify the impacts of Big Oil's lobbying dollars: just look at the overlap in talking points used by Republicans and their witness, Katie Tubb, at the last Big Oil hearing on February 8th. Tubb's employer, the Heritage Foundation, received $870,000 in grants from ExxonMobil, while the GOP members on the Oversight Committee received $4+ million from the fossil fuel industry.

Most recently, Big Oil has been trying to exploit the crisis in Ukraine to their own benefit. Putin's tanks had barely crossed the border before the American Petroleum Institute pushed out an aggressive campaign for more American oil and gas extraction, none of which would provide short-term relief to the Ukrainian people. As the March 8 hearing approaches, industry talking heads and their allies in the GOP are on air every day pushing for these same priorities.

WHAT COMES NEXT?

The House Oversight Committee Hearings into climate disinformation are part of a growing wave of regulatory efforts, lawsuits, and public campaigns designed to finally hold Big Oil accountable for their climate crimes.

Around the world, fossil fuel giants are also facing lawsuits in courts. Shell is being taken to court in the Netherlands, Chevron in Ecuador, and all of the companies face legal challenges in the US. The attorneys general of Connecticut, Delaware, Massachusetts, Minnesota, Rhode Island, Vermont, and the District of Columbia, as well as 20 city and county governments in California, Colorado, Hawaii, Maryland, New Jersey, New York, South Carolina, and Washington, have filed lawsuits to hold major oil and gas companies accountable for deceiving the public about their products' role in climate change. Like previous lawsuits against tobacco and opioid companies, these cases seek to hold corporations accountable for lying about the harms they knew their products would cause—and in many places make them pay their fair share of the resulting damage. Two lawsuits, one from the Massachusetts attorney general against Exxon, the other from the City and County of Honolulu against Exxon and 7 other oil majors, could soon go to trial.

There is also increasing investor pressure on the companies. Institutions representing over $40 trillion in capital have already divested from fossil fuels. Pressure is growing among shareholders, as well, through resolutions calling for emissions reduction, addressing climate risks, ending financing for fossil fuels, and lobbying disclosures. At annual general meetings in May 2022, shareholders of ExxonMobil and Chevron will again vote on multiple climate-related proposals, albeit to mixed results.

There's also a growing push to go after the industry's misleading PR and advertising. Chevron is facing the first-ever Federal Trade Commission complaint filed against an oil major for misleading consumers through false advertising. Meanwhile, the Clean Creatives campaign has gotten over nearly 400 and advertising agencies to sign a pledge to stop working with fossil fuel companies, launching an industry-wide conversation about the responsibility of agencies in spreading climate disinformation. Academic institutions accepting funds from the fossil fuel industry are also under fire.

For years, the oil and gas industry has been able to erect a mountain of denial and disinformation to stand in the way of climate progress. But there is a precedent for what can occur when an industry knows and lies about the harmful impacts of its products. After Big Tobacco executives lied in front of Congress in 1994, stating under oath that they believed that nicotine was not addictive, their political edifice began to crumble. In the wake of their lies, the Master Settlement Agreement was reached, requiring the tobacco industry to pay the settling states billions of dollars. In addition, millions of pages of previously secret internal documents were made public, the industry was ordered to end certain advertising practices and close its lobbying and junk science arms, and Philip Morris was found liable of fraudulent and unlawful conduct under the federal Racketeer Influenced and Corrupt Organizations (RICO) Act. Now that we've seen Big Oil executives play out an eerily similar set of lies about a similar set of crimes, it's becoming increasingly plausible that, like Big Tobacco, Big Oil may soon be made to pay for its abuses.

Now that we've seen Big Oil executives play out an eerily similar set of lies about a similar set of crimes, it's becoming increasingly plausible that, like Big Tobacco, Big Oil may soon be made to pay for its abuses. After hearings at which the "Slippery Six" presented a united front of unquestionably false claims about the industry's innocence, it would be naïve to assume these bad actors are operating independently. What's been happening in those back rooms, all these years?

The reckoning couldn't come a moment too soon. As the latest IPCC report makes clear, the impacts of the climate crisis are already being felt around the world, especially in Black, brown, Indigenous, and low-income communities, and our window to avoid utter catastrophe is closing.

There couldn't be a more urgent time to end our dependence on fossil fuels: for our communities, our climate, our security, our economy, and so much more. Holding the fossil fuel industry accountable is a critical step to building a just, peaceful and sustainable world. The House Oversight Committee Hearings could help finally get us there.

FOSSIL FREE MEDIA

This memo was written by Lena Greenberg and Jamie Henn with Fossil Free Media.

For more information, contact:
jamie@fossilfree.media

Design: Ian Stoufer
Cover image: Ella Ivanescu

September 2022

Fossil Free Media is a nonprofit media lab that supports the movement to break free from fossil fuels.