

## Center for American Progress



### Pump Pain, Big Oil Gain

#### Oil Companies Post Massive Profits in the First Quarter on the Backs of Americans



SOURCE: AP/LM Otero

An Exxon logo is seen at a Dallas gas station. Exxon stood head and shoulders above the other big five oil companies with first-quarter profits of nearly \$10.7 billion.

By **Valeri Vasquez** | **April 28, 2011**

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The first anniversary of the BP fatal oil disaster in the Gulf of Mexico reminded Americans of the enormous **human and economic costs** of our oil dependence. One year later, BP is posting first-quarter profits of nearly **\$5.5 billion**. This 17 percent growth from 2010's first-quarter earnings comes despite BP having distributed a mere **19 percent** of the \$20 billion it agreed to pay oil spill victims and their families.

The four other Big Oil companies—ExxonMobil, ConocoPhillips, Chevron, and Shell—also enjoyed massive **profits** in the first quarter of 2011 compared to 2010 due to high oil prices. These four companies reported a combined \$18.2 billion in first-quarter earnings—profits that together mark a 40 percent increase over last year. Exxon stood head and shoulders above the rest with a nearly 70 percent increase over 2010 first-quarter profits, clocking in at nearly **\$10.7 billion**. Shell was a distant second with earnings listed at **\$6.9 billion**.



Oil prices have risen by a third in just more than two months, spurred largely by **speculators** capitalizing on unrest in North Africa and the **Middle East**. The jump in crude prices from **\$85 per barrel to \$112 per barrel** since January 2011 has boosted gasoline prices by 22 percent.

President Barack Obama warned in an April 26 **letter** to congressional leadership that "if sustained, these high prices have the potential to slow our economy's growth at precisely the moment we need to be accelerating it."

Analysts agree, projecting that a sustained \$10 increase in the cost of a barrel of oil can reduce our gross domestic product by up to **0.2 percentage points** in 2011 alone. A sustained \$20-per-barrel increase in oil prices could yield at least a 50-cent-per-gallon hike in gasoline costs.

This month, drivers are paying an additional 30 percent at the pump compared to April 2010. And this year, an increase of **70 cents per gallon** in just more than two months is costing American families dearly. According to some **estimates**, every "penny increase at the pump sucks \$1.5 billion from household spending nationwide."

### Big Oil doesn't need tax subsidies with billions in profits

But the burden on American taxpayers begins well before they fill up at the gas station. More than \$4 billion in **unnecessary tax subsidies** for domestic drilling and production are doled out to oil companies annually, activities the companies would undertake and profit from without federal assistance.

The handout is supported by Big Oil's Republican representatives in Congress. **House Budget Committee Chairman Paul Ryan's** (R-WI) proposed fiscal year 2012 budget resolution that passed the House of Representatives on April 15 preserves Big Oil subsidies while nearly eliminating investments in **the clean energy technologies of the future** that are essential to reduce oil use and foster **long-term economic growth**.

The House Republicans also unanimously opposed and defeated a "**motion to recommit**" a short-term extension of government funding for FY 2011 in March. The motion would have eliminated these Big Oil tax loopholes.

Big Oil strongly supports the retention of these tax loopholes, of course. Four of the five Big Oil companies have already shown their appreciation to House Republican leaders who led efforts to retain them. These companies gave **\$280,000** in campaign contributions

to their Republican benefactors. This includes **House Speaker John Boehner (R-OH)**, who according to a Center for American Progress analysis has received \$15,000 from oil **interests** since January. ExxonMobil was the largest overall donor to overall campaign contributions. It gave more than 80 percent of this campaign cash.

Speaker Boehner, however, indicated a willingness to consider eliminating Big Oil tax loopholes on Monday. **He told ABC News:**

We're in a time when the federal government is short on revenues. We need to control spending but we need to have revenues to keep the government movin'. And they [Big Oil] oughta be payin' their fair share.

**President Obama wrote** Speaker Boehner and other congressional leaders in response, urging them to "take immediate action to eliminate unwarranted tax breaks for the oil and gas industry, and to use those dollars to invest in clean energy to reduce our dependence on foreign oil."

Senate Majority Leader Harry Reid (D-NV) wants to make the repeal of the Big Oil tax loopholes one of the first orders of business when Congress returns from its spring recess on May 2. Hopefully Speaker Boehner will ignore his oil contributors and instead join along by promptly allowing a House vote on Rep. Earl Blumenauer's (D-OH) bill, **H.R. 601**, which would eliminate Big Oil tax loopholes.

This quarter's \$18.2 billion in profits certainly demonstrates that the big five oil companies can do without \$40 billion in tax subsidies over a decade.

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- **Oil Roulette** by Daniel J. Weiss and Valeri Vasquez

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