Political Energy: Oil Industry and Govt. Funding Green Energy

BY GREGORY REHMKE · PUBLISHED MAY 31, 2019 · UPDATED JUNE 5, 2019

Oil Companies Look for Profits in Public Relations

David Wojick's post Big Oil goes Big Green, (WUWT, May 4, 2019) reports major oil companies are spending billions supporting green energy nonprofits. You'd think "big oil" would be supporting organizations advocating hydrocarbon energy and pushing back at claims wind and solar energy is the way forward. Environmentalists like Bill McKibben make the case that oil industry millions are behind current skepticism about climate models predicting catastrophic changes . See, for example: ExxonMobil's Funding of Climate Science Denial (DeSmog, date?) for list of earlier donations and public policy organizations.

See also, Top 4 Oil Companies That Protect the Environment (*Investopedia*, updated October 12, 2018):

In 2016, oil companies are more concerned with their public images than ever before, especially pertaining to the environmental impact of their operations. Under pressure from the U.S. Department of Energy, the Office of Fossil Energy, consumers, activists and shareholders, many oil companies have invested in renewable energies or altered their procedures to "stay green."

The oil and gas industry is big, with thousands of companies exploring, drilling, transporting, processing, and marketing gas and oil. An estimated 1.4 million work in U.S. oil and gas (2015 estimate).

The wind and solar energy industries also involve thousands of companies, though most smaller than oil and gas companies, and employ an estimated 800,000 people in the US (2017 estimate).

If the energy topic is chosen [June 5 update: it was!], students can expect research and newspaper articles to be influenced by energy companies and industry lobbying organizations for wind, solar, oil, gas, and coal.

Wind energy companies and lobbys will support studies and articles of oil, natural gas, coal, but also skeptical of solar projects and subsidies. Similarly solar

firms and lobbies will be critical of wind installations and subsidies. Natural gas firms and lobbies, since natural gas is far less polluting than coal power, are critical of the coal industry.

Exxon in the past supported nonprofits critical of climate change claims and models, but now donates far more to environmental groups promoting wind and solar. Why?

The standard refrain is that ExxonMobil gave a cumulative few million dollars to various skeptical groups prior to 2007. But that was many years ago. They got scared off by alarmist pressure groups and haven't given climate realists a dime since then. In fact, the situation today is completely the opposite.

Big Oil companies now give at least a billion dollars a year to climate alarmists, projects and lobbying, to drive the Manmade Climate Chaos narrative. Why would they do that? Two reasons come to mind.

First, typical commercial reasons – what some would call corporate greed, or eliminating competition through the laws of the jungle. Feeding climate alarmism helps oil companies kill off "dirty" coal and position natural gas as being more "climate friendly." After all, Big Oil is also Big Gas.

Big Oil goes Big Green, (WUWT, May 4, 2019)

More at the link. (Judith Curry's Climate Etc. site offers many posts on related issues and debates, and with more careful language. See, for example Climate's uncertainty principle (May 6, 2019).
For energy policy, a possible NCFCA topic, climate and green energy claims and programs are key and climate change/global warming claims will be hard to avoid.

For a detailed overview of federal government energy subsidies, programs and tax breaks (tax reductions are called "expenditures"), see: Direct Federal Financial Interventions and Subsidies in Energy in Fiscal Year 2016 (EIA, April 24, 2018).

Critics of federal government energy (and other) policies argue government should be more a referee, adjudicating infractions according to known rules, rather than a player in the game advocating one set of technologies over others.

The unfortunate case of Solyndra, a solar energy firm, illustrates a problem with energy policy is politicized. Solyndra was one of many solar energy firms developing one of many solar technologies. The Department of Energy loaned and guaranteed loans of over $500 million, which jolted Solyndra to expand rapidly. With the Presidential election approaching, politicians urged Solyndra to ramp us fast and hire new workers to generate good job news ahead of the upcoming election.

Why the Solyndra mistake is still important to remember (*Fortune*, August 27, 2015):
If you don't remember the whole story of Solyndra, the company was making tubular solar panels using a thin, next-generation solar material and a lightweight racking system where the panels were installed. The company said big power companies would pay a premium for its solar panels, partly because the panels would save them money during the installation process.

The company raised more than a billion dollars from investors such as Madrone Capital (a fund associated with the Walton family, the heirs to the Walmart fortune), RockPort Capital, Redpoint Capital, the George Kaiser Family Foundation, and others. In addition to backing from private investors, Solyndra was the very first company to score the loan guarantee from the DOE's newly-funded program, and the loan was also one of the largest given out (similar in size to Tesla's).

Politicians like to support popular projects, from sports stadiums to green energy to electric cars. They like to be featured on the evening news explaining how shiny new projects and technologies will create new jobs and a future cleaner environment.

But state and federal officials lack the detailed knowledge and incentives to choose which projects to subsidize. Politicians rely on connected businessmen (often donors) to choose among competing stadium designs, light and high speed

rail, sustainable wind, solar, or hydro projects, or cost-effective electric, hybrid, or hydrogen car projects. Banks and private investors also have trouble picking winners. That's why they invest in so many companies that later go bankrupt and liquidate.

But when state and federally-funded green energy enterprises flame out they lose taxpayer money rather that funds invested by private firms.

See also: The Reason Renewables Can't Power Modern Civilization Is Because They Were Never Meant To (Forbes, May 6, 2019)

—–

Below is a past article critical of an oil company public relations project promoting green energy.

Fourteen years ago, with a similar energy policy debate topic, I noticed and was irritated by a Chevron corporation public relations campaign: *Will You Join Us?* (I've tried to tone down some of the sarcasm, and originally titled the article: "Will you Give Us a Break?".)

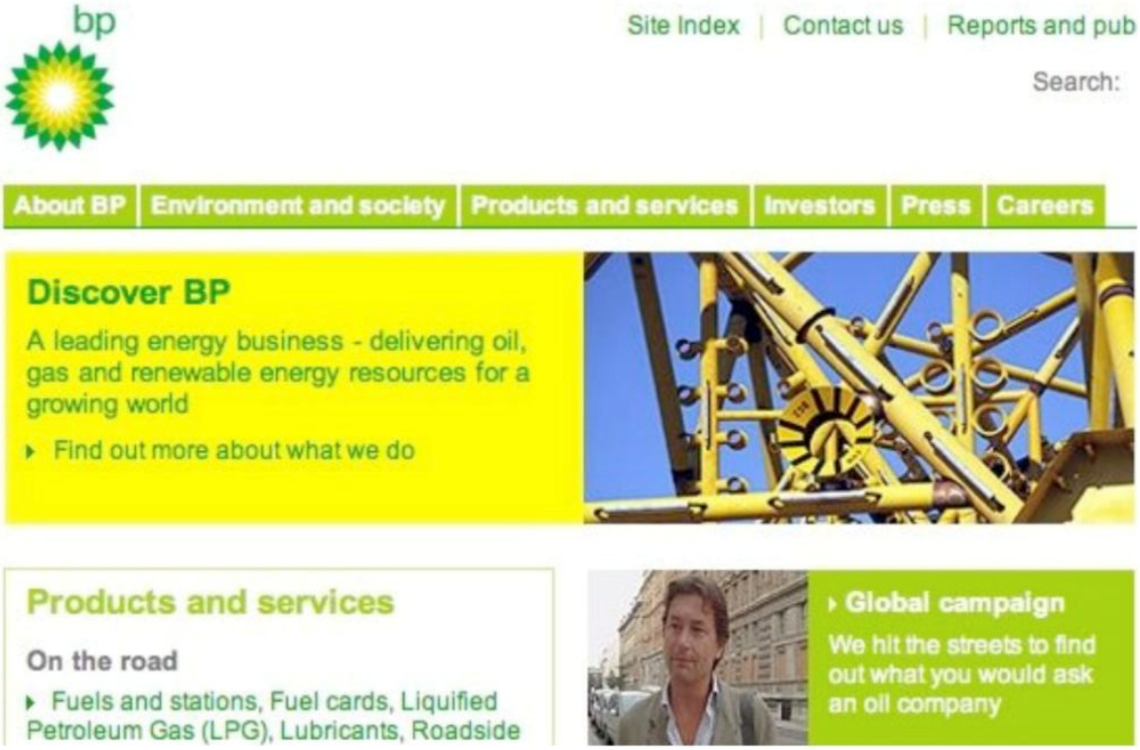
Will foolish public relations campaigns by Chevron and British Petroleum (BP) demoralize employees and damage stock prices? Or will millions respond to these advertising campaigns by rushing to buy more gas from oil companies then think are more caring?

Contrast Exxon's straightforward pro-market company pronouncements with the less-than-straightforward public relations campaigns of Chevron and BP. Exxon makes clear they are in the oil business and work hard to make money finding and refining oil, and delivering hydrocarbons to customers.

You can see these different approaches on company websites. Here is Exxon's homepage in 2005:

It shows a gas station, beautiful oil pouring, red and white oil barrels, and a guy working. All pretty straightforward images for a company in the oil business.

Let's look at British Petroleum's homepage in 2005:

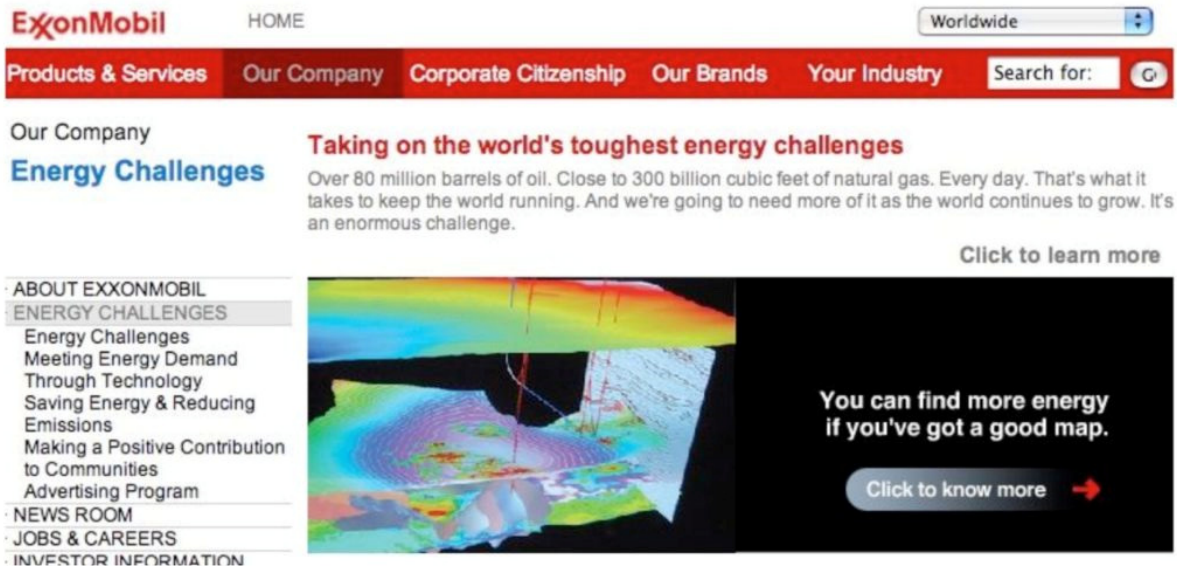


Well, there is the green BP ("Beyond Petroleum") oil flower, then a mechanical contraption that is either from an oil-rig or an amusement park. BP is about "delivering oil, gas and renewable energy resources…" And BP's homepage makes clear they care. They've apparently launched a "global campaign" to ask people

“what you would ask an oil company.” (I would ask: “How much do you spend on stuff like this?”)

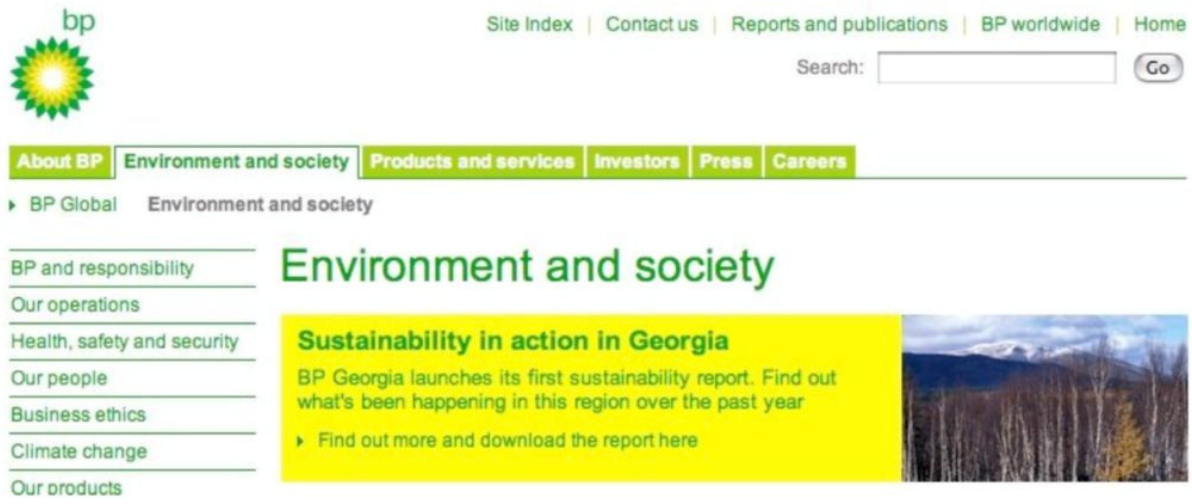
Exxon, by contrast, features on their homepage (on Nov. 3, 2005) an image of “Exxon XD-3 heavy duty diesel engine oils [that] deliver the kind of outstanding protection today’s trucking demands.” In other words Exxon seems to assume people look to oil companies for oil, and they take the opportunity to advertise their oil products on their website homepage.

Of course both companies recognize there are challenges to be faced. Exxon’s homepage includes a link to their “Energy Challenges” page, which looks like this:



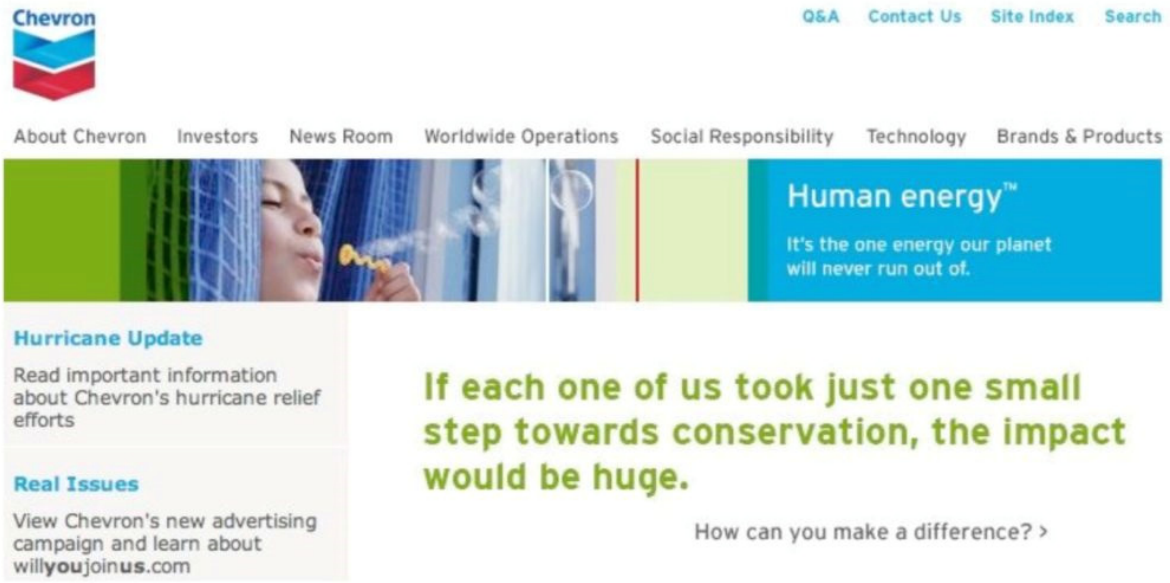
The graphics cycle but each frame profiles a technology to increase energy production (one is on ways to produce cleaner energy).

BP’s equivalent section is titled “Environment and society” and looks like this:



BP is apparently in the business of growing trees as well as producing energy and you can find out more by downloading their report on "Sustainability in action in Georgia" (I didn't).

BP is, or claims it wants to be, in some future *Beyond Petroleum* industry where flowers grow from gas tanks, and lattés are served. Of course there's a lot of money in lattés. Advertising frames BP as a force for flowers, lattes, and good, rather than a money-grubbing, oil-drilling, profit-seeking firms like Exxon. BP has spent a lot of money burnishing their corporate image, reportedly spending $100 million [2005]on its corporate flower (too much PR spending say some: "The United Steelworkers on Monday asked British Petroleum North America to pay more attention to preventing future tragedies than to the company's image. The demand came in the face of increased scrutiny over a report the company issued in the wake of an investigation into a series of explosions at one of its refineries that killed 15 workers and injured 170 others." ([sorry link is broken, but was:] http://newstandardnews.net/content/?action=show_item&itemid=1871) Chevron, another major oil company, went deeper into a green energy public relations campaign.



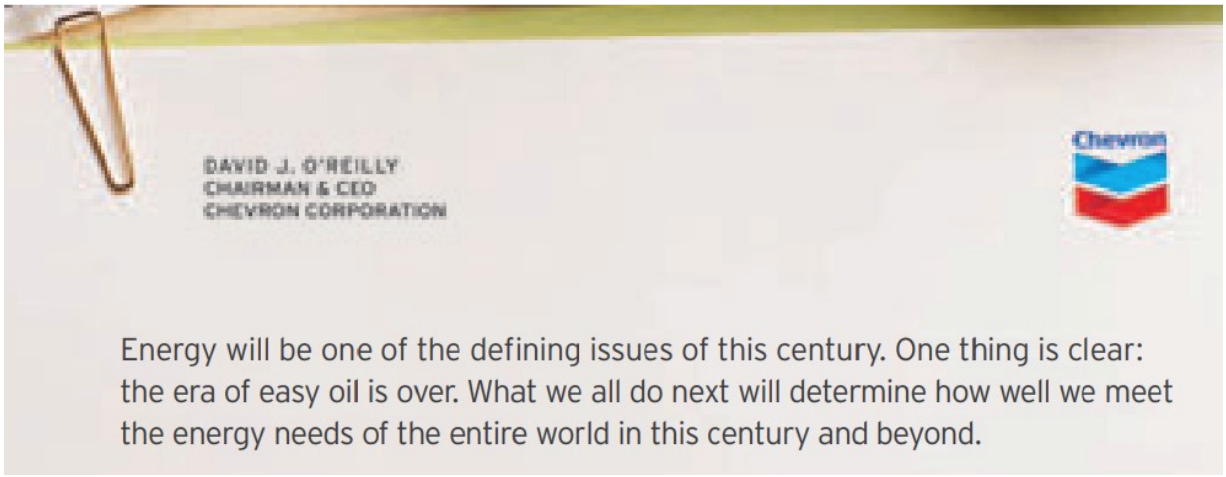
Chevron's home page [again, 2005] shows someone blowing bubbles. One of capitalism's great accomplishments was shifting most back-breaking human work to oil and gas fueled machines. Chevron's homepage harkens back to the days of "Human Energy" (a phrase they claim to have trademarked) "It's the one energy our planet will never run out of." Okay, so what is the point? That we will run out of every other kind of energy? How about solar energy, will that run out? Truth is we won't run out of hydrocarbon energy. Ever. England still has plenty of coal. They just chose to stop digging it up because other energy sources were cleaner and cheaper. Consumers will switch to other energy sources long before we burn all Earth's hydrocarbons. The switch will come as soon as these alternative energy sources are less expensive and more secure. Energy sources shifted from wood to peat, peat to coal, coal to oil, and the shift continues to natural gas. People and companies are happy to switch to the next better, cleaner, safer, cheaper energy source.

In big bold green letters we read on Chevron's homepage: "If each one of us took just one small step towards conservation, the impact would be huge." Huge like a meteor impact? Are they claiming that if each of us took this "one small step towards conservation" (rather than actually conserving?) there would be some huge impact? Do we want that huge impact? Do oil companies like Chevron want

a huge decrease in energy consumption? If we all turned down the heat and wore sweaters, how huge would the impact be?

Chevron had a whole campaign to encourage us to join them in taking these small steps toward conservation. You could find details on giant billboards around the country or in full-page magazine ads. And on their website.

If you don't have a magazine with their full-page memo, you can find it on their site: www.willyoujoinus.com/advertising/print/ [Now available via WayBack Machine.
Big letters next to Chevron CEO David O'Reilly's memo, ominously read: "It took us 125 years to use the first trillion barrels of oil. … We'll use the next trillion in 30."



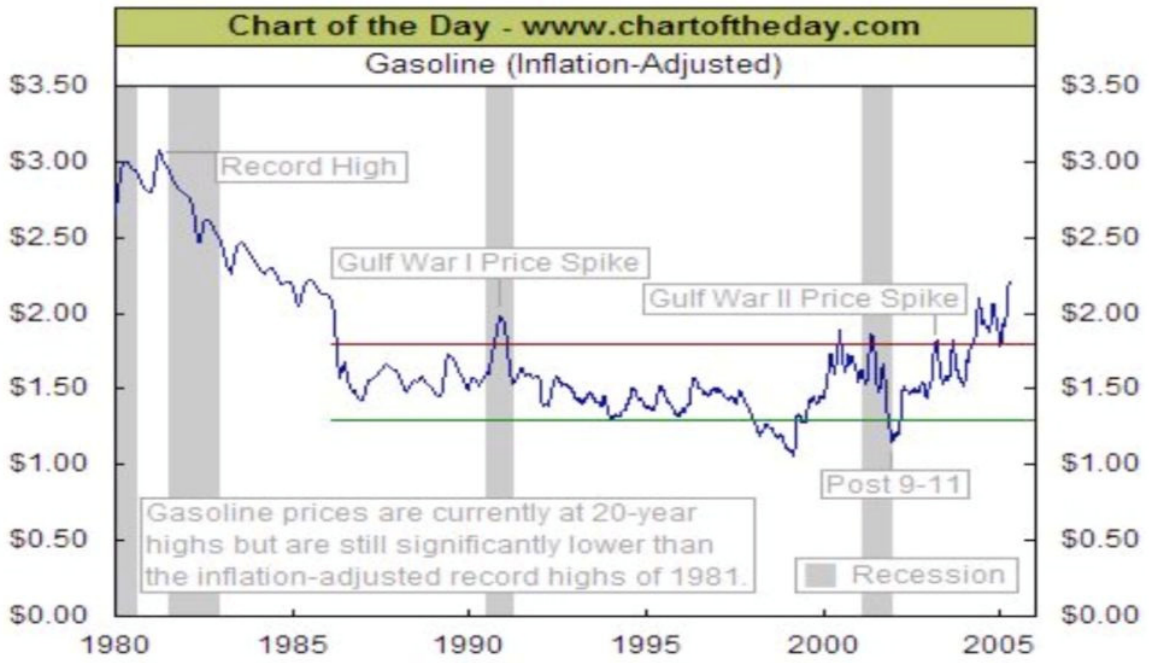
The "rest of the story" would read: "It took us at least 5,000 years to even figure out what to do with this oily gunk (much less how to get it off our shoes, or even how to make shoes), and then it took the next 125 years to discover, refine, deliver, and burn the first trillion barrels. … In the next 30 years we will refine

and burn the enjoy another trillion barrels with safer, cleaner and more efficient technology. And over that time we will discover far more oil than we use."

Here is my line-by-line response to "Dave" O'Reilly's advertising memo:

"Dave" writes: *Energy will be one of the defining issues of this century.*
My Response: It won't. The issue will lose definition when prices decline. Prices may not fall next week, next month, or even next year. But they have always fallen before and they will likely fall again. Whether they fall a little or a lot, people will adjust, life will go on. The energy crisis faded the day President Reagan took office and deregulated oil production, ending that price-control inspired "energy crises" of the Carter years. The "defining" energy issue fades away when prices fall, as it did again in the early 1990s, in the late 1990s, and again post 9/11 (see chart below).

A 10,000-year chart would show much the same story. Prices fall and people turn their attention to other projects. They have after every previous energy crisis since wood ran out around the cities of the ancient world. (See Maurice and Smithson's great book *The Doomsday Myth: 10,000 Years of Economic Crises*).



Source - U.S. Energy Information Administration

Note: gray bands on chart. As prices spike up on each: “grave concern” by politicians, pundits, scholars. As prices fall like a rock on the other side… silence from politicians, pundits, and scholars. Maybe this time it will be different?

Dave writes: *One thing is clear: the era of easy oil is over.*
Response: Easy for whom? Finding oil has always been harder than approving public relations memos full of platitudes. Edwin Drake in 1859 struggled to drill the first oil well. And every step forward since then has been a contest with some throwing up their arms in despair and others fighting on to find a way forward. “Easy” oil ran out quickly in Pennsylvania. Burt Folsom, in *Myth of the Robber Barons*, tells how John D. Rockefeller bet the company on figuring out how to transform sulfurous crude in Ohio into usable kerosene. No one knew if it could be cracked and Rockefeller’s own board at Standard thought it couldn’t. Until it was. Rockefeller bought and leased land in Ohio and hired chemists who eventually figured it out. Was finding oil ever “easy”? From sailors balanced on wood skiffs launching harpoons at great whales to those on today’s deep-water platforms dropping drills thousands of feet down, finding oil has been easy only in Hollywood (where Jed Clampett shoots at a rabbit and hits a “bubbling crude”).
Dave claims: *Demand is soaring like never before*
Response: How was demand soaring before? Demand soared when prices fell fast in the late 1990s. That’s what quantity demanded often does in response to falling prices. If China and India fall back into deep socialism, energy demands will fade. Free people burn energy to warm and cool their homes and transform the world around them. More accurately, but less poetic, “Demand is soaring like always before when people are free.” The key question is whether oil production will soar as fast as demand. Or a little faster or slower.

Dave claims: *[M]any of the world’s oil and gas fields are maturing.*
Unlike oil industry CEOs, oil and gas fields are always maturing. That is why oil companies look for (or should look for) new oil and gas fields, and for ways to rejuvenate current fields. Looking backward, sure, new fields are harder to get to and are full of harder-to-refine hydrocarbons. But that has been so since oil first began to run out in Pennsylvania. Canada’s tar sands, the equally difficult

hydrocarbon gunk in Venezuela, and oil shale in Colorado, all hold trillions more barrels waiting for whenever industry technology advances enough and political rules of the game allow.

Dave writes: *We can wait until a crisis forces us to do something. Or we can commit to working together, and start by asking the tough questions. How do we meet the energy needs…*
Response: The toughest question here is in that second sentence "Or we can commit to working together…" Just how do we do that? I have trouble working together with my sister. I used to work for my father. That was hard on both of us. We love each other and wanted to work together. But it's hard. It has always been a challenge, for me at least, to "work together." I guess it would be easier if I were CEO of Chevron. Then other people would have to figure out how to work together with me.

One way people have discovered to work together is to follow set rules about property, contracts, and dispute-resolution, and to allow market prices to communicate relative scarcity and relative demand. Changing prices convey billions of bits of information about the relative ease or difficulty of producing new energy and also the relative ease or difficulty of reducing current usage. For example, when oil prices are relatively low, as they were until recently, people worked together to reduce oil exploration and development operations. Major oil companies laid-off tens of thousands of employees and cut back on exploration. With lower prices consumers turned to larger, faster, safer and more-fun cars.

Now that oil prices jumped way up, consumers are looking for smaller cars with more efficient engines, and oil companies are rehiring elderly retired workers, buying new equipment and computers, and vastly expanding exploration. Everyone and his brother is looking for creative ways to conserve energy and for alternative energy sources. Changing prices and open markets enable us to work together.

Not advertising campaigns based on memos signed by "Dave" at Chevron.

Dave's perspective: *Whatever actions we take, we must look not just to next year, but to the next 50 years.*
Response: How? How do we look 50 years ahead and act today? If Chevron had been able to look ahead from 1992 just 10 years it would not have laid off so many workers, disrupting their lives. Chevron would have shut down far fewer of its oil exploration and development operations.

A 1998 news story reports: "Chevron Chemical Co. LLC, an arm of US oil giant Chevron, will eliminate 300 jobs by mid-2000 as part of a plan to trim $76 million from costs." Another story from 2000: "The new company, to be called Chevron Texaco, plans to eliminate 4,000 positions [7%] out of its combined worldwide workforce of 57,000, saving $1.2B a year."

Overall, United States oil and gas industry employment dropped from 1.65 million workers in 1982 to roughly 640,000 in 2002. Some of these job reductions probably had to do with technology gains. But a lot were part of scramble to downsize in the face of falling oil prices–and an inability to see into the future. Had Chevron's then CEO been able to see just 10 years ahead, Chevron would could have held on to key staff and been better positioned for expansion when oil demand and prices jumped .

Chevron's economists couldn't predict oil prices five years ahead, yet their CEO tells us all we should be looking ahead fifty years when we take action today. Who can project what a barrel of oil will cost to find, drill and refine in 2055?

But if there is somehow a meaningful demand to make decisions today based on expected reality 50 years in the future, then by all means set up futures markets and start planning and trading. But if Dave is just dreaming about acting today with 2055 in mind, he should tell us now. If he is serious, set up meaningful internal trading desks with investment tools that reach to 2055. Build your field of dreams, and if its services are valuable, players will come.

Dave believes: A*t Chevron, we believe that innovation, collaboration and conservation are the cornerstones on which to build this new world*

Response: Well, it is good to know what folks think at Chevron. At Exxon they think Chevron paid way too much for Unocal. I guess time will tell who is right. Outside Chevron too we are all for innovation, collaboration, conservation and cornerstones. But I am thinking that at least during work hours Chevron folks should focus on discovery, refining and delivery of oil.

Dave says: *Corporations, governments, and every citizen on this planet must be part of the solution as surely as they are part of the problem.*
Response: Well, I agree I am part of my own problems. But I would prefer to define my problems and figure out how to solve them (I am happy though to take time out to help define Dave's problems…).

I like to think and write critically about economics, public policy, and public relations campaigns. I don't like to drill for oil, or to figure out how to refine and distribute it. I am not good at these things and don't want to learn. Energy production is not a problem I have learned how to solve. But I have huge respect and admiration for the engineers who do know how to accomplish these tasks. And I am happy to continue paying my respects each time I visit a gas station.

What I would like is for employees at companies like Chevron, Exxon, Shell, and other such firms to focus on finding, refining, and delivering oil. Every citizen on the planet should be left free to focus on solving the problems they deem worth solving. I have no more insight into those problems than Dave does. But unlike Dave, I'm not trying to draft the world into service with a public relations campaign.

No one should be empowered to define other people's problems, nor empowered to restrict how others face life's daily challenges. People everywhere wake up hungry or thirsty, hot, cold or just right. Energy is, as Robert Bradley Jr. writes, "the master resource." With it all other resources are available, from clean water to comfortable indoor climate, to swift transportation. Cheap and reliable energy is a goal that doesn't need to be marketed.

For the great historical and scientific story of energy exploration and entrepreneurship, see Robert Bradley Jr. and Richard Fulmer's 2008 book online : **Energy: The Master Resource.**

Gregory Rehmke is program director at Economic Thinking, a Seattle nonprofit organization – grehmke@gmail.com • www.EconomicThinking.org