NO MORE BIG OIL BAILOUTS

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KEY FINDINGS

Corporate polluters are asking for "royalty relief," essentially a bailout that would lower or eliminate payments to taxpayers. This bailout would disproportionately benefit corporations like BP, Shell, Chevron, Exxon and Anadarko.

In 2018 these royalty payments from oil and gas companies alone totaled $7.4 billion. This is enough money to buy nearly 1.2 million ventilators or to buy every individual in the United States 38 protective masks.

A rent holiday could soon be declared for Big Oil, but not for normal people. Although Trump and Congressional Republicans blocked support for hard hit tenants in the recent $2.2 trillion stimulus, the Interior Department could soon give Big Oil a break on its rent by suspending existing leases. This would freeze rental payments, which totaled $126 million for oil and gas in 2018.

The biggest beneficiaries of this rental freeze would be corporations sitting on the largest amounts of acreage. Anadarko paid the most rent in 2018 at $14.52 million, followed by BHP and Chevron at $11.707 million and $9.914 million, respectively.

INTRODUCTION

Plundering our lands and waters on the cheap at the expense of taxpayers and the climate is hardly new for the fossil fuel industry. The United States now leads the world in cases of COVID-19. Even in the midst of the coronavirus pandemic, polluters are wasting no time cashing in on disaster. Trump and Interior Secretary David Bernhardt could soon act by waiving billions in payments due from the oil, gas and coal industries to taxpayers.

The $500 billion corporate slush fund recently passed as part of the stimulus stands to disproportionately benefit polluters. Beyond this, the Trump administration has many other mechanisms at its disposal to subsidize dirty energy that do not rely on Congressional action. One of these tools is royalty relief, a corporate giveaway that reduces or eliminates payments due to taxpayers for the extraction of publicly-owned resources.

ROYALTY REVENUE

The federal government is responsible for leasing minerals beneath our public lands and waters. Considering that the leasing of fossil fuels represents 23% of total U.S. greenhouse gas emissions, the program as it currently exists is a major climate liability.[1] Little of the proceeds from the federal leasing program are returned to taxpayers. The Government Accountability Office confirms that compared to other countries, and even compared to states like Texas and Louisiana, the federal government receives a much lower share of the revenues resulting from the sale of publicly owned minerals.[2]

Generally, royalties are paid according to the terms of specific lease agreements. This is what determines how much taxpayers get to keep as the ultimate owners of these resources. There are, however, minimum royalty rates established by law: 12.5% for onshore oil, 8% for coal from an underground mine, and 12.5% for coal from a surface mine. Although the Obama administration raised the rate to 18.75% for new leases, the legal minimum for offshore oil and gas is 12.5% as well.[3]

1 https://grijalva.house.gov/press-releases/chair-grijalva-committee-leaders-introduce-landmark-climate-change-legislation-slashing-emissions-from-public-lands-and-waters/

2 https://www.gao.gov/assets/100/94953.pdf

3 25 CFR § 211.41.

Long before the coronavirus struck, the royalty system for fossil fuels functioned as a massive polluter give-away. By 2015, the Interior Department had already used its broad authority to reduce royalty rates below the legal minimum at 36% of federal coal leases.[4] Similarly, the Government Accountability Office recently found that a poorly-written law from the mid-1990s has cost taxpayers over $18 billion in royalty-free oil from the Gulf of Mexico.[5]

Unfortunately, polluters and their allies in Congress are exploiting the crisis of COVID-19 to steal even more. On March 20, Republicans in the U.S. House spearheaded a letter from 14 members of Congress to Bernhardt, urging him to use his existing power to protect "homegrown oil production" by reducing or eliminating royalties in the Gulf of Mexico and other lease areas, all under the guise of "energy security."[6]

Another recent letter from 12 Republican senators calls on Bernhardt to "reduce, delay, or suspend the federal royalty payments for oil, gas and coal to the U.S. Treasury."[7] The senators cite broad legal authority available under multiple laws to waive or reduce royalties if doing so promotes production.[8] Considering that Bernhardt is himself a former oil lobbyist, he may just do as he is told.

WHO BENEFITS?

Although the 12 senators couched their demand for a fossil fuel bailout as a favor to "small and mid-size producers," the truth is that any attempt to reduce or eliminate royalties is going to disproportionately benefit giant corporations.

Here are the facts by the numbers:

- **Big Oil bonanza?** The Office of Natural Resources and Revenue collected $6.088 billion from oil royalties alone in 2018. The five companies paying the most -- BP, Shell, Chevron, Anadarko and ExxonMobil -- paid $2.311 billion, or 37% of the total.

  Even when the scope is expanded beyond these giant household names, most of the companies paying royalties for extraction on public lands and waters are not small. In fact, companies that paid more than $15 million account for over 92% of the total royalties paid. Although not as widely known as BP and Chevron, these companies include the likes of Chesapeake, Apache, Hess, Devon and Encana -- publicly-traded companies that rank on the Fortune 500.

- **Big Oil vs. human need?** Even in the face of the coronavirus, basic medical supplies needed by frontline workers are dangerously scarce. With Congressional Republicans calling for royalties to be reduced or suspended, it is important to consider how the benefits to Big Oil compare to actual human needs.

  Consider the fact that Big Oil paid a grand total of $7.4 billion in oil and gas royalties to taxpayers in 2018. This is enough money to buy nearly 1.2 million ventilators or to buy everyone in the country 38 protective masks. Simply throwing cash at polluting companies during a national crisis is a testament to misplaced priorities and misspent money.

- **Whose rent holiday?** The recent $2.2 trillion stimulus did not include much-needed support for renters. Despite payments for individuals and an expansion of unemployment insurance, the reality is that many tenants could face eviction or worse because of the coronavirus.

4 U.S. Department of the Interior, Office of Natural Resources Revenue. Consolidated Federal Oil & Gas and Federal & Indian Coal Valuation Reform, Proposed Rulemaking, Federal Register 80. January 6, 2015. RIN 1012-AA13. http://www.doi.gov/news/pressreleases/upload/2014-30033_PI.pdf; *see also* https://headwater-seconomics.org/wp-content/uploads/Report-Coal-Royalty-Reform-Impacts.pdf
5 https://www.nytimes.com/2019/10/24/climate/oil-lost-revenue-gao.html
6 https://thehill.com/policy/energy-environment/488740-lawmakers-ask-trump-administration-to-help-gulf-oil-and-gas
7 https://www.documentcloud.org/documents/6823542-Letter.html
8 See Mineral Leasing Act, 30 U.S.C. § 209; Outer Continental Shelf Lands Act, 43 U.S.C. § 1337; Naval Petroleum Reserves Production Act of 1976, 42 U.S.C. § 6506a.

This injustice is especially stark when compared to what could soon happen on our public lands. In addition to the authority to waive or reduce royalties, Congressional Republicans are also calling on Bernhardt to use his authority to suspend existing leases. This would effectively freeze the terms of existing leases -- including rental payments due to taxpayers. These fees are normally paid annually on leased acres where production has yet to begin. The rate is set at $1.50 per acre and increases to $2.00 an acre after the five years.

Although these fees may seem small, oil and gas rental payments still accounted for $126 million in 2018. If the fee were waived or suspended, the biggest beneficiaries would once again be the biggest corporations sitting on the largest amounts of acreage. Anadarko paid the most in 2018 at $14.52 million, followed by BHP and Chevron at $11.707 million and $9.914 million, respectively.

BAILOUT DANGERS BEYOND ROYALTY RELIEF

Even before the coronavirus crisis, Big Oil pocketed nearly $15 billion in annual direct subsidies from taxpayers. And now these polluters are trying to exploit the crisis to further increase their profits, even beyond royalty relief.[9] Some of the other giveaways Big Oil is angling to include as part of the general coronavirus emergency response include:

- **Stimulus bailout.** As part of the recently passed $2.2 trillion stimulus, the fossil fuel industry could potentially access a slush fund worth $471 billion. This money could become loans and loan guarantees for the increasingly cash-strapped and precarious fracking industry, which was financially troubled long before the coronavirus.[10]

- **Buying oil to boost prices.** Treasury Secretary Steve Mnuchin suggested that as much as $20 billion in taxpayer funds could be used to increase oil prices by making direct purchases for the Strategic Petroleum Reserve, the federal government's emergency supply of oil. Although the final version of the stimulus bill eliminated a $3 billion provision originally appropriating funds for that purpose, it could return in later legislation.

- **Critical safety and environmental rollbacks**. The lobbying arm of Big Oil, the American Petroleum Institute (API), has requested that Trump and the Environmental Protection Agency (EPA) rollback critical compliance, safety and environmental regulations at a time when frontline communities are already at higher risk from the coronavirus.[11]

METHODOLOGY. All company specific revenue data is available publicly through the Office of Natural Resources Revenue. The full dataset can be queried at https://revenuedata.doi.gov/.

9 http://priceofoil.org/content/uploads/2017/10/OCI_US-Fossil-Fuel-Subs-2015-16_Final_Oct2017.pdf
10 https://1bps6437gg8c169i0y1drtgz-wpengine.netdna-ssl.com/wp-content/uploads/2020/03/NoBailoutForFracking1.pdf
11 https://thehill.com/policy/energy-environment/489128-oil-industry-group-asks-trump-administration-to-lessen-regulations

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