Big oil companies post record profits for 2006

By Bill Van Auken
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The three giant US-based energy conglomerates—ExxonMobil, Chevron and ConocoPhilips—posted record profits for 2006, according to reports issued by the companies at the end of the week.

Profiteering off of the doubling of crude oil prices in the space of just two years—topping $78 a barrel in the summer of 2006—the big three recorded combined windfall profits of over $72 billion.

ExxonMobil, the world's largest publicly traded company, raked in $39.5 billon last year—the largest annual profit recorded in US corporate history. The oil giant generated a staggering average of $108 million in profits a day, or $4.5 million an hour. The total topped the previous record for corporate profit, also set by Exxon Mobil in 2005, of $36.13 billion.

Exxon's total annual profits amounted to more than the federal government spends on public K-12 education per year and were roughly equivalent to the amount that Congress appropriated to provide health care for some 6 million low-income children over a span of 10 years.

Total revenues for the biggest oil company topped $377 billion last year, an amount greater than the gross national product of countries that include Belgium, Sweden, Turkey and Austria.

The profits of ExxonMobil's closest US competitors also soared. Chevron, the nation's second-largest oil company, posted its most profitable year on record with $17.1 billion in earnings, while number-three ConocoPhillips did likewise, taking in $15.55 billion.

The big oil companies have profited mainly off of the volatility and chaos on the crude oil markets, resulting in large part from the war for oil in Iraq and the threat of even widening the war to include military aggression against Iran.

The vast annual profits for ExxonMobil came despite a 4 percent decline in profits for the last quarter of 2006, largely the result of the driving down of gasoline prices in the immediate run-up to the 2006 elections. It is widely suspected that the energy monopolies deliberately cut gas prices in the vain hopes of bolstering the political fortunes of their allies in the Bush administration and the Republican leadership in Congress.

Conscious of public outrage over the profiteering by big oil, ExxonMobil ran full-page ads in national newspapers Thursday claiming that its 2006 profits were not excessive and that much of them are reinvested in the discovery and exploitation of new energy sources to meet growing global demand.

"Our revenues are large and they need to be large to support the huge investments we make to produce the energy our country and the world needs," company spokesman Kevin Cohen said defending ExxonMobil's profits Thursday.

In reality, however, in 2006 Exxon spent considerably more of its profits to buy back its own shares on the stock market than it did on new capital investments.

The company laid out fully $25 billion on repurchasing its own shares in a scheme to drive up stock prices. During the same year, it spent $19.9 billion for capital investment. Exxon shares rose by approximately 20 percent in 2006, posting another dollar increase on annual profit news Thursday to reach $75.08 on Wall Street.

The big three US oil companies, as well as their smaller competitors, owe their record profits to the gouging at the gas pumps, which saw consumers paying an average of $3 a gallon last spring and summer. This fleecing of average working people on gasoline sales is supplemented by an array of corporate welfare measures, tax breaks and royalty relief worth tens of billions of dollars.

High fuel prices continue to exact their toll on working class Americans, with the poorest section of society unable to afford heating their homes through the winter. While continuing to underwrite the staggering profits of the big energy conglomerates, the federal government slashed funding for the Low Income Home Energy Assistance Program by one third last year, from $3.2 billion to $2.1 billion. Barely 17 percent of low-income households eligible for assistance are presently benefiting from the program.

ExxonMobil's Chairman and CEO Rex Tillerson took home a total compensation package of at least $18.5 million in 2006—making considerably more in one hour than someone working for the federal minimum wage earns in an entire year. This massive sum is by no means exorbitant by the standards of the oil industry, and pales by comparison to the $400 million retirement deal awarded to his predecessor, Lee Raymond.

The announcement of ExxonMobil's profits follows by only days President George W. Bush's speech delivered on Wall Street on the state of the US economy. In it, Bush acknowledged growing income inequality in America as "real" and admonished his big business audience that "salaries and bonuses of CEOs should be based on their success at improving their companies and bringing value to their shareholders."

By this perverse standard, both Tillerson's and Raymond's compensation are fully justified, given the huge profits that their company has generated, and the driving up of share values, in part through an aggressive buyback campaign that had the not incidental effect of substantially fattening the personal portfolios of Tillerson and other Exxon executives.

The consequences of the economic activity of ExxonMobil and other energy giants for society as a whole, however, are quite another matter.

Aside from the toll taken by price gouging on gasoline and home heating fuels on working families in the US, the oil companies and ExxonMobil in particular have engaged in a concerted campaign to block any effective response to the immense threat posed by global warming and to deny the mountain of scientific evidence blaming climate change on the use of fossil fuels. A report issued last month by the Union of Concerned Scientists found that the oil giant paid out $16 million between 1998 and 2005 to a web of advocacy groups dedicated to denying the human cause of global warming.

The *Guardian* newspaper in Britain, meanwhile, carried a report Friday detailing an attempt by an ExxonMobil-funded think tank, the American Enterprise Institute (AEI), to bribe scientists and economists into attacking the new report from the UN's Intergovernmental Panel on Climate Change (IPCC) confirming global warming and its source in human activity. AEI, whose vice-chairman is former ExxonMobil CEO Lee Raymond, offered to pay $10,000 for papers casting doubt on the IPCC document.

There is also the strong evidence that Exxon Mobil and other US energy monopolies played a significant role in the preparations for the war to conquer Iraq and open up its oil reserves to direct exploitation. Executives for the companies met behind closed doors with Vice President Richard Cheney and his Energy Task Force in 2001, reviewing maps of Iraq's oilfields and lists of companies seeking contracts with Baghdad.

In its article on the oil profits Friday, the *Wall Street Journal* warned that market trends may not prove as favorable for big oil in 2007. "Exxon, Shell and their oil peers face a tough future," the newspaper reported. "Many untapped oil and gas reserves are held by nations that don't want to let in Western oil companies. The companies also face industry-wide cost inflation and pressure by governments seeking more for themselves in production agreements."

The *Journal* pointed in particular to Exxon's negotiations with the Venezuelan government, which is demanding a greater stake in multibillion-dollar heavy crude oil ventures in the Orinoco Belt.

The unmistakable implication is that, as in the case of Iraq, "nations that don't want to let in Western oil companies" can become the targets of US military aggression.

The massive oil profits recorded for 2006 once again point to the necessity of taking these corporations, which promote social inequality, militarism and the destruction of the environment, out of private hands and turning them into public utilities. Only in this way can society begin to confront the urgent dangers posed to the future of humanity by war and climate change.