As layoffs and prices rise, Big Oil posts record profits

Bill Van Auken
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Amid growing fears that the US economy is sliding into recession, accompanied by both mounting layoffs and an increased assault on the living standards of the working population, the big oil companies once again posted record profits.

ExxonMobil, the world's largest oil conglomerate, announced Friday that it had broken its own previous record for the highest corporate profit ever, raking in a staggering $40.6 billion last year, up 3 percent over 2006.

The profit taken in by this single company amounted to more than the gross domestic product recorded in two thirds of the world's nations, placing the company midway between Ecuador and Luxembourg, while its total sales—more than $404 billion—top the GDP of 120 countries. It is more than the entire amount spent by the US federal government on K-through-12 education.

The second-largest US oil company, Chevron, posted $18.7 billion in profits for the year, up 9 percent over 2006, while the No. 3 firm, ConocoPhillips, took in $11.9 billion—an actual decline over 2006, due to its loss of oil concessions in Venezuela.

For its part, Royal Dutch Shell reported an annual profit of $27.6 billion, a record for European companies.

Profits for the fourth quarter—which saw oil prices briefly top $100 a barrel—rose at a staggering rate. Exxon Mobil saw its profits for the last three months of the year climb 14 percent; Chevron, 29 percent; ConocoPhillips, 37 percent; and Shell, 60 percent.

The big three American oil companies recorded combined fourth-quarter profits that amounted to $10 million an hour for every hour of every day.

These massive windfall profits were the result not of increased productivity on the part of the big oil companies, but rather the spiraling of oil prices driven in large part by rampant speculation.

"The story all over oil land is one of declining production that has been more than offset by record oil prices," Robert Van Batenburg, head of research at New-York-based Louis Capital Markets, told Bloomberg News.

Meeting in Vienna Friday, OPEC oil ministers rebuffed pleas from President Bush to increase production in order to bring down prices. The ministers countered that the real source of the price increases was uncontrolled speculation, with investors fleeing a weakened dollar for the greater security of oil stocks.

The same price rises that have filled the coffers of big oil have had a devastating effect on the living standards of average working people. According to the US Labor Department, gasoline and home heating prices rose 29.4 percent in 2007. Meanwhile, the Energy Department predicts a 38 percent rise is heating costs this winter over last winter, with average families paying $551 more for heating oil over the course of the current fiscal year.

A recent NBC-*Wall Street Journal* poll showed 70 percent of the respondents saying that the spiraling cost of gasoline and heating oil constituted the single greatest economic factor affecting them directly. Under conditions in which tens of millions of workers are dependent upon cars to get to work, gasoline is a basic necessity, with rising prices forcing families to cut back on other essentials. Many analysts have attributed a significant share of the fall in consumer spending to the impact of high fuel costs.

For the poorest sections of the working class, the choice is one of "heat or eat" under conditions in which home heating assistance programs are running out of funds in many states. Low-income families spend on average 15 percent of their income on home energy bills.

Gouging at the gas pumps has pushed gas prices up past the $3 mark, meaning that many minimum wage workers are compelled to spend a quarter of their income or more just to fill the tanks of their cars.

While the vast majority of the population is confronted with these imposed sacrifices, the profit bonanza enjoyed by the oil companies has paid for obscene levels of compensation for the leading oil executives.

ExxonMobil’s Rex Tillerson, for example, took home nearly $22 million last year, while Chevron’s Dave O’Reilly’s chalked up a total compensation package of $31.6 million the year before and James Mulva of ConocoPhillips took in nearly $15 million.

Topping the list was Ray Irani, the CEO of Occidental Petroleum, whose pay exceeded $52 million. As in the cases of his counterparts in the big oil companies, however, this was only part of the story. Irani exercised $270 million worth of stock options in 2006 and also received $93 million for opting out of Occidental’s deferred-compensation program, bringing his total compensation for 2006 to $415 million.

The oil companies are using much of the current windfall profits to buy back their own shares, driving up their price and thereby further enriching both shareholders and executives. Chevron, for example, announced Friday that it had bought back $7 billion of its common shares over the course of the year. ConocoPhillips said it also bought back $7 billion worth of shares in 2007, and the company announced last July that it will buy back $15 billion worth of stock through the end of 2008.

President Bush delivered a speech on the economy in Kansas City Friday, but the issue of energy prices—not to mention the massive profits of the energy conglomerates—never came up. Instead, he pushed for the miserly “stimulus” package agreed to with the Democrats, which will barely cover the increases in gas and heating fuel prices being paid out by the American population.

He did, however, call for Congress to make his tax cuts permanent. These include billions of dollars in tax breaks and giveaways to the energy companies, enacted under conditions in which profits were already soaring.

In the course of the 2008 election campaign, Democratic presidential candidate Senator Hillary Clinton has broached the subject of a “windfall fee” on oil profits as an “incentive” for Big Oil to develop alternative energy sources. Both she and her rival for the nomination, Senator Barack Obama, have called for rolling back special tax breaks for the energy giants. Neither of them, however, have voiced these proposals very loudly in the course of their campaigns, and there is little prospect that Congress, which is awash with oil money, will approve new taxes on these corporations.

The last such windfall tax was enacted under the Carter administration in 1980. It was repealed after only eight years, after raising just $80 billion—barely 20 percent of what had been projected—because of the multiple loopholes provided to the oil companies.

The massive profits announced by the big oil companies under conditions in which millions of Americans are facing declining real wages, home foreclosures, evictions and the growing threat of layoffs, will no doubt provoke justifiable outrage.

In addition to profiting off of economic misery within the US, the oil companies’ role on the global stage is one of violence and destruction. ExxonMobil and others have spent millions to fund “scientific” front groups promoting the conception that global warming is merely theory rather than fact, hoping to stave off any efforts to confront climate change that could cut into their profits.

Meanwhile, the oil giants have played an intimate role in the eruption of American militarism, which has been directed in large part at establishing US hegemony over the oil-rich regions of the Middle East and Central Asia. Just this week, an Iraqi newspaper reported that American oil companies were offering legislators in the occupied country cash bribes to get them to vote for legislation that would clear the way for them to begin exploiting the country’s oil reserves.

The massive profits reported by the oil companies for 2007 represent, in the final analysis, another transfer of wealth from masses of working people to a financial elite. The decisions of these few giant conglomerates, which wield such enormous influence over the lives of millions, are made entirely from the standpoint of their own profit interests.

The struggle against social inequality, militarism and the destruction of the environment demands that these corporations be taken out of private hands and transformed into public utilities, under democratic control and run in the interests of the population as a whole.