# Oil giants report massive profits

**Shannon Jones**
**6 August 2008**

Profits for the major multi-national petroleum producers surged in the second quarter of 2008 boosted by record oil prices. Leading the way were ExxonMobil and Royal Dutch Shell, which netted over $10 billion apiece.

Exxon, the world's largest privately held oil company, reported a 14 percent rise in income to a record $11.68 billion, the largest ever for a US corporation. Some $10 billion of that came from selling oil, up 70 percent from the previous quarter. The massive profits came despite an eight percent decline in production from 2007, the largest in a decade.

Exxon cited a number of factors in the production decline including a strike in Nigeria and the nationalization of one of its large oil projects in Venezuela.

Shell, meanwhile, reported profits of $11.56 billion on revenue of $131.42 billion, up 55 percent. The company's production of oil and natural gas fell one percent compared to last year.

The second largest US oil company, Chevron, said it had profits of $5.68 billion for the quarter, also a record.

Conoco Phillips and British Petroleum both reported record earnings. BP reported a $9.5 billion profit for the quarter and a $13.4 billion profit for the first six months of 2008 while Conoco took in $5.4 billion for the quarter. French energy company Total earned $7.3 billion.

The six largest producers saw a combined 40 percent jump in profits to $51.5 billion.

Other European-based oil companies also saw big increases in profits.

* The Italian oil company Eni SpA said its profits rose to $5.36 billion, an increase of 52 percent.

* Spanish Argentine oil company Repsol YPE saw its profits rise 11 percent to $1.4 billion.

* Norway's StatoilHydro ASA reported a record second quarter profit of $3.7 billion.

Despite its massive windfall profits, Exxon's share price declined because profits did not meet Wall Street expectations. Profits from its refining and chemical business fell due to shrinking profit margins, partly a result of higher oil prices.

One analyst commented, "Oil prices climbed 100 percent, but their profit was only up 14 percent." He noted that the company's stock had fallen 13 percent, the steepest decline in its history.

Exxon holds the record for the top six most profitable quarters in US history and the most profitable year. It produces three percent of the world's oil and gas. For the first six months of 2008, the company took in $22.57 billion.

Crude oil hit a record $147 a barrel on July 11—having risen from under $25 a barrel in 2003.

Since then it has fallen considerably due to expectations of a drop in demand due to a slowing US economy. America consumes about 24 percent of world output. As of August 1, oil futures were still trading 90 percent higher than a year ago. Demand averaged 20.7 million barrels a day over the last 12 months, the lowest annual consumption rate since 2004-2005.

Exxon's profits amounted to $128 million a day or nearly $1,500 a second. Its quarterly profit was slightly larger than the gross domestic product of Afghanistan.

The huge profits raked in by the oil giants while consumers stagger under high fuel prices is generating popular outrage. Oil company executives have deflected calls for a windfall profit tax by claiming the money is needed for investment in exploration and production. However, Exxon plowed $8 billion this quarter into repurchase of its own stock, a move solely aimed at enriching executives and investors. A report indicates Exxon spent only one percent of its $41 billion in profits last year into research into alternative energy sources.

Between 2005-2007 Exxon spent $89.5 billion on stock buybacks and just $2.9 billion in research and development. For its part, Shell handed out $3.8 billion to investors through stock buybacks and dividends in the second quarter. The five largest oil companies operating in the US collectively spent $194 billion on stock repurchases from 2004 through the first quarter of this year.

The major US oil companies appear headed for a combined $160 billion in profits for 2008. That compares to $123 billion in 2007.

Exxon and other oil companies have rewarded their CEOs with multi-billion dollar payouts. Last year Exxon CEO Rex Tillerson cashed in $16.1 million in stock options in addition to his $1.75 million salary. He also received a $3.36 million bonus. Conoco Chairman James Mulva received $31.3 million last year.

The failure of the oil monopolies to redirect any significant portion of their vast resources to research into new energy sources in the face of the dwindling supply of fossil fuels and the danger posed by global warming refutes claims that the capitalist market can be relied on to rationally distribute resources. This is further underscored by the activities of speculators, including giant hedge funds, which have racked up huge profits from oil commodity speculation while returning no value to society.