Refining sector in US producing windfall profits for oil companies

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In rejecting the demands by striking oil workers in the US for improved safety and living standards, the energy conglomerates have pointed to the fall in crude oil prices to justify their hard line. Referring to the insulting offer of a 6.5 percent wage increase over the next three years, lead industry bargainer Shell said last week that the proposal was “slightly lower than the increase we settled in 2012, when the energy market was stable and much stronger.”

Chevron CEO John Watson warned at the beginning of the year that “belt-tightening” would intensify if price drops continued. Tens of thousands workers in the industry have already been laid off and wage cutting is spreading internationally. While the companies are slashing jobs and refusing to make the slightest concession to striking workers, they have not cut back on dividend payments to their richest investors.

The top five Big Oil companies—ExxonMobil, Chevron, BP, Shell and ConocoPhillips—made $90 billion in 2014, roughly the same as in 2013. Though the crude price decline led to a falloff in profits from 2012, when the five made $118 billion, the companies remain highly profitable chiefly because of their refining operations.

This sector of the industry—largely controlled by the same oil giants—has greatly benefited from the 60 percent drop in the cost of crude. The lower cost of this key raw material has enabled the companies to realize even higher profits by refining petroleum into gasoline, jet fuel, diesel, heating oil and other products.

A *Bloomberg News* article last November, titled, “Cheap Oil Proves a Boon to Exxon, Chevron Refineries,” analyzed the third-quarter profits in 2014. The article noted that profits from ExxonMobil’s refineries skyrocketed 78 percent to $1.4 billion in the quarter—with the world’s largest oil company making $1 million in profit every two hours during the quarter. Chevron more than tripled its profit from refining crude into fuels.

Shell saw profits in the refining sector rise by 31 percent, beating analyst estimates, while Phillips 66, more than doubled its profit by the end of the third quarter of last year.

The results, “showed the benefit of the so-called integrated model pioneered by John D. Rockefeller in the late 19th century that combined oil fields with refineries to squeeze more value from each barrel,” *Bloomberg* wrote, showering praise on the ruthless oil baron whose Standard Oil monopoly is the progenitor of Exxon and Chevron.

In addition to fuel, the refining companies benefit from petrochemical production as well. Petroleum is used to manufacture a wide array of products—anything from asphalt to plastic—that are largely shielded from oil price fluctuations. Likewise, US refiners are able to export their fuel to higher paying foreign markets.

The super-profits from the refining sector are the product of the relentless exploitation of oil workers. Refinery workers have been forced into increasingly long shifts—in some cases, as high as 18 hours a day and weeks on end with little rest in between. Striking workers on the picket lines across the country complain of extreme fatigue, posing a serious danger to their own safety as well as that of the surrounding communities. The oil companies also scrimp on infrastructure repair at refineries across the country, many of which are still using equipment that is decades old. The explosion that took place last month at ExxonMobil’s Torrance, California refinery highlights the dangers of the oil giants’ reckless policies.

These companies have also insisted they have the “sole right” over personnel decisions, meaning they are determined to continue replacing full-time unionized workers with contract workers who have no job security, health or pension benefits. Whatever meager wage increases oil workers have received over the last decade have been eaten up by increased out-of-pocket health care costs.

The United Steelworkers has aided and abetted the attacks upon the working class by Big Oil. Despite mass anger over stagnating wages, declining living standards and an abysmal safety record, the USW bureaucracy has done everything in its power to keep the strike as limited as possible. It has called out only 6,500 of the 30,000 workers it organizes in the industry.

At a rally at Shell's Houston headquarters Friday, union officials said nothing about the company's threat to replace strikers at its nearby Deer Park, Texas refinery and three plants in Louisiana. Although there are 5,000 USW oil workers in the Houston area—with only half on strike—and tens of thousands of other union members, the unions did nothing to mobilize workers, bringing out only a few hundred workers for the rally. The event was nothing more than a platform for US Congressman Gene Green and a promotion of the Democratic Party, which is no less a tool of Big Oil and Wall Street than the Republicans.

The USW has deliberately not targeted ExxonMobil and Chevron in the selective strike, allowing these companies to continue to rake in vast profits and make their own preparations to smash the strike and impose its demands.

A striking worker at the Tesoro Martinez refinery told the WSWS, "We don't think the USW is fighting to win this. We had no choice, the union came and said you're one of the refineries on strike and that was that. We've lost two paychecks so far and there's no sign negotiations are going anywhere. If they'd asked us 'do you want to go on strike by yourself?' we'd have said 'No.'"

The struggle to defend the jobs and living standards of oil workers cannot be taken forward through the USW and the other trade unions that are allied with the corporations and the big business parties. The business executives who run these organizations support and directly benefit from the capitalist system, which enriches the few through the impoverishment and oppression of the overwhelming majority of the population.

If the livelihoods and the very lives of workers are to take precedence over the further enrichment of corporate executives, Wall Street investors and their trade union servants, then the working class must base its struggles on an entirely different, socialist, perspective. This requires building a mass political movement of the working class, independent of the two big business parties, to reorganize economic life on the basis of human need, not private profit. This includes the transformation of the energy conglomerates into public utilities run under the democratic control of working people.