Record second quarter profits for US oil corporations

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Exxon Mobil and Chevron reported record profits in the second quarter of 2022, as the two largest US oil monopolies cashed in on unprecedented year-over-year increases in oil and gas prices during the months of April through June.

Exxon, based in Irving, Texas, earned $17.9 billion in the quarter, more than three times what it earned in 2021, while Chevron, based in San Ramon, California, tripled its profits to $11.6 billion. Both companies nearly doubled year-over-year quarterly sales, with Exxon going from $67.7 billion to $115.6 billion and Chevron from $36 billion to $65 billion.

When added to the earnings of UK-based Shell, which announced record profits of $11.4 billion on Thursday, the three largest Western oil corporations raked in a collective $46 billion in the quarter. Industry analysts expect that when British Petroleum and the French oil company Total report quarterly earnings in the coming days, the five largest Western oil companies will have chalked up a combined quarterly record of $60 billion in profits.

There is perhaps no better demonstration of the deliberate policy of the ruling elite to attack the economic position of the working class than the price gouging of the oil companies—a major factor in the four-decade record inflation rate of more than 9 percent—combined with the Federal Reserve's raising of interest rates to bring on a recession, drive up unemployment and undermine growing wage demands.

As the *Wall Street Journal* freely admitted, the historic profits are the result of oil companies and their investors exploiting both the economic downturn at the beginning of the coronavirus pandemic in 2020 and the US-NATO proxy war against Russia in Ukraine that began last February.

The *Journal* reported on Friday following the Exxon and Chevron announcements: "Oil and gas demand has roared back as countries have lifted pandemic quarantine measures. Western sanctions against Russian energy have pushed commodity prices even higher. Now, as the US economy is contracting, the oil industry's lofty earnings have become a rare bright spot for investors."

The oil companies seized on the pandemic slowdown to cut more than 3 million barrels per day of oil refining capacity, while no new investment has been committed to update and expand the conversion of crude oil and other raw hydrocarbons into gasoline, diesel, jet fuel and other energy products.

The oil monopolies intend to ride this wave of massive profits derived from chiseling the public for as long as possible. As Exxon Chief Executive Darren Woods told the *Journal*, although refining margins have fallen off recently, it could take years to bring more capacity online. "Demand recovers, and we don't have the capacity to meet that, which has led to record, record refining margins. This will be a few-year price environment," Woods said.

It is the nexus of a tripling of the global price of oil—driven primarily by the US-NATO elimination of Russia as a supplier to the world market—and the return of demand for gasoline that has driven up prices at the pump to record levels.

Between April and June, the average American crude oil benchmark was about $109 a barrel, an increase of 64 percent over the same period a year ago, according to Bloomberg. Although the cost of a barrel of oil has fallen somewhat since then, the price as of Friday was still around $100.

Meanwhile, the price of a gallon of gas in the US reached a national average record of just over $5 on June 14. On Friday, the national average for gas was

$4.26, which is more than 35 percent higher than it was at the beginning of August 2021.

Record industry profits have lifted the Wall Street performance of the oil giants during a period of downturn in the investment markets. The S&P 500 Energy index is up 35 percent since the beginning of the year, while the broader index has fallen by 15 percent since January. Shares of Exxon Mobil have shot up by 46 percent, while those of Chevron have risen by 26 percent.

Mark Stoeckle, chief executive and senior portfolio manager at Adams Funds, expressed energy investor euphoria to the *Wall Street Journal*, saying, “If you ignored energy for the last seven or eight years, you were paid handsomely for doing so. Now, the landscape has changed.”

The *New York Tim*es reported that shareholders are demanding that oil companies not spend money on expansion. Faisal A. Hersi, an energy analyst at Edward Jones, told the *Times*, “After years of overspending, these companies have found religion and are focused on capital spending discipline. They’re going to try to grow production at that 1 to 3 percent rate, which is an acceptable rate for investors as long as they’re able to increase cash returns.”

The *Journal* also said the oil companies have no plans to invest their record profits in new technologies in “the oil patch” but will stick with policies that “reward investors and strengthen their finances.” The five Western oil monopolies have spent a combined $20 billion in share buybacks since the beginning of the year, with plans to spend even more in the second half of 2022.

Chevron “lifted the upper end of its share-repurchase program this year to as much as $15 billion, up from $10 billion,” the *Journal* reported.

According to the *New York Times*, Exxon spent $6 billion on buybacks in the first half of the year and said on Friday it was “on track” with a plan for $30 billion in buybacks in 2022 and 2023, a target that it tripled once the present bonanza got going in the early months of the year.

Democrats in Washington D.C., such as Senator Elizabeth Warren of Massachusetts, have made noises about corporate “manipulation,” denouncing the handing over of billions of dollars to investors through share buyback programs instead of investing those funds in expansion or the hiring of more workers. Warren, who has repeatedly called herself a “capitalist to my bones,” has been working with the Biden administration on toothless legislation to tax share buybacks, which are expected to reach a record $1 trillion in 2022.