

August 2005



Big Money to Big Oil



How ExxonMobil and the Oil Industry Benefit from the 2005 Energy Bill

 **U.S. PIRG**
Education Fund

Big Money to Big Oil

**How ExxonMobil and the Oil Industry Benefit
from the 2005 Energy Bill**



August 2005

Acknowledgements

Written by Alison Cassady, Research Director with the U.S. PIRG Education Fund

© 2005, U.S. PIRG Education Fund

Cover photo of the LNG tanker courtesy of the Federal Energy Regulatory Commission. Cover photo of Granite Point oil platform, Cook Inlet, Alaska, courtesy of Robert Visser/Greenpeace. Cover photo of Exxon gas station sign taken by Alison Cassady.

U.S. Public Interest Research Group (U.S. PIRG) is the national association of the state PIRGs. The state PIRGs are a network of independent, state-based, citizen-funded organizations that work to protect our environment, encourage a fair and sustainable economy, and foster a responsive democratic government.

U.S. PIRG and the U.S. PIRG Education Fund are founding members of the Exxpose Exxon campaign. The Exxpose Exxon campaign is a collaborative effort of several of the nation's largest environmental and public interest advocacy organizations to activate and educate the public about ExxonMobil, the world's largest and most irresponsible oil company. For more information about the campaign, visit the campaign's website at www.ExxposeExxon.com.

U.S. PIRG Education Fund
218 D Street SE
Washington, DC 20003
(202) 546-9707
www.uspirg.org

Table of Contents

Executive Summary	4
Introduction	6
Trampling on States' Rights	7
Siting Liquefied Natural Gas Facilities.....	7
Drilling America's Fragile Coasts	8
Limiting States' Control of Their Coasts.....	8
Fleeing Taxpayers and the Federal Treasury	10
Royalty Relief and Subsidies for Deepwater Drilling.....	10
Royalty Relief for Drilling in Alaska	11
"Royalties-in-Kind" Program	11
Tax Breaks for Profitable Oil Companies.....	12
Exempting the Oil Industry from Environmental Protections	12
Polluting America's Waterways	12
Polluting America's Drinking Water	12
Conclusion	15
Notes	16

Executive Summary

As the oil industry continues to collect record profits from high oil and gasoline prices, President George Bush is poised to sign into law an energy bill that allows the oil companies to pay even less in taxes and less in royalties for publicly-owned resources. Meanwhile, the new energy law will exempt the oil industry from several environmental laws, allowing even the most profitable companies to pollute our waterways and drinking water. Finally, on several issues that affect the oil and gas industry, the new energy law will wrest decision-making power away from state and local governments, giving it instead to more industry-friendly federal agencies. ExxonMobil, the world's largest private oil company, could benefit handsomely from this flawed energy plan.

The energy bill that passed the House on July 28, 2005 and the Senate on July 29, 2005 includes at least \$4 billion in subsidies and tax breaks for the oil industry, which is reaping enormous windfalls at a time of rising oil and gasoline prices. Between April and June 2005, BP recorded profits of \$5 billion and ConocoPhillips \$3.1 billion. ExxonMobil's second quarter profits of almost \$8 billion gave the company more than \$15 billion in profits in the first half of 2005 alone. This adds to the company's record-breaking profit of \$24 billion in 2004.

Rather than moving America toward a cleaner energy future, the new energy law is a boon to Big Oil. ExxonMobil, as the largest and most profitable private oil company in the world, stands to benefit from this energy policy in several ways.

Trampling on States' Rights

- The new energy law preempts state authority in the siting and construction of liquefied natural gas (LNG) facilities, which pose legitimate safety concerns best addressed by states and local communities. The law also weakens states' rights under the Clean Water Act and the Clean Air Act in the permitting of LNG facilities and natural gas pipelines. ExxonMobil and Qatar Petroleum have plans to deliver 15.6 million tons a year of LNG from Qatar to the U.S. As such, ExxonMobil is working to build onshore LNG receiving terminals near Corpus Christi and Port Arthur, Texas and potentially more. The new energy law will make it easier for ExxonMobil to win approval for these and future LNG facilities even if the states or local communities object.

- The new energy law calls for conducting a "seismic inventory" of oil and gas in the Outer Continental Shelf along America's coasts, including areas that are currently off-limits to energy development. This could pave the way for offshore drilling in protected areas, such as Florida's Gulf coast. The energy policy also limits states' ability to influence and participate in decisions about federal projects that affect their coasts. ExxonMobil could reap the benefits of easier access to coastal waters. Aera Energy, a joint venture of ExxonMobil and Shell, owns more than half of the 36 undeveloped leases along California's southern coast. Moreover, ExxonMobil already is one of the largest drillers in the Gulf of Mexico.

Fleeing Taxpayers and the Federal Treasury

- The new energy law also will allow the oil industry to avoid paying its fair share of taxes and royalties for publicly-owned resources. It offers the oil industry, including ExxonMobil, \$1.7 billion in new tax breaks and untold millions in additional “royalty relief” programs to make oil and gas development cheaper and more profitable. Although the Bush administration embraced the final energy bill, Energy Secretary Samuel Bodman berated the bill’s tax breaks and royalty exemptions to oil and gas companies “that don’t need incentives with oil and gas prices being what they are today.”

- The new energy law will suspend the payment of royalties for publicly-owned oil and gas from offshore leases in the deeper waters of the Gulf of Mexico. In addition, the law authorizes up to \$1.5 billion in new subsidies to the oil industry for ultra-deepwater oil drilling and exploration. ExxonMobil is an industry leader in deepwater development and estimates that deepwater oil and gas will account for more than 20 percent of the company’s production by 2010.

- The new energy law will allow the oil industry to forgo royalty payments to the federal treasury for oil drilled in areas off Alaska’s coastline. It also offers royalty exemptions for natural gas production on the Outer Continental Shelf and for on-shore federal lands in Alaska. According to the State of Alaska, ExxonMobil

currently has an interest in 187,000 acres on- and off-shore.

Polluting America’s Water

- Several provisions of the new energy policy will weaken the Clean Water Act and Safe Drinking Water Act, allowing ExxonMobil and other oil companies to pollute America’s waterways and drinking water with impunity.

- The new energy law allows the producers and distributors of MTBE, a toxic gasoline additive, to remove new MTBE claims from state court to federal court. This could unfairly deprive injured parties of their right to have claims heard in state courts and could derail legal claims. ExxonMobil is one of the country’s top MTBE producers and also owns service stations across the country implicated in MTBE contamination of groundwater.

Even though ExxonMobil stands to benefit a great deal from this energy policy, the company has the power to direct the oil industry and American decision-makers toward a new energy future. As the largest independent energy company in the world, ExxonMobil’s decisions can affect the rest of the industry over the long term. The “Exxpose Exxon” coalition, comprised of a dozen of the nation’s largest environmental and public interest groups, calls on ExxonMobil to use its leadership position to craft a new energy strategy that goes beyond drilling to the last drop.

Introduction

Big Oil hit payday with the energy legislation passed in July 2005, collecting a bevy of tax breaks, subsidies, and other incentives despite rising oil and gasoline prices and record profits.

Between April and June 2005, BP recorded profits of \$5 billion; ConocoPhillips earned \$3.1 billion in profits for the same time period. U.S. oil and gas producer Kerr-McGee Corp. reported that its second-quarter earnings more than tripled from a year ago. ExxonMobil's second quarter profits of almost \$8 billion shattered records, giving the company more than \$15 billion in profits in the first half of 2005 alone. This is on top of the company's record \$24 billion in profits in 2004.

Does this sound like an industry that needs government subsidies? The energy bill that passed the House on July 28, 2005 and the Senate on July 29, 2005 includes at least \$4 billion in subsidies and tax breaks for the oil industry. At the same time, this new energy law allows Big Oil to plunder the federal treasury by paying even less in taxes and royalties for publicly-owned resources. The final energy policy also

weakens environmental protections while doing nothing to reduce America's dependence on oil or relieve consumers at the pump.

Even though ExxonMobil stands to benefit a great deal from this energy law, the company has the power to direct the oil industry and American decision-makers toward a new energy future. As the largest independent energy company in the world, ExxonMobil's decisions can affect the rest of the industry over the long term. With daily production of more than four million barrels of oil and gas, ExxonMobil pumps more crude oil than Kuwait. In the words of Art Smith, who heads up John S. Herold Inc., an independent energy-consulting firm, "Exxon sets the standard" for the oil industry.¹

As such, a dozen environmental and public interest organizations have launched the "Exxpose Exxon" campaign, calling on ExxonMobil to use its leadership position to craft a new energy strategy that goes beyond drilling to the last drop at any cost.

Trampling on States' Rights

Siting Liquefied Natural Gas Facilities

Liquefied natural gas (LNG) is natural gas that is drilled abroad, chilled to -260 degrees Fahrenheit, shipped to U.S. terminals in tankers the size of aircraft carriers, and stored in insulated storage tanks. Currently, the U.S. is home to four onshore LNG import facilities in Massachusetts, Maryland, Georgia and Louisiana and one offshore facility in the Gulf of Mexico, off the coast of Louisiana.

Energy companies have proposed several new LNG terminals across the country.² State governments have a huge stake in decisions to site new LNG terminals on- or off-shore. LNG terminals located near highly populated areas pose legitimate safety concerns. In a 2004 report, Sandia National Laboratories examined several possible worst-case scenarios for an attack on an LNG terminal. The study concluded that a terrorist attack on an LNG tanker could create a hole between 16 and 39 feet in diameter. If a spill from a 16-foot hole were ignited, it would create a thermal blast that would set buildings on fire and melt steel up to one-quarter mile away. People would suffer second-degree burns more than three-quarters of a mile away.³

Under current practices, both the Federal Energy Regulatory Commission (FERC) and state authorities monitor the siting of new LNG facilities, as state and municipal governments and adjacent communities are often best equipped to understand local safety concerns. The new energy law,

however, preempts state authority over the siting and construction of LNG facilities. The law also weakens states' rights under the Clean Water Act and the Clean Air Act in the permitting of LNG facilities and natural gas pipelines.

ExxonMobil has launched a PR campaign to build support for increasing America's growing reliance on LNG, noting that the company has "transformed the scale on which LNG can be produced, shipped, and turned back into gas."⁴ ExxonMobil and Qatar Petroleum have plans to deliver 15.6 million tons a year of LNG from Qatar to the U.S. and a similar amount to the United Kingdom. To handle the LNG imports to the U.S., ExxonMobil is working to build onshore LNG receiving terminals near Corpus Christi and Port Arthur, Texas in the short term and perhaps more in the long term.⁵

ExxonMobil has encountered some local opposition to previous proposals to build LNG terminals in the U.S. and therefore could benefit from restricting states' authority over siting decisions. In October 2003, the Alabama State Port Authority sold ExxonMobil an option that would allow it to purchase the old Navy Home Port on Hollinger's Island. The decision by the Port Authority to grant the option sparked vigorous opposition, both locally and from Governor Bob Riley (R). The governor demanded an independent safety assessment of the proposed LNG terminal before allowing the project to go forward. One year later, in October 2004, ExxonMobil announced that it was

withdrawing the proposed Mobile Bay LNG terminal, citing local opposition.⁶ An investigative series in the *Mobile Register* revealed that federal agencies were pushing for LNG terminals in populated areas, even though federal laws dictate that LNG terminals be placed in remote locations. The *Register* series also revealed that federal regulators never considered significant hazards posed by the LNG ships during the permitting process. In addition, scientists discredited key LNG safety studies used by regulating agencies.⁷

After ExxonMobil announced that it was canceling its plans for the Mobile Bay terminal, Governor Riley stated that he “could not support this project without an independent, site-specific safety study first being completed and considered.... Although I am committed to economic development and capital investment in the Mobile area, our ability to fully comprehend possible threats and potential consequences associated with this LNG facility was not possible without such a study.”⁸

Drilling America’s Fragile Coasts

The new energy law also includes provisions to allow harmful underwater oil and gas exploration that could pave the way for offshore drilling along America’s coastlines. Currently, a federal moratorium protects the entire Pacific and Atlantic coasts in the contiguous states, as well as sensitive areas in Alaska and the eastern Gulf of Mexico along Florida, from new oil and gas activities. This moratorium enjoys strong local support, particularly amongst Floridians and Californians, including the governors of those states.

Despite local support for maintaining the moratoria, the new energy law calls for conducting a “seismic inventory” of oil and gas in the Outer Continental Shelf, including areas that are currently off-limits to energy development, using high-intensity seismic exploration technology. Seismic surveys require the use of air guns, which use explosive blasts to map rock formations on the sea floor. Recent studies indicate that seismic activities related to oil and gas exploration can damage the sensory organs of ocean wildlife. Since most marine mammals and fish use hearing to navigate, detect predators, find prey and communicate, seismic testing can have profound—even fatal—effects.⁹

ExxonMobil could benefit from federal policies allowing new oil and gas drilling in currently protected coastal waters. ExxonMobil already is one of the largest drillers in the Gulf of Mexico, and Aera Energy, a joint venture of ExxonMobil and Shell,^a owns more than half of the 36 undeveloped leases along California’s southern coast that fall under the federal moratorium.¹⁰

Limiting States’ Control of Their Coasts

The landmark federal Coastal Zone Management Act (CZMA) of 1972 is the only land and water use planning and

^a Aera Energy LLC (Aera), a California limited liability company, is one of California’s largest oil and gas producers. Today Aera is jointly owned by affiliates of Shell and ExxonMobil and is operated as a stand-alone company through its own board of managers. The California-based refining, retail petroleum marketing and pipeline operations of Shell and ExxonMobil are not part of Aera. (Source: Aera Energy, www.aeraenergy.com)

management law at the national level. CZMA created the Coastal Zone Management Program, which is a federal-state partnership “dedicated to comprehensive management of the nation’s coastal resources, ensuring their protection for future generations while balancing competing national economic, cultural and environmental interests.”¹¹ This program represents a unique and carefully crafted partnership between coastal states and the federal government. Through this voluntary partnership, CZMA has given local coastal governments a meaningful voice in federal actions and decisions that directly affect their economy, environment and quality of life.

The Coastal Zone Management Program is a voluntary program for states. If a state elects to participate, it must develop and implement a comprehensive management plan (CMP) describing the boundaries of the state’s coastal zone, the uses subject to the management program, the authorities and enforceable policies of the management program, the organization of the management program, and other state coastal management concerns. Once the National Oceanic and Atmospheric Administration (NOAA) approves a state’s CMP, then CZMA’s Federal Consistency provision applies. “Federal Consistency” is a limited waiver of federal supremacy and authority. Federal agency activities that have coastal effects must be consistent with the federally approved policies of the state’s CMP.

The new energy law tramples on states’ abilities to protect their coasts from harmful oil and gas exploration by

weakening their ability to challenge a federal decision that a proposed activity is consistent with the state’s CMP. Essentially, the new energy law limits the information a state may obtain regarding a proposed activity and imposes arbitrary deadlines that could constrain adequate and fair state review.

This provision is a product of Vice President Dick Cheney’s National Energy Policy Development Group. In its May 2001 report, the energy task force recommended that the Secretaries of Commerce and Interior “re-examine the current federal legal and policy regime (statutes, regulations, and Executive Orders) to determine if changes are needed regarding energy-related activities and the siting of energy facilities in the coastal zone and on the Outer Continental Shelf (OCS).” The report complained that “businesses must comply with a variety of federal and state statutes, regulations, and executive orders.... However, effectiveness is sometimes lost through a lack of clearly defined requirements and information needs from federal and state entities, as well as uncertain deadlines during the process. These delays and uncertainties can hinder proper energy exploration and production projects.”¹²

The new energy law responds to Big Oil’s complaints to Vice President Cheney by making it harder for states to protect their coasts. Again, ExxonMobil could benefit from limiting states’ authority to prevent oil and gas development off their coasts, such as the Gulf coast of Florida or southern California.

Fleeing Taxpayers and the Federal Treasury

When oil and gas companies drill on federal land, they pay a royalty to the federal government for use of that land and extraction of public resources—essentially rent payments for the privilege of extracting energy resources from land owned by all Americans. Since 1982, these fees have contributed more than \$100 billion to the federal treasury.¹³ Several provisions of the new energy law, however, will suspend these royalty requirements, giving the oil industry “royalty relief,” or free use of publicly owned resources. Specifically, the energy policy:

- gives royalty reductions for production of oil and gas on marginal properties;
- offers royalty exemptions for deepwater drilling;
- allows oil industry to forgo royalty payments to the federal treasury for oil drilled off Alaska’s coastline; and
- offers royalty exemptions for natural gas production on the Outer Continental Shelf and for on-shore federal lands in Alaska.

Ironically, studies indicate that the oil industry historically underpays royalties under current law.¹⁴ As of December 2001, the U.S. Department of Justice had reached settlements of nearly \$440 million to resolve claims of underpayment of oil royalties, including agreements with Mobil Oil for \$45 million and Exxon for \$7 million.¹⁵ In December 2000, an Alabama jury ruled that ExxonMobil had shortchanged Alabama taxpayers of \$88 million by underpaying royalties on

offshore leases. Jurors assessed another \$3.4 billion in punitive damages, finding that the company committed fraud in the calculation of royalties it paid the state on production from its Mobile Bay natural gas wells. ExxonMobil has appealed to the Alabama Supreme Court to have the punitive damages dismissed.¹⁶

Royalty Relief and Subsidies for Deepwater Drilling

The new energy law suspends the payment of royalties for certain offshore oil and gas leases in the deeper waters of the Gulf of Mexico for five years. Interestingly, during the 2000 presidential campaign, then-candidate George W. Bush attacked Vice-President Al Gore for supporting “royalty relief” for corporations drilling in the deepwater Outer Continental Shelf, criticizing it as “giving major oil companies a huge tax break.”¹⁷

In addition, the law authorizes up to \$1.5 billion in new subsidies to the oil industry for ultra-deepwater oil drilling and exploration, of which \$550 million is *mandatory* spending. Under the terms of this provision, oil and gas companies can apply for funds for “innovative exploration and production techniques” or “enhanced recovery techniques.” According to press reports, the Research Partnership to Secure Energy for America, a private consortium of oil companies and oil industry representatives housed at the Texas Energy Center in Sugar Land, Texas, could be responsible for administering and doling out the majority

of the money to oil companies that apply.¹⁸

ExxonMobil is the industry leader in deepwater development. In the Gulf of Mexico, ExxonMobil has one of the leading deepwater acreage positions, with interests in 593 deepwater blocks (about 3.4 million gross acres).¹⁹ Worldwide, the company has a stake in nearly 800 deepwater blocks covering more than 135 million acres — an area the size of France. ExxonMobil expects that deepwater oil and gas will account for more than 20 percent of the company's production by 2010.²⁰

Royalty Relief for Drilling in Alaska

The new energy law allows the oil industry to forgo royalty payments to the federal treasury for oil drilled in areas off Alaska's coastline. It also offers royalty exemptions for natural gas production on the Outer Continental Shelf and for on-shore federal lands in Alaska.

According to the State of Alaska, ExxonMobil currently has an interest in 187,000 acres on- and off-shore.²¹ ExxonMobil is the largest resource owner in the Prudhoe Bay field (ExxonMobil's interest is 36 percent).²² ExxonMobil also is "focusing on securing the legislative and fiscal framework it needs" to pursue the natural gas resources of Prudhoe Bay and Point Thompson in Alaska. The Alaska project will involve nearly 1,700 miles of pipe and will be capable of handling four to five billion cubic feet of natural gas per day.²³

"Royalties-in-Kind" Program

The new energy law establishes a "royalties-in-kind" program that enables oil companies to pay royalties for drilling on federal lands in federal waters by giving the government oil rather than cash. The Government Accountability Office (GAO) has completed several studies, most recently in 1998, showing that royalty-in-kind programs deprive taxpayers and the federal government of their just dues. In May 1999, Susan D. Kladiva, Associate Director of Energy, Resources and Science Issues at the GAO, testified before a House subcommittee and reiterated GAO's 1998 findings. She stated that the government's taking of royalties-in-kind "would not be feasible except under certain conditions," such as easy access to pipelines, competitive arrangements for processing gas, and expertise in marketing oil and gas, which "are currently lacking for the federal government and most of the federal leases."²⁴

The Department of Interior also has completed several pilot programs to gauge whether federal level royalty-in-kind programs could work. All of the pilots have failed, losing significant revenues in comparison to dollars received from traditional royalty programs that deal in cash—even though the Department of Interior selected oil and gas leases most likely to succeed in generating comparable income. According to the Project on Government Oversight, the first pilot program to collect gas royalties-in-kind lost \$4.7 million. A second pilot program to collect oil royalties-in-kind lost \$3 million, according to an independent economist, despite Interior's claim that it made an \$800,000 profit.²⁵

Tax Breaks for Profitable Oil Companies

In addition, the new energy law provides \$1.7 billion in tax breaks to the oil and gas industry, including a provision that will enable oil companies to deduct the cost of exploring for oil and gas even when they find oil. This particular provision alone will cost taxpayers and the federal treasury nearly \$1 billion over the next ten years. Under current law, an oil company must treat geological and geophysical expenditures for gathering data on a particular piece of land as a capital investment. If the company fails to find

oil, it can deduct the geological and geophysical costs as a loss. The new energy law, however, will enable companies to amortize these expenses over two years even in cases where they find oil.

Although the Bush administration embraced the final energy bill, Energy Secretary Samuel Bodman berated the bill's tax breaks and royalty relief to oil and gas companies "that don't need incentives with oil and gas prices being what they are today."²⁶ President Bush himself has said "with \$55 oil we don't need incentives to oil and gas companies to explore. There are plenty of incentives."²⁷

Exempting the Oil Industry from Environmental Protections

Polluting America's Waterways

Several provisions of the new energy law would allow ExxonMobil and other oil companies to pollute America's waterways, drinking water, and surface waters with impunity.

- The energy law amends the Safe Drinking Water Act to allow the unregulated underground injection of chemicals—some of which are known carcinogens—during oil and gas development using a process called hydraulic fracturing or "fracking."

- The new energy law exempts all oil and gas construction activities, including construction of roads, drill pads, pipeline corridors, refineries, and compressor stations, from Clean Water Act requirements to control stormwater runoff.

The quality of nearby lakes, rivers, streams and wetlands is threatened by sediment and other pollutants in stormwater runoff that pours off of oil and gas construction sites and into these waters.

- The energy law may exclude a broad range of oil and gas exploration and drilling activities from public involvement and impact analysis under the National Environmental Policy Act.

Polluting America's Drinking Water

MTBE (methyl tertiary butyl ether) is a toxic gasoline additive that leaks out of underground gasoline storage tanks and from gasoline spills, dissolves and spreads readily in groundwater, does not degrade easily, and is difficult and expensive to remove. MTBE is a probable human

carcinogen, and even very low levels of the chemical render water undrinkable because of its harsh taste and odor.

The oil industry has been lobbying Congress to shield major oil companies from federal and state product liability lawsuits filed by communities suffering from MTBE contamination of drinking water supplies. The final energy policy does not provide the oil industry with this liability waiver, but it does allow producers and distributors of MTBE to remove new MTBE claims from state court to federal court. This could unfairly deprive injured parties of their right to have claims heard in state courts and could derail legal claims, effectively shielding those companies responsible for MTBE contamination from full liability for the damages they have caused. In addition, the final energy law does not ban the use of MTBE nationwide. As long as MTBE continues to be used and manufactured in the U.S., the chemical will continue to contaminate drinking water supplies.

ExxonMobil is one of the country's top MTBE producers²⁸ and also owns service stations across the country implicated in MTBE contamination. As such, ExxonMobil is the subject of several lawsuits aimed at holding the company responsible for MTBE contamination of groundwater.

- New Hampshire's attorney general has filed a lawsuit in state court against 22 oil companies for MTBE contamination, including ExxonMobil.²⁹ The state claims that the manufacturers and refiners produced a defective product and violated state environmental and consumer protection laws. The state also asks the

court to hold the companies responsible for all costs associated with addressing the problem, including investigative and cleanup costs, and to assess monetary penalties. The New Hampshire case is currently in a federal appeals court awaiting a ruling on the state's attempt to have the suit heard in state court.

- In Fallston, Maryland, ExxonMobil closed its service station in April 2005 under mounting pressure from residents, who blame the station for MTBE contamination in local drinking water. This may be the biggest incidence of well contamination in state history, with more than 225 residential wells containing traces of MTBE. The contamination has spawned two class action lawsuits and state legislation to address MTBE contamination.³⁰

- The Plainview Water District in New York sued ExxonMobil in State Supreme Court in Nassau County to force it to remove MTBE pollution from local groundwater and pay Plainview's water-treatment and monitoring costs; Shell was later added as a defendant. The suit also seeks punitive damages.³¹

Internal company memos obtained by the Environmental Working Group show that Exxon (before merging with Mobil to form ExxonMobil) knew of the potential hazards of MTBE in the 1980s. A document dated April 3, 1984 from an Exxon employee said:

“[W]e have ethical and environmental concerns that are not too well defined at this point; e.g., (1) possible leakage of [storage] tanks into underground water systems of a gasoline component that is soluble in water to a much greater extent

[than other chemicals], (2) potential necessity of treating water bottoms as a 'hazardous waste,' [and] (3) delivery of a fuel to our customers that potentially provides poorer fuel economy....”³²

That same year, an Exxon engineer wrote the first in a series of memos outlining how MTBE could add to groundwater “incident costs” and “adverse public exposure”:

“Based on higher mobility and taste/odor characteristics of MTBE, Exxon’s

experiences with contaminations in Maryland and our knowledge of Shell’s experience with MTBE contamination incidents, the number of well contamination incidents is estimated to increase three times following the widespread introduction of MTBE into Exxon gasoline....” Later, the document notes: “Any increase in potential groundwater contamination will also increase risk exposure to major incidents.”³³

Conclusion

Our country remains overly dependent on oil, which has serious consequences ranging from rising gasoline prices that burden every American to global warming that threatens current and future generations. This addiction to oil represents a failed energy strategy, one that shows no sign of moving America toward a smarter, cleaner, and more reliable energy future. Unfortunately, the energy bill passed by Congress in July 2005 perpetuates this failed energy strategy, exacerbating rather than solving these problems.

The new energy law's heavy tilt toward big oil companies reflects the influence of ExxonMobil and other oil companies on policy-makers in Washington, DC. Since 2000, ExxonMobil has spent almost \$37 million on lobbyists to push its agenda on Capitol Hill, including \$7.7 million in 2004 alone.³⁴ ExxonMobil has hired numerous contract lobbyists to work Capitol Hill and the Bush administration. Since 1998, this company has hired 13 firms to lobby the federal government on its behalf. It has employed 105 lobbyists itself or through a firm since 1998, of whom 27 formerly worked for Congress or the federal government.³⁵

With its legions of lobbyists and record-breaking profits, ExxonMobil has the power to wreak significant damage on the world's environment, but it also has the power to direct the oil industry and American decision-makers toward a new

energy future. Unfortunately, this is unlikely to happen unless citizens band together to “Exxpose Exxon” and convince the company to change.

As such, the “Exxpose Exxon” campaign (www.ExxposeExxon.com) is calling on ExxonMobil to:

- Commit to not drill in the Arctic National Wildlife Refuge and pull out of Arctic Power, the single issue lobbying group dedicated to drilling in the Arctic Refuge.
- Support mandatory caps on global warming pollution and stop funding junk science to obscure the facts about global warming.
- Save consumers money at the pump and ease our oil dependence by investing in renewable energy and energy efficiency and supporting stronger fuel economy standards to make cars go farther on a gallon of gasoline.
- Pay all of the punitive damages awarded in 1994 to fishermen and others injured by the 1989 *Exxon Valdez* oil spill.

As the world's largest and most profitable oil company, ExxonMobil should shed its past as an irresponsible oil company and move forward as a responsible energy company—one committed to more than drilling to the last drop.

Notes

- ¹ Nelson D. Schwartz, "Poor little rich company," *Fortune*, April 18, 2005.
- ² FERC, "Existing and Proposed North American LNG Terminals," <http://www.ferc.gov/industries/lng/industryact/exist-prop-lng.pdf>.
- ³ Sandia Report "Guidance on Risk Analysis and Safety Implications of a Large Liquefied Natural Gas (LNG) Spill Over Water," December 2004.
- ⁴ ExxonMobil corporate advertisement, LNG, accessed July 29, 2005 at http://exxonmobil.com/corporate/files/corporate/ad_LNG.pdf.
- ⁵ ExxonMobil, Meeting Energy Demand Through Technology, LNG, accessed July 29, 2005 at http://www2.exxonmobil.com/corporate/Campaign/Campaign_energydemand_LNG.asp.
- ⁶ Ben Raines, "Exxon gives up on LNG facility," *Mobile Register*, October 29, 2004.
- ⁷ Ben Raines, "Exxon gives up on LNG facility," *Mobile Register*, October 29, 2004.
- ⁸ State of Alabama, Office of the Governor, "Governor Riley Issues Statement on Exxon Mobil Decision," press release, October 28, 2004.
- ⁹ NRDC, "COMING SOON TO AMERICA'S COASTS: MORE DRILLING?," press backgrounder, June 14, 2005, accessed July 31, 2005 at <http://www.nrdc.org/media/pressreleases/050614.asp>.
- ¹⁰ Minerals Management Service, "Table of Undeveloped Leases in the Pacific OCS Region," accessed July 31, 2005 at <http://www.mms.gov/omm/pacific/lease/undeveleasetable.htm>.
- ¹¹ National Oceanic and Atmospheric Administration, Office of Ocean and Coastal Resource Management, at <http://www.ocrm.nos.noaa.gov/czm/>.
- ¹² Report of the National Energy Policy Development Group, *Reliable, Affordable, and Environmentally Sound Energy for America's Future*, May 2001. Chapter 5 available at <http://www.whitehouse.gov/energy/Chapter5.pdf>.
- ¹³ Jim Morris, "Making Them Pay," *U.S. News & World Report*, May 14, 2001.
- ¹⁴ See the Project on Government Oversight's page on "Oil and Gas Industry Fraud," accessed August 1, 2005 at <http://www.pogo.org/p/x/archiveenviro.html#oil>.
- ¹⁵ U.S. Department of Justice, "UNOCAL TO PAY U.S. MORE THAN \$21 MILLION FOR UNDERPAYMENT OF OIL ROYALTIES," press release, December 3, 2001.
- ¹⁶ Jim Morris, "Making Them Pay," *U.S. News & World Report*, May 14, 2001; ExxonMobil, "ExxonMobil Appeals to Alabama Supreme Court; Seeks to Reverse Largest Punitive Damages Award in State's History," press release, May 12, 2005.
- ¹⁷ Issues2000, More headlines: George W. Bush on Energy & Oil, Bush questions Gore's tax break for oil interests, accessed August 1, 2005 at www.issues2000.org/2004/More_George_W_Bush_Energy_+ Oil.htm.
- ¹⁸ Letter from Rep. Henry Waxman to Rep. Dennis Hastert, July 27, 2005, accessed July 31, 2005 at <http://www.democrats.reform.house.gov/Documents/20050727165629-26334.pdf>.
- ¹⁹ ExxonMobil, North America, accessed July 31, 2005 at http://exxonmobil.com/Corporate/About/OurActivities/NEW_Corp_OA_Up_americas.asp.
- ²⁰ ExxonMobil, "Deepwater Solutions," accessed July 31, 2005 at http://www2.exxonmobil.com/Corporate/Newsroom/Publications/deepwater/exploration/mn_exploration.html.
- ²¹ State of Alaska, Department of Natural Resources, Division of Oil and Gas, Lessee's Acreage Summary-Onshore/Offshore as of July 11, 2005, accessed July 31, 2005 at http://www.dog.dnr.state.ak.us/oil/products/publications/leaseactivity/pdf/lessee_acreage_summary.pdf.
- ²² ExxonMobil, North America, accessed July 31, 2005 at http://exxonmobil.com/Corporate/About/OurActivities/NEW_Corp_OA_Up_americas.asp.
- ²³ ExxonMobil, "Arctic development," *The Lamp*, Vol. 87, No. 1, 2005. Accessed July 31, 2005 at http://www.exxonmobil.com/corporate/Newsroom/Publications/TheLamp_1_2005/html/story3B.asp.
- ²⁴ *Federal Oil Valuation: Efforts to Revise Regulations and an Analysis of Royalties in Kind*. (GAO/T-RCED-99-152., May 19, 1999).
- ²⁵ Project on Government Oversight, "Fact Sheet on Royalty-in-Kind in H.R. 2436, the Energy Security Act," June 24, 2001, accessed August 1, 2005 at <http://www.pogo.org/p/environment/eo-010635-oil.html>.
- ²⁶ H. Josef Hebert, "House Expects Easy Passage of Energy Bill," *Associated Press*, July 28, 2005.

-
- ²⁷ Justin Blum, “House Energy Bill Increases Tax Breaks: Legislation at Odds With Bush Proposal,” *Washington Post*, April 19, 2005.
- ²⁸ Environmental Working Group, “Like Oil and Water,” accessed July 31, 2005 at <http://www.ewg.org/reports/oilandwater/part3.php>. EWG cites The Freedomia Group, *Gasoline & Other Fuel Additives to 2008*, November 1, 2004.
- ²⁹ Attorney General Peter W. Heed, State of New Hampshire, “New Hampshire Sues Major Oil Companies over MTBE Pollution,” press release October 6, 2003, accessed July 31, 2005 at http://doj.nh.gov/publications/nreleases/pdf/MTBE_Press_Release.pdf.
- ³⁰ Josh Mitchell, “Gas station in Fallston tied to leaks of MTBE and fouled wells is closed,” *Baltimore Sun*, April 28, 2005.
- ³¹ Valerie Cotsalas, “What Seeps Beneath,” *New York Times*, July 31, 2005.
- ³² Exxon company memo obtained by Environmental Working Group, accessed July 31, 2005 at http://www.ewg.org/reports_content/withknowledge/pdf/061_002.pdf.
- ³³ Exxon company memo obtained by Environmental Working Group, accessed July 31, 2005 at http://www.ewg.org/reports_content/withknowledge/pdf/068_002.pdf.
- ³⁴ Senate Office of Public Records, <http://sopr.senate.gov/>, accessed June 12, 2005.
- ³⁵ Center for Public Integrity, Lobby Watch, ExxonMobil Corp., at <http://www.publicintegrity.org/lobby/profile.aspx?act=clients&year=2003&cl=L001656&sub=1>. Accessed April 18, 2005.