

# Big Bucks for Bad Actors



**ChevronTexaco is under increased scrutiny for its involvement in Dynegy, the failing energy trading company under investigation for alleged “round trip” trades. Instead of cracking down on corporate abuse, will Congress reward ChevronTexaco with new tax breaks and subsidies in its final energy legislation?**



## **Corporate Irresponsibility**

**Sham Energy Trades:** ChevronTexaco owns about 27 percent of Dynegy, the failing energy trading company that has been accused of off-balance sheet financing and round-trip energy trading. Some of ChevronTexaco’s investors have questioned why the company did not more carefully scrutinize Dynegy’s dealings. Two executives from ChevronTexaco, including the CFO, sit on the Dynegy board. ChevronTexaco has continued its close relationship with Dynegy since the sham energy trades came to light. In fact, after Dynegy CEO Chuck Watson resigned, ChevronTexaco Vice Chairman Glenn Tilton was appointed interim chairman.<sup>1</sup>

**Dirty Environmental Record:** ChevronTexaco also has a dirty environmental track record. For example:

- In March 2001, Chevron paid penalties totaling \$242,000 to resolve clean air violations at its Richmond refinery near San Francisco.<sup>2</sup>

- In March 2001, a Texaco subsidiary was fined \$4 million for discharging millions of gallons of polluted waste water into the Dominguez Channel near its Wilmington, CA refinery and into a creek in San Luis Obispo, CA.<sup>3</sup>

- In August 2000, Chevron agreed to pay a \$6 million fine and spend \$1 million on environmental improvements to settle a federal lawsuit over Clean Air Act violations at a California offshore oil terminal.<sup>4</sup>



## **Energy Legislation: Throwing Good Money After Bad Actors**

ChevronTexaco is the largest oil and gas producer in the lower 48 states and the largest oil and gas producer in the Gulf of Mexico. The company thus stands to benefit from the \$23.7 billion in tax breaks and subsidies to the oil and gas industry included in the House energy bill and the \$5.6 billion in the Senate bill. Specific provisions that could benefit the company include:

**Having Their Cake and Eating It Too.** The House bill suspends the payment of royalties for certain offshore oil and gas leases. Royalties are the price that large companies pay to the federal government—and taxpayers—for the extraction of public resources. The proceeds go to federal programs such as the Land and Water Conservation Fund and state level public school education.

Estimated cost to taxpayers: \$7.4 billion

**Researching Technology that Already Exists.** The House bill establishes the “Ultra-Deepwater and Unconventional Gas Research

Fund” to fund development of technology to drill in waters exceeding 1,500 meters. But the oil and gas industry has already researched and begun to apply deepwater technology.

Estimated cost to taxpayers: \$4 billion

**Giving Oil Companies a Discount.** Oil and gas companies are required to make royalty payments to the federal government for the oil they obtain under federal leases. The House bill would allow oil and gas companies drilling on public lands to pay for the royalties owed to taxpayers in barrels of oil, rather than cash, through 2006. The General Accounting Office (GAO) completed a study finding that a federal royalty in kind program is neither efficient nor feasible.<sup>5</sup>

Estimated cost to taxpayers: \$1.4 billion

**Subsidizing Dirty Drilling.** In January 2001, Texaco purchased EnerVest San Juan Acquisition Limited Partnership, including its coalbed methane gas properties located in the San Juan Basin of Colorado and New Mexico. The House and Senate bills extend and modify the tax credit for non-conventional fuels, which in recent years has gone largely to coalbed methane development. Coalbed methane operations use and discharge huge amounts of water, depleting aquifers and causing soil erosion, stream sedimentation, vegetation loss and water pollution.

Estimated cost to taxpayers: \$2.7 billion (House); \$1.9 billion (Senate)



## ChevronTexaco’s Political Influence

ChevronTexaco won these concessions in the House and Senate energy bills by helping to elect industry-friendly Members of Congress, buying access with campaign contributions and lobbyists, and tapping into its high level of access with the Bush administration.

### Access to the Bush Administration

- ChevronTexaco has enjoyed a close relationship with the Bush administration. National Security Advisor Condoleezza Rice is a former Chevron board member. Rice served ten years on the board before her appointment and had an oil tanker named after her.

- According to documents obtained by NRDC, ChevronTexaco’s CEO David O’Reilly made four recommendations to President Bush and Energy

Secretary Spencer Abraham in a February 2001 letter designed to “eliminate federal barriers to increased energy supplies.” The energy task force included all of the company’s requests in its report to President Bush on May 17, 2001.<sup>6</sup>

- David O’Reilly gave \$100,000 to the Bush-Cheney 2001 Presidential Inaugural Committee.<sup>7</sup>

### ChevronTexaco’s Lobbying Expenses and Contributions to Federal Candidates

	Total
PAC \$ (2000-2002 cycles)	\$603,688
Hard \$ to Energy Bill Conferees* (2000-2002 cycles)	\$111,250
Soft \$ (2000-2002 cycles)	\$2,036,127
Lobbying Expenses 2001	\$2,999,296

Data collected from [www.opensecrets.org](http://www.opensecrets.org) and Senate Office of Public Records at <http://sopr.senate.gov/>.

\* Includes PAC money and individual hard money contributions

### Company Background

Chevron is engaged in every aspect of the oil and gas industry, including exploration and production; refining, marketing and transportation; chemical manufacturing and sales; and power generation. Worldwide, ChevronTexaco is the fourth largest oil and gas producer.

**Company Headquarters:** San Francisco, CA  
**Revenues (6 mos. ending 6/30/02):** \$46.5 billion<sup>8</sup>

**CEO Salary (2001):** \$7.3 million

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<sup>1</sup> Paul Thomasch. “ChevronTexaco Profit Hit by Dynegey.” *Reuters Business Report*. July 30, 2002.

<sup>2</sup> Jane Kay, “Chevron Plant Hit With Fine.” *San Francisco Chronicle*. March 27, 2001.

<sup>3</sup> “Texaco Subsidiary Fined \$4 Million in Pollution Cases.” *Los Angeles Times*. March 13, 2001.

<sup>4</sup> Gary Polakovic. “Chevron OKs \$7-Million Pollution Settlement.” *Los Angeles Times*. August 24, 2000.

<sup>5</sup> *Federal Oil Valuation: Efforts to Revise Regulations and an Analysis of Royalties in Kind*. (GAO/IT-RCED-99-152, May 19, 1999).

<sup>6</sup> A copy of this letter can be found at <http://www2.nrdc.org/air/energy/taskforce/pdf/2004.pdf>.

<sup>7</sup> Center for Responsive Politics, <http://www.opensecrets.org/2000elect/other/bush/inaugural.asp>.

<sup>8</sup> Revenue and salary information collected at Yahoo! Market Guide, <http://biz.yahoo.com/p/c/cvx.html>.