President Biden wants U.S. gas companies to make more gas. WRAL Investigates found it's not that simple

Tags: Joe Biden, gas prices, gas, inflation, WRAL Investigates, Only on WRAL

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By Adam Owens, WRAL anchor/reporter

U.S. President Joe Biden is challenging domestic oil companies to do more to increase gasoline supply to help push down prices for consumers. He’s also taking a shot at their record profits the first part of the year, while Americans are paying record prices for a gallon of gas.

After taking huge losses in 2020 because of the pandemic, oil companies rebounded. Net income from 2021 made up for most, if not all of those COVID-19 losses.

But with demand and prices high, the start to 2022 is staggering:

- Shell’s net income was more than $7 billion from January through March.
- Chevron made $6.2 billion, 354% more than same three months in 2021.
- Conoco Phillips saw $5.7 billion in profit, a year-to-year increase of 486%.
- Finally, ExxonMobil with $5.5 billion in net income, double last year’s gains in the first quarter.
Despite the eye-opening economic gain, Professor of Finance at Duke University's Fuqua School of Business, Cam Harvey, said it's not fair to simply point to those profits and blame the oil industry for where we are now.

"It's a complex issue," Harvey said. "And it takes more than the president simply telling oil companies to increase production. This is not something that can be turned on and off very quickly."

WRAL News found data from the Energy Information Association shows U.S. oil companies will operate between 94% to 96% capacity this summer.
Harvey said the quickest solution is outside our borders.

There’s no quick fix if the United States stays focused on domestic production of oil and gas.

In 2014, global energy capital expenditures were around $400 billion. That’s the money spent on finding new oil and the cost of extracting it. By the end of 2021, that spending was closer to $125 billion.

WRAL News asked Harvey why there was a dramatic drop in exploration.

He said there are two connecting factors. First, the increased focus on renewable, cleaner energy like solar and hydrogen. Many oil and gas companies starting branching out themselves. Second, with that focus on renewable energy, oil companies found it increasingly harder to get banks to finance new projects.

"Eventually, oil and gas will be replaced by clean energy sources so both investors and the companies realize this," Harvey said.

Oil company greed isn’t to blame for our prices, according to Harvey.

"I know a number of people will point at the profits of oil and gas companies and say that they’re under-investing and limiting the supply and that’s the reason we’re in this mess. I think that that’s naïve," he said.
The recent decision by the U.S. Federal Reserve to raise interest rates to tame inflation won’t have much of a positive impact at the pump, according to Harvey.

In fact, it actually could do more harm. If companies have projects they’ve been sitting on and they decided to take advantage of high crude oil prices, getting financing for those projects will be even harder because of the higher rates.

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