Opening Statement
Senator Byron L. Dorgan
Chairman, Democratic Policy Committee

An Oversight Hearing on Record High Gasoline Prices and Windfall Oil Company Profits

Monday, September 19, 2005

Today, the Democratic Policy Committee is holding a hearing on the subject of skyrocketing gasoline prices – what's causing them, what they are doing to the American people, and what can be done about them.

Last year, the oil companies made record profits, when oil was at $40 a barrel. This year, even before Hurricane Katrina hit, oil companies have been charging $65 a barrel. So clearly, they are making a windfall profit.

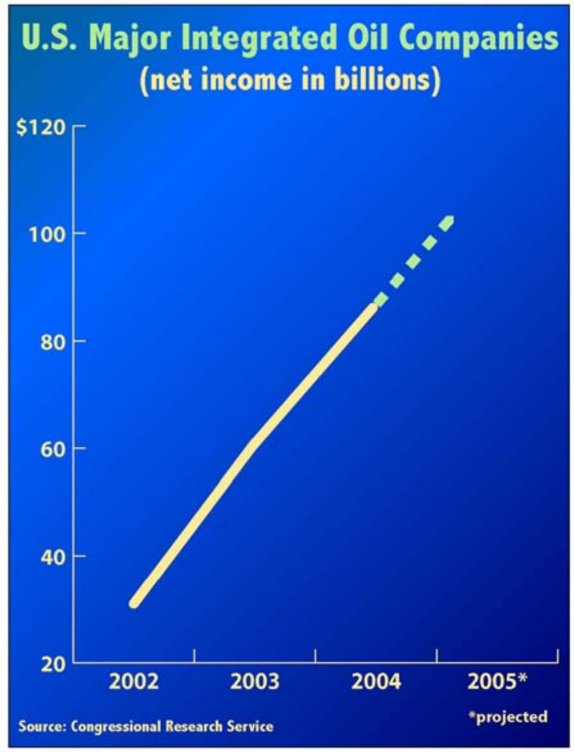
So at the outset, I'd like to show you a special gas pump. This pump shows you the excess profits that oil companies are making every single second. It adds up to over $7 billion a month. But you don't really appreciate what this means until you see the numbers flash by at screaming speed.

I'm going to start this pump running right now – and I'm going to leave it running during the hearing. You will see that every second that goes by, the oil companies are making $2,430.55 in extra profits, from the wallets of everyone in this room and everyone watching this hearing on TV.

To help us make sense of this, we have invited three panels of witnesses. The first panel includes the CEOs of three major oil companies: Shell, Conoco-Phillips, and Exxon-Mobil. As you can see from the empty seats at the witness table, they have declined to attend.

If they had joined us, I would have asked them to answer these questions:

(1) Why has the price of crude oil more than doubled since last year? Has the spigot been turned off? And can you explain to me why your profits have followed the trend shown in this chart?



(2) What are your companies doing with all their excess profits? Are they using the money to look for more energy sources, or are they just hoarding the money and getting filthy rich from it?

(3) Your companies have come to Congress and taxpayers for price supports when oil prices were low. So are you willing to help taxpayers now that prices are high?

Here is a specific question I would have asked the CEO of Shell: Why does your 2004 annual report, which my office received last month, state the following?

> *"We achieved the highest net income in our history, 18.2 billion. This was 48% higher than in 2003, as a result of higher oil and natural gas prices . . .*
>
> *We produced approximately 3% less oil and natural gas than in 2003."*

24 The Shell Report

Performance data

Here we report on our financial, social and environmental performance in 2004, including the 12 key performance indicators developed jointly with external stakeholders.

Financial

Key performance indicator

Annualised total shareholder return 1995–2004

From 1995 to 2004 we outperformed national indices, although our performance relative to competitors weakened. In this period, dividends, an important component of shareholder return, grew faster than local inflation.

Net income
We achieved the highest net income in our history, $18.2 billion. This was 48% higher than in 2003, as a result of higher oil and natural gas prices, higher LNG volumes and prices, as well as higher refining margins and trading profits in Oil Products, and higher volumes and margins in Chemicals.

Oil and natural gas production
We produced approximately 3% less oil and natural gas than in 2003 – nearly 3.8 million barrels of oil equivalent (boe) a day. That is approximately 3% of the world's oil and 3.5% of the world's natural gas. We expect to produce between 3.5-3.8 million boe a day in 2005-2006 and between 3.8-4.0 million boe a day by

Replacing reserves
At the end of 2004, our proved developed and undeveloped reserves (excluding proved reserves of associated companies) were equivalent to 8.4 years of 2004 production. Our current level of reserves replacement is clearly a concern and reflects the exploration strategy and low levels of investment in the late 1990s. We have since refocused our exploration efforts and increased investment in finding and developing new oil and natural gas. Our goal is to have an average reserves replacement ratio of at least 100% over the period of 2004 to 2008.

Total capital invested
We invested $14.9 billion, up from $14.3 billion in 2003, of which more than $10 billion was in our upstream business.

Divestment programme
We sold assets for $7.6 billion, up from $4.5 billion in 2003, as we continued to reshape our portfolio to focus on faster growing and more profitable activities.

Find out more

I know that our second panel of witnesses, who did accept our invitation, would like to know the answers to all these questions. These witnesses are not CEOs of major oil companies, but rather three ordinary Americans who, like all of us, are struggling to deal with the exorbitant increases in gas prices in their every day lives. They will explain how this problem is affecting them, and how they are coping.

Our third panel is comprised of experts in the area of windfall profits and consumer abuses. They include Dean Baker, of the Center for Economic and Policy Research, and Mark Cooper, of the Consumer Federation of America. I am interested in finding a solution to the problem of runaway gas prices, and I look forward to hearing their ideas.

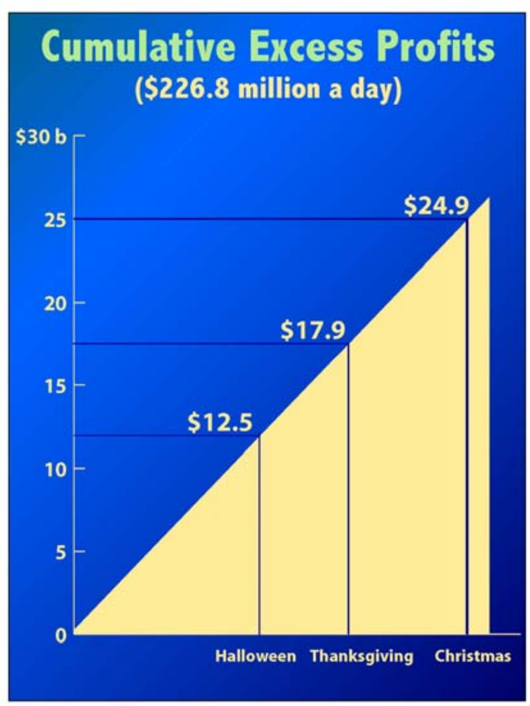
I should note that I have introduced a piece of legislation called the Windfall Profits Rebate Act of 2005. My proposal is simple. It will tax windfall profits made by the large integrated oil companies – those that control oil from the ground to the pump. All the revenues collected from this tax will then be rebated to the American public in much the same manner we rebated tax cuts several years ago.

My legislation provides a strong incentive for the oil companies to do the right thing: instead of hoarding profits, they could use that money to explore and develop new oil and other energy resources, or to build and expand refining capacity. If they chose to do that, they would pay no windfall tax at all. Otherwise, the consumer would get a rebate from the excess profit.

If we do nothing, I suspect that we will continue to see more overcharging of the American consumer.

At current trends, this is what we would expect to see: oil companies making $12.5 billion in profits by Halloween, $17.9 billion by Thanksgiving, and $24.9 billion by Christmas.

It sounds like oil executives will have a great holiday season. I don't know where that leaves the rest of the country.



I should note also that this is not just an issue of the current high prices for drivers at the pump. It's also an issue of looming skyrocketing prices for home heating fuel, which could be devastating to millions of Americans this winter.

With that, I thank the witnesses for coming, and look forward to their testimony.