

November
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Slick Politics

How the oil industry has spent millions to keep
California dependent on oil

CALPIRG Education
Fund

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Written by Emily Rusch, Policy Advocate for CALPIRG Education Fund

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Introduction

In 1996 and again in 2000, CALPIRG Education Fundⁱ completed studies of the levels of money the oil industry spends on lobbying expenses and campaign contributions in California state politics. With consumer and environmental activists continuing to be frustrated in their attempts to enact meaningful petroleum diversity policies for California despite record high gas prices and stubborn pollution problems, we decided to examine once more the effects that money spent by the oil industry has on public policy.

In this report we examined the amount of money the oil industry has spent during the past legislative session, how much money it has reported spending up to October 24, 2006 in campaign contributions to political candidates and political parties since the last election, and how its level of spending compares to other industries in the state.

We found that the major oil companies and oil industry associations spent \$12,160,954 on lobbying expenses during the last legislative session, a sizable increase over their expenses in the late 1990s. We also found that the oil companies and major oil executives have given at least \$5,275,957 in campaign contributions to California candidates and political parties to date, excluding all of the money that has been poured into ballot initiatives. Comparing the oil industry's level of spending on campaign contributions with the other largest industries in the state, the oil industry ranks third, with only real estate and developer interests and television and movie production spending more.

We also examined the effects of the oil industry's influence on public policy, particularly with efforts to reduce our dependence on oil and develop alternative fuels and transportation. California is highly dependent on oil to meet our energy needs, and our dependence on oil continues to grow every year. Environmental impacts, high gasoline prices, and increasing dependence on foreign sources of oil are three immediate reasons why it is in California's interest to adopt policies to reduce our dependence on oil. In coming years, as worldwide oil demand outstrips supply, our overdependence on oil will have profound detrimental impacts to California consumers and our economy. Unfortunately, the oil industry's influence in California politics continues to prevent our state from adopting forward-thinking energy policies that prepare our state for a world with less oil. One company alone, Chevron, reports lobbying on 106 bills in the state legislature.

With the election just days away, and new elected officials to take office in January, this report should be read not only as a look back on the last two years, but also a look forward to future opportunities for California leaders to disregard oil industry money and influence in politics and adopt smart policies to reduce our dependence on oil in 2007.

Why Oil Industry Influence Matters: California Must Reduce Our Oil Dependence

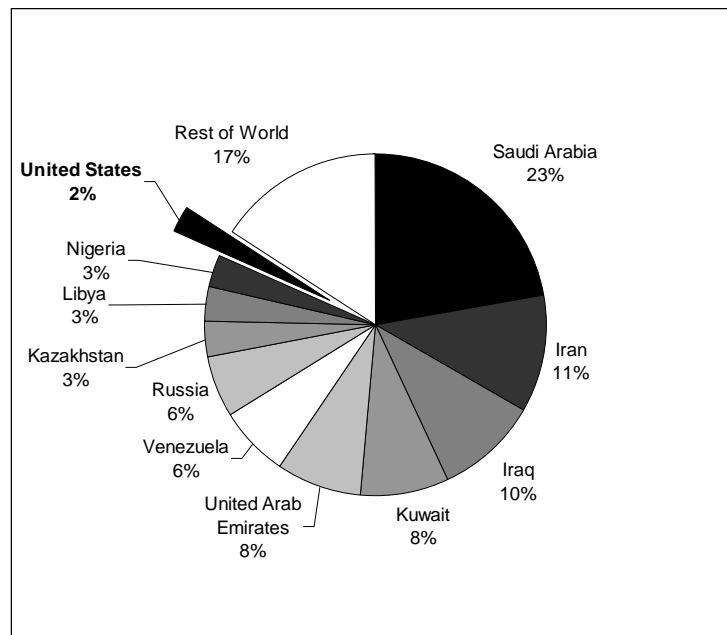
California is dangerously reliant on oil to meet our energy needs and our demand for oil continues to rise. Between 2000 and 2004, the United States was responsible for one-sixth of the increase in oil demand, ranking second only behind China in oil demand

growth.ⁱⁱ We consume 16 billion gallons of gasoline each year. As our population grows, and we drive more miles each year, the average fuel economy of our vehicles remains stagnant.

Oil is running out. The world currently consumes about 29 billion barrels of oil a year. Oil producing nations claim to have roughly 1.1 trillion barrels of oil in “proved reserves,” meaning oil supplies that are extractable under current economic and technological conditions. Discovery of new oil fields has declined since the 1960s.ⁱⁱⁱ Oil production is decreasing in 33 of the 48 largest oil producing countries.^{iv} The term “peak oil” refers to the point at which available oil supplies are not enough to meet demand. While the exact year is impossible to accurately predict, most experts now agree the oil supplies will peak potentially within a few years and almost certainly within the next two decades.^v At that point, oil prices will likely spike sharply as demand for oil exceeds available supplies.

Our reliance on foreign oil will increase with demand. The U.S. holds only two percent of the world’s proved oil reserves. California already relies on foreign sources of oil for 40 percent of our supply, generating the rest of our oil from within the state or piped from Alaska.^{vi} Over the last decade, the percentage of oil that California gets from in-state production has declined from 50 percent to 40 percent, while the percentage of our supply that we receive from foreign sources has increased from 10 percent to 40 percent.^{vii} ExxonMobil predicts that non-OPEC oil supplies will peak within the next decade, indicating that increased dependence on oil from the Middle East is inevitable without sharp reductions in demand.^{viii}

World Proved Petroleum Reserves^{ix}



Gas prices are predicted to increase over time. Californians spent a record \$39.3 billion on gasoline in 2005 – almost \$75,000 *per minute*. Between 2004 and 2005, the average price of gasoline in California rose 35 cents, and so far in 2006 the price of gasoline is running an additional 39 cents higher.^x The high gasoline prices of the past two years are far from an isolated incident. As demand for oil grows in the United States and developing nations like China and India, and available oil supplies decline, the laws of supply and demand dictate that gasoline prices will increase significantly over time.

Our oil dependence harms public health. The production and use of petroleum is the primary source of nitrogen oxide and sulfur dioxide, the pollutants that form soot and smog. Over 90 percent of Californians live in areas where they breathe unhealthy air pollution, such as smog, ozone, and particulate matter.^{xi} Almost 12 percent of Californians report being diagnosed at some point in their lives with asthma.^{xii} Unhealthy air pollution is known to trigger asthma attacks, and some studies link air pollution with the onset of asthma. According the Department of Education, asthma is the leading cause of missed school days.^{xiii}

Our oil dependence is the leading single contributor to global warming in California. Global warming is one of the largest and most urgent environmental problems that California faces. Global warming is threatening our coastline with rising sea levels, decreasing our water supply for both drinking water and agricultural use by reducing snowpack in the Sierras, and increasing the number of warm days with unhealthy levels of air pollution.^{xiv} 80 percent of California’s global warming emissions come from burning oil and other fossil fuels. Cars and trucks are the leading source of global warming emissions, responsible for more than 40 percent of our pollution.^{xv}

Even the Oil Companies Admit that California Needs to Develop Alternative Fuels

As oil industry analysts predict the eventuality of peak oil, even the oil companies admit that we need to develop alternatives. In fact, the largest oil companies have advertising campaigns aimed at convincing the public that they are supportive of alternatives to oil. The newest advertising campaign by a major oil company that acknowledges the need for oil alternatives is Chevron’s “Will You Join Us” campaign. Here are a few excerpts from their advertising:^{xvi}

“One thing is clear: the era of easy oil is over...At Chevron, we believe that innovation, collaboration and conservation are the cornerstones on which to build this new world...Corporations, governments and every citizen of this planet must be part of the solution as surely as they are part of the problem.”

In addition to Chevron, ExxonMobil’s current advertising tagline is “Taking on the world’s toughest energy challenges,” and BP has done advertising to connect their acronym to the phrase “Beyond Petroleum.” On October 25, 2006, Shell President John Hofmeister, speaking to the National Press Club, said that “it’s Shell’s belief that we have to deal with greenhouse gases.”^{xvii} Unfortunately, there continues to be a large disparity

between what the oil companies say in speeches and in their advertisements, and what they lobby for and against in the California state Legislature.

The Oil Companies' Positions on Public Policy

“Big Oil remains a potent political force inside the state Legislature despite growing public unrest over soaring gas prices and the industry's record profits. With time running out on the current two-year session, oil company lobbyists have helped tie up or kill almost a dozen bills considered hostile to the industry, including a plan to tax windfall profits and a proposal to regulate refineries as public utilities.”

–Tom Chorneau, San Francisco Chronicle, July 14th, 2006.

Even as the oil companies ask, “Will you join us?” in a quest to develop oil alternatives, their actions tell a different story. Chevron alone reported lobbying on 106 bills in the last legislative session. Shell reported lobbying on 48 bills. Here are just three of the policies to reduce our dependence on oil that the oil industry worked to defeat in the last legislative session:

- *AB 32 (Pavley, Nuñez): The Global Warming Solutions Act of 2006:* AB 32 creates a statewide cap on global warming pollution from California sources, and requires the state to reduce global warming emissions 25 percent by 2020. The California Independent Petroleum Association and the Western States Petroleum Association both publicly opposed the bill, and all of the major oil companies report lobbying on AB 32. Despite heavy industry opposition, the Legislature passed AB 32 and the governor signed the bill.
- *SB 757 (Kehoe): the Oil Conservation, Efficiency, and Alternative Fuels Act:* SB 757 would have required state agencies to adopt all cost-effective policies that reduce the use of oil and increase clean alternatives. While lobbying against SB 757, the oil industry contended that reducing gasoline demand would hurt oil refineries. SB 757 passed out of the Legislature but was vetoed by the governor.
- *AB 1012 (Nation): Foreign Oil Independence Act of 2006:* AB 1012 would have required half of all new cars sold in the state to run on alternative fuels by 2020. The California Independent Oil Marketers Association and the Western States Petroleum Association both publicly opposed the bill. AB 1012 passed out of the Legislature but was vetoed by the governor.

The Oil Industry's Influence in Politics

I. Influencing Policy through Direct Lobbying

The oil companies employ a fleet of lobbying companies to constantly influence public policy to their benefit. For the 2005-2006 legislative session, the oil industry spent \$11,113,946 on lobbying expenses in the Legislature, and another \$1,047,008 lobbying

California Public Utilities Commission for a total of \$12,160,954 on lobbying expenses. That's more than the real estate industry (\$8,969,883), agricultural industry (\$5,902,620), or the retail industry (\$5,494,329).^{xviii}

Comparing the oil industry's recent expenditures to what they reported spending in the late 1990s, there has been a sharp increase in the oil industry's lobbying expenditures. In the 1997-1998 legislative session, the oil industry spent \$7,171,405 in lobbying expenditures. In the 1999-2000 legislative session, the oil industry only spent \$5,873,096 in lobbying expenditures.^{xix}

Oil Industry Lobbying Expenditures in 2005-2006:

Company	Listed Home City	Lobbying Firms Employed	General Lobbying	Lobbying at the PUC
Aera	Bakersfield, CA	Shell Oil Company, Sloat Higgins Jensen & Associates	\$127,148	\$71,275
BP America and Affiliates	Sacramento, CA	Platinum Advisors, LLC, Nielson, Merksamer, Parrinello, Mueller & Naylor LLP, Governmental Advocates, Inc, Political Solutions LLC	\$942,810	\$957,446
California Independent Oil Marketers Assoc.	Sacramento, CA	Mattos and Associates	\$242,043	\$0
California Independent Petroleum Assoc.	Sacramento, CA	Kester/Pahos	\$204,764	\$82,594
Chevron	San Ramon, CA	Pillsbury Winthrop Shaw Pittman LLP, Strategic Counsel Professional Law Corporation, The Advocacy Group	\$1,774,908	\$9,961
ConocoPhillips	Houston, TX	Aaron Read and Associates, LLC	\$708,057	\$1,782
ExxonMobil	Sacramento, CA	The Flanigan Law Firm	\$181,987	\$1,736
Kern Oil and Refining Company	Long Beach, CA	California Strategies & Advocacy, LLC	\$115,000	\$0
Nabors	Houston, TX	Spencer Roberts & Associates, Inc	\$56,000	\$0
Occidental	Los Angeles, CA	Michael McGraw	\$306,836	\$0
Pacific Energy Partners	Long Beach, CA	Aprea & Company	\$117,880	\$0
Paramount Petroleum	Paramount, CA	Sacramento Advocates, Inc	\$54,000	\$0
Plains Exploration and Production Company	Los Angeles, CA	Aaron Read and Associates, LLC; Isenberg/O'Haren	\$76,688	\$0
Shell Oil Products	Sacramento, CA	Shell Oil Company	\$997,036	\$1,690
Tesoro Corporation	Auburn, WA	Manning Advocates, LLC, The Houston Group	\$89,938	\$0
Tidelands Oil Production Company	Long Beach, CA	Cline and Duplissea	\$15,337	\$0
Unocal	Sugarland, TX	McHugh and Associates	\$56,000	\$0
Valero Energy	Sacramento, CA	Scott Folwarkow; James Bluntzer	\$209,946	\$1,697
Western Independent Refiners Association	Los Angeles, CA	Manatt, Phelps, and Phillips, LLP	\$8,512	\$0
Western States Petroleum Association	Sacramento, CA	Pillsbury Winthrop Shaw Pittman LLP, KP Advocates	\$5,033,820	\$1,421
Totals			\$11,113,946	\$1,047,008

II. Influencing Policy with Political Campaign Contributions

In addition to direct lobbying in the Legislature, governor's office, and at the California Public Utilities Commission, the oil industry also influences politics through campaign contributions and other monetary gifts to candidates and to political parties. By searching for campaign contributions in the secretary of state's on-line database, we found that between January 1, 2005 and October 24, 2006, oil companies gave \$1,587,007 in campaign contributions. We also searched for campaign contributions from the CEOs of the 15 oil companies who gave the most in campaign contributions, as well as other well known oil executives, and found that top oil industry executives spent another \$3,688,950 in campaign contributions. Combined, the oil industry gave a total of \$5,275,957 in campaign contributions. These figures do not include contributions given directly to ballot initiative campaigns.

In CALPIRG Education Fund's previous analyses of the oil industries' campaign contributions, we found that oil companies spent \$1,679,281 in the 1997-1998 cycle, and \$2,180,795 in the 1999-2000 cycle.^{xx}

Major Oil Industry Executive Campaign Contributions to California Political Candidates and Parties in 2005-2006

Oil Industry Executives	Campaign Contributions
Boone and Madeleine Pickens of Boone Pickens Capital, formerly of Mesa Oil	\$3,616,900
Eugene and Linda Voiland of Aera Energy	\$35,250
Stephen Chazen of Occidental	\$30,000
Jake Belin of Kern Oil and Refining	\$6,800
Executive Contributions Total	\$3,688,950

Oil Industry Association Campaign Contributions to California Political Candidates and Parties in 2005-2006

Oil Industry Association	Campaign Contributions
California Independent Oil Marketers Association	\$149,322
California Independent Petroleum Association	\$79,869
Total	\$229,191

Oil Company Campaign Contributions to California Political Candidates and Parties in 2005-2006

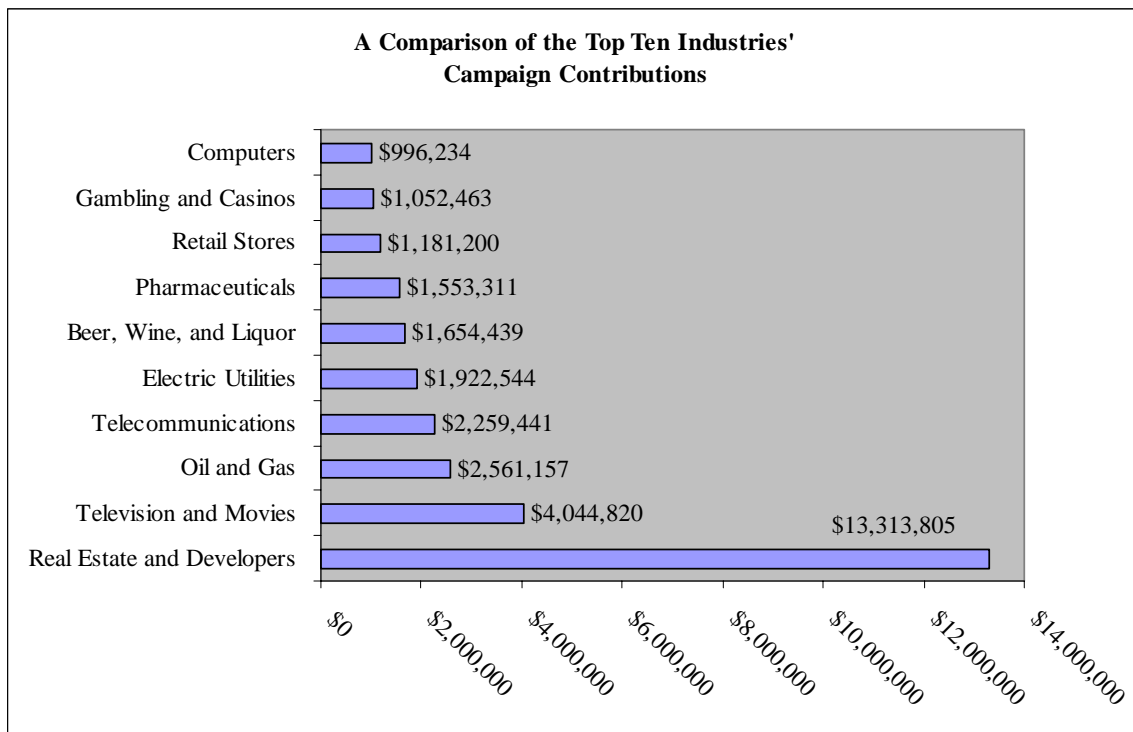
Chevron	\$617,400
Occidental	\$266,770
Exxon	\$105,200
Tesoro	\$89,045
Aera	\$75,000
Shell	\$50,000
Kern	\$47,251
Plains Exploration	\$37,500
BP	\$31,850
ConocoPhillips	\$29,685
Paramount	\$20,725
Tidelands	\$20,100
River City Petroleum	\$13,650
John R Lawson Rock and Oil Inc	\$12,300
Dewitt Petroleum	\$11,275
Nella Oil	\$10,300
Capitol Oil	\$10,000
Berry Petroleum	\$7,600
Coast Oil	\$5,930
Industrial Service Oil	\$5,600
Buck Petroleum	\$5,157
Pyramid Oil	\$5,000
Trio Petroleum	\$5,000
Valley Pacific Petroleum Services	\$5,000
Newton Petroleum	\$4,900
Western States Oil	\$4,640
Evergreen Oil	\$4,000
Golden Gate Petroleum	\$4,000
Empire Oil	\$3,609
Bay Area Petroleum	\$3,300
Southern Counties Oil	\$3,300
Robinson Oil	\$3,100
Northgate Petroleum	\$2,700
Oildale Energy	\$2,700
Shuster Oil	\$2,690
SKS Petroleum Dist.	\$2,586
Alliance Petroleum	\$2,500
Cross Petroleum	\$2,438
Pacific Oil Conference	\$2,200
New West Petroleum	\$2,000
Orange Coast Petroleum Equipment	\$2,000
Temblor Petroleum	\$2,000

Thrifty Oil	\$2,000
Brea Canon Oil	\$1,851
Nickey Petroleum	\$1,672
G & M Oil	\$1,600
Holmes Western Oil	\$1,600
Signal Hill Petroleum	\$1,600
Sturdy Oil	\$1,550
Wynn Oil	\$1,500
Macvalley Oil	\$1,450
GT Petroleum	\$1,250
Rathman Oil	\$1,200
Sawyer Petroleum	\$1,000
USA Petroleum	\$1,000
Humboldt Petroleum	\$950
McNeece Brothers Oil	\$900
Monterey County Petroleum	\$900
Rinehart Oil	\$900
TBS Petroleum	\$782
United Oil	\$750
Nicoletti Oil	\$700
OR Petroleum Assoc.	\$700
Rubicon Oil	\$700
Atlantic Oil	\$686
Hillcrest Beverly Oil	\$670
Silvas Oil	\$650
Tesei Petroleum	\$650
Cimarron Oil	\$616
Don Rose Oil	\$600
Guthrie Petroleum	\$600
Napa Valley Petroleum	\$600
Roche Oil	\$600
Valley Oil	\$600
Redding Oil	\$525
Beck Oil, Inc	\$500
Canyon State Oil	\$500
Dawson Oil	\$500
Fallbrook Oil/Traut Petroleum	\$500
Level Oil	\$500
Tooley Oil	\$500
Toro Petroleum	\$500
Trammo Petroleum	\$500
Seiberts Oil	\$450
Royal Petroleum	\$402

Warner Petroleum	\$350
Power Run Oil	\$310
California Oils	\$300
Davies Oil	\$300
Graner Oil	\$300
Mel Bokides Petroleum	\$300
Ranchers Cotton Oil	\$300
Roe Oil	\$300
Sebastian Oil	\$300
Boyett Petroleum	\$250
Cosby Oil	\$250
Lakeview Petroleum	\$250
Mathisen Oil	\$250
World Oil Marketing	\$249
Western Oil Fields Supply	\$245
Supreme Oil	\$228
Washington Oil Marketers Assoc.	\$220
Bay Counties Pitcock Petroleum	\$200
Buena Park Oil	\$200
Pacific Coast Petroleum Equipment	\$195
OCHS Oil	\$150
Smilodon Oil	\$125
Vern Jones Oil and Gas	\$106
Arizona Petroleum Marketers Assoc.	\$100
Burk Oil	\$100
California-Fresno Oil	\$100
Dassel's Petroleum	\$100
Diamond Oil	\$100
OIL-DRI Taft Production	\$100
Paul Oil	\$100
Pence Petroleum	\$100
Reading Oil	\$100
Red Triangle Oil	\$100
Renner Petroleum	\$100
El Capitan Oil	\$25
Total	\$1,587,007

Comparing Oil Company Contributions to other Industries:

We used the Institute on Money in State Politics online database to draw comparisons between the oil industry and other influential industries in politics.^{xxi} We identified the top 10 industries who gave the most money in campaign contributions to California political candidates and parties. The figures include contributions to state candidates and parties from the beginning of 2005 until June 30, 2006. The figures do not include more recent campaign contributions reported this fall, but nonetheless they do provide a snapshot of the level of spending that the oil industry makes in comparison to other large and influential industries in the state. We found that the oil industry ranked third for the most money given to California political candidates and state political parties, behind only the developers and the television and movie production industries.



Industries Who Gave the Most in Campaign Contributions in 2005- Early 2006	Top Three Contributors in Each Industry
Real Estate and Developers	Alex Spanos, American Association of Realtors, Ameriquest
Television and Movies	Charwell Partners LLC, Shangri-la Entertainment LLC, Walt Disney
Oil and Gas	BP, Chevron, Valero
Telecommunications	AT&T, California Cable and Telecommunications Association, T-Mobile
Electric Utilities	Pacific Gas and Electric, Sempra, Southern California Edison
Beer, Wine, and Liquor	Anheuser-Busch, E and J Gallo Winery, California Beer and Beverage Distributors
Pharmaceuticals	Amgen, Pfizer, Weider Health and Fitness
Retail Stores	Wal-Mart, Gap, Target
Gambling and Casinos	Los Alamitos Race Course, Station Casinos, Oak Tree Race Course
Computers	Intuit, Microsoft, Applied Materials

Conclusion:

Through campaign contributions and a high level of spending on direct lobbying, the oil industry is able to have a profound influence over California policy decisions. Although even the oil companies couldn't stop California's global warming bill from passing out of the Legislature and being signed by the governor, they were able to kill less high-profile but equally meaningful and more direct policies that could chart a path to reducing the industry's stranglehold on California's consumers, improving our economy, our health and our environment.

Not surprisingly, it is clear from the consistent high level of spending by the oil industry to influence public policy that they consider the millions of money spent on lobbying and campaign contributions worth the costs.

The election will be over in a matter of days, and elected officials will either take office for the first time or begin a new term in January. While the oil industry is likely to continue to pour money into influencing California policies, California's elected officials will have new opportunities to adopt smart energy policies that move California away from an oil-dependent economy. To reduce pollution and global warming, and to move the state away from its over-reliance on oil before the law of supply and demand results in a dramatic increase in oil prices, the state of California should adopt policies that reduce our dependence on oil, such as:

- Encouraging transportation and fuel alternatives
- Increasing energy efficiency
- Promoting renewable energy sources like wind and solar power
- Increasing public transportation options and promoting "smart growth" land use planning

ENDNOTES:

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- ⁱ CALPIRG Education Fund used to be known as CALPIRG Charitable Trust.
- ⁱⁱ USPIRG, *Solutions to America's Oil Crisis: A Federal Agenda for Reducing Oil Demand and Protecting Consumers*, September 2005.
- ⁱⁱⁱ National Association of state PIRGs, *Making Sense of America's Oil Needs: A Sustainable State-Based Response to Dwindling Oil Supplies*, August 2005.
- ^{iv} Chevron, <http://www.willyoujoinus.com/issues/alternatives/?s=sectionDefault>, accessed on October 18, 2006.
- ^v USPIRG, *Solutions to America's Oil Crisis: A Federal Agenda for Reducing Oil Demand and Protecting Consumers*, September 2005.
- ^{vi} California Energy Commission, <http://www.energy.ca.gov/oil/index.html>, accessed on October 23, 2006.
- ^{vii} California Energy Commission, http://www.energy.ca.gov/oil/statistics/crude_oil_receipts.html, accessed on October 23, 2006.
- ^{viii} USPIRG, *Solutions to America's Oil Crisis: A Federal Agenda for Reducing Oil Demand and Protecting Consumers*, September 2005.
- ^{ix} National Association of state PIRGs, *Making Sense of America's Oil Needs: A Sustainable State-Based Response to Dwindling Oil Supplies*, August 2005.
- ^x Center for Energy Efficiency and Renewable Technologies and the Sierra Club, *Bottom of the Barrel: The Hidden Costs of Petroleum Use in California*, October 2006.
- ^{xi} California Air Resources Board, <http://www.arb.ca.gov/research/health/health.htm>, accessed on October 24, 2006
- ^{xii} California Air Resources Board, <http://www.arb.ca.gov/research/asthma/asthma.htm>, accessed on October 24, 2006
- ^{xiii} Coalition for Clean Air, <http://www.coalitionforcleanair.org/air-pollution-10facts.html>, accessed on October 24, 2006
- ^{xiv} Environment California, <http://www.environmentcalifornia.org/global-warming/global-warming-impacts-on-california>, accessed on October 24, 2006
- ^{xv} Environment California, <http://www.environmentcalifornia.org/global-warming/california-sources>, accessed on October 24, 2006.
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- ^{xvii} National Press Club, speech watched on <http://www.eande.tv/main/?date=102506>, accessed on October 25, 2006.
- ^{xviii} California Secretary of State,
- ^{xix} CALPIRG Charitable Trust, *Pollution Politics 2000: California Political Expenditures of the Automobile and Oil Industries 1997-2000*, August 2000,
- ^{xx} CALPIRG Charitable Trust, *Pollution Politics 2000: California Political Expenditures of the Automobile and Oil Industries 1997-2000*, August 2000,
- ^{xxi} Institute on Money in State Politics, www.followthemoney.org, accessed on October 22, 2006.