

Congress of the United States

Washington, DC 20515

March 6, 2024

The Honorable Lina M. Khan
Chair
Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, D.C. 20580

Dear Chair Lina Khan,

We write concerning the wave of oil-and-gas industry consolidation, building on top of a longstanding consolidation trend, that threatens competition in the industry and could lead to higher prices and fewer choices for businesses across the supply chain, suppress worker wages, and make heating, cooling, and gas at the pump more expensive for consumers. Accelerating concentration hurts competition, hurts consumers, and hurts the climate. The Federal Trade Commission (FTC) must consider all possible anticompetitive harms that these and future mergers present. Should the FTC determine that these acquisitions would violate antitrust law, we urge you to oppose them.

There were \$250 billion of oil and gas deals in 2023.¹ In just the most recent months, ExxonMobil proposed to buy Pioneer Resources and Chevron moved to acquire Hess. Many of us warned in a November letter that those two mega-deals could provoke a wave of mergers and acquisitions in the energy sector and trigger a new “consolidation trend”² to the detriment of industry competition and American consumers. That admonition has been vindicated.

In December, Occidental Petroleum agreed to take over CrownRock for \$12 billion. In January, Chesapeake Energy announced it will merge with Southwestern Energy in a \$24 billion deal, and APA/Apache Corp. proposed to buy Callon Petroleum for \$4.5 billion. In February, Diamondback Energy unveiled plans to acquire Endeavor Energy Resources for \$26 billion, which would create yet another behemoth producer in the Permian along with ExxonMobil and Chevron. ExxonMobil and Chevron are already the two largest oil-and-gas corporations in the U.S., and if Occidental absorbs CrownRock, it would become a bigger player in U.S. shale than Chevron and Hess combined.³

Even more consolidation is still on the horizon. Three-quarters of industry executives polled by the Dallas Federal Reserve in December anticipated at least \$50 billion of additional oil deals over the next two years alone.⁴ This industry is already far too concentrated, resulting in anticompetitive behavior

¹ <https://www.reuters.com/business/energy/big-oil-enters-2024-strengthened-by-us-industry-consolidation-2023-12-26/>;
<https://www.msn.com/en-us/money/markets/how-a-spree-of-oil-and-gas-mergers-are-setting-the-stage-for-2024/ar-AA1mlS0v>

² <https://www.democrats.senate.gov/imo/media/doc/Letter%20to%20FTC%20re%20Exxon-Pioneer.pdf>.

³ <https://www.reuters.com/markets/deals/occidental-petroleum-buy-crownrock-12-bln-deal-2023-12-11/>

⁴ <https://www.reuters.com/business/energy/big-oil-enters-2024-strengthened-by-us-industry-consolidation-2023-12-26/>

that harms businesses across the supply chain and Americans looking to fuel their cars and heat their homes.

Big Oil has taken advantage of high gas prices caused by COVID-related supply chain bottlenecks and Russia's illegal invasion of Ukraine. Instead of providing price relief to Americans at the pump, these oil and gas majors have used their record profits to fund expanded stock buybacks, benefiting only them and their shareholders. ExxonMobil and Chevron are carrying out \$50 billion and \$75 billion in stock buybacks.⁵ Occidental has completed 60% of its own \$3 billion stock buyback program, spending \$600 million on repurchases in Q3.⁶ Chesapeake spent \$1.4 billion on stock buybacks in the last two years.⁷ In addition, these companies continue to raise dividend rates and give shareholders millions each quarter, while consumers continue to hurt at the pump. In Q3 alone, ExxonMobil, Chevron, Occidental, and Chesapeake respectively paid shareholders \$3.7 billion, \$2.9 billion, \$219 million, and \$77 million in dividends.⁸

Contrary to disinformation spread by industry groups, these deals are not about efficiency, international competitiveness, or lowering costs; they are designed to pump more profits out of Americans' pockets – plain and simple. Fossil fuel companies have overwhelmingly identified investor pressure as the reason to keep prices high so they can continue to benefit from record profits.⁹ Americans are paying the price for Big Oil's greed and are still struggling to keep up with gas prices higher than pre-pandemic levels.¹⁰

More consolidation will harm competition, suppress worker wages, and lead to even higher prices across the supply chain for both businesses and individuals. ExxonMobil and Chevron are the two largest oil-and-gas corporations in the United States, with operations across the supply chain and entire industry. ExxonMobil's acquisition target, Pioneer, is an upstream petroleum operator with more drilling acreage than any other producer in the Permian Basin, where ExxonMobil is already a top producer.¹¹ Merged, these two companies could produce a historic 1.2 million barrels per day – more than twice the amount of the next competitor.¹² This would enable ExxonMobil to further dominate the most prolific oil-and-gas field in America and the world. Chevron's proposed acquisition of Hess, one of the largest producers in North Dakota's Bakken Shale, the deepwater Gulf of Mexico, and offshore Guyana would similarly give Chevron outsized control of oil-and-gas operations in these key regions. At a congressional hearing, ChevronTexaco's North American President, David Reeves, suggested that this type of market

⁵ <https://www.cnn.com/2023/02/01/exxon-chevron-earnings-buybacks-show-cheap-gas-isnt-coming-back.html>

⁶ <https://www.oxy.com/siteassets/documents/investors/quarterly-earnings/oxy3q23earningspressrelease.pdf>

⁷ <https://investors.chk.com/2023-10-31-CHESAPEAKE-ENERGY-CORPORATION-REPORTS-THIRD-QUARTER-2023-RESULTS>

⁸ <https://www.chevron.com/-/media/chevron/stories/documents/3Q23-earnings-press-release.pdf>;
<https://investor.ExxonMobil.com/news-events/press-releases/detail/1149/ExxonMobil-announces-third-quarter-2023-results>; <https://www.oxy.com/siteassets/documents/investors/quarterly-earnings/oxy3q23earningspressrelease.pdf>;
<https://investors.chk.com/2023-10-31-CHESAPEAKE-ENERGY-CORPORATION-REPORTS-THIRD-QUARTER-2023-RESULTS>

⁹ <https://www.dallasfed.org/research/surveys/des/2022/2201#tab-questions>

¹⁰ https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=p&s=emm_epm0_pte_nus_dpg&f=m

¹¹ <https://www.wsj.com/business/deals/occidental-petroleum-in-talks-to-buy-permian-producer-crownrock-858cacdb>

¹² <https://www.bloomberg.com/news/articles/2023-10-07/ExxonMobil-s-blockbuster-pioneer-merger-needs-biden-s-blessing-first#xj4y7vzkg>.

domination enables the limited number of refinery marketers to evade the laws of supply and demand.¹³ These companies can and do leverage concentration to profiteer and rake in billions.

The increasing trend in consolidation is further amplified by recent news of Occidental Petroleum buying CrownRock, another large oil company in the Permian.¹⁴ The move comes on the heels of Occidental's \$56 billion acquisition of Anadarko in 2019, which already significantly consolidated the industry in the Permian.¹⁵ This new deal would place Occidental Petroleum alongside ExxonMobil and Chevron as the top three producers in the basin.¹⁶ Including ConocoPhillips, which completed two major deals in the last two years, just four companies could control 58% of future production in the Permian Basin, where the majority of U.S. shale oil production is located.¹⁷

This industry consolidation will make it increasingly difficult for competitors to operate without these oil majors, which give these giants the ability and incentives to engage in anti-competitive tactics that lead to even higher prices at the pump for everyday Americans.¹⁸ We've seen this phenomenon before. Following a wave of consolidation in the 1990s and 2000s, the Government Accountability Office (GAO) found that five big mergers led to tangible increases in gasoline prices, with the price increase caused by the Exxon's merger with Mobil merger being the greatest.¹⁹

Big Oil isn't just harming businesses and consumers by fleecing them with higher prices; they are neglecting to take the most basic steps to mitigate their harm on the planet and future generations. Both ExxonMobil and Chevron publicly claim to support the Paris Climate Agreement to limit warming below 2°C and claim that their actions are in line with the goals of the agreement.²⁰ ExxonMobil promises that they "aim to achieve net-zero operated Scope 1 and 2 greenhouse gas emissions by 2050."²¹ Chevron promises that they "aspire to achieve net zero upstream emissions (scope 1 and 2) by 2050."²² Both heavily advertise their investments in lower carbon technologies, such as carbon capture and sequestration, hydrogen, and biofuels. However, the investments account for only four percent of Chevron's spend on capital expenditures and shareholder distributions, and they account for only six percent for ExxonMobil.²³

Occidental and Chesapeake also publicly claim to be aligned with the Paris Agreement.²⁴ Occidental touts its leadership in carbon management and direct air capture, an energy-intensive

¹³ <https://www.govinfo.gov/content/pkg/CHRG-107shrg80298/pdf/CHRG-107shrg80298.pdf>

¹⁴ <https://www.wsj.com/business/deals/occidental-petroleum-in-talks-to-buy-permian-producer-crownrock-858cacdb>

¹⁵ <https://www.ft.com/content/573296ea-7256-11e9-bbfb-5c68069fbd15>

¹⁶ https://ieefa.org/wp-content/uploads/2021/11/Independent-Producers-Dominate-Majors-in-the-Permian_November-2021.pdf; <https://www.axios.com/2023/12/12/occidental-crownrock-deal-strategy>

¹⁷ <https://www.reuters.com/business/energy/big-oil-enters-2024-strengthened-by-us-industry-consolidation-2023-12-26/>

¹⁸ <https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/oil/102323-chevron-buys-hess-in-53-billion-guyana-us-shale-expansion>.

¹⁹ <https://www.gao.gov/assets/gao-04-96.pdf>.

²⁰ <https://corporate.exxonmobil.com/-/media/global/files/advancing-climate-solutions-progress-report/2023/2023-advancing-climate-solutions-progress-report.pdf>; <https://www.chevron.com/-/media/chevron/sustainability/documents/climate-change-resilience-report.pdf>

²¹ <https://corporate.exxonmobil.com/sustainability-and-reports/advancing-climate-solutions>

²² <https://www.chevron.com/sustainability/environment/lowering-carbon-intensity>

²³ <https://www.energyintel.com/00000189-ddce-d433-a5ad-fdff7f2f0000>

²⁴ <https://www.oxy.com/sustainability/planet/>; <https://www.chk.com/?wpdmdl=7908>

technology unproven at scale.²⁵ However, the company openly prioritizes giving cash to shareholders even over funding direct air capture plants.²⁶ Chesapeake makes only vague allusions to possible future investments in carbon capture and hydrogen.²⁷ Like most fossil fuel majors, the goals of ExxonMobil, Chevron, Occidental, and Chesapeake are strongly misaligned with the Paris Agreement and would lead to warming of 3.2° to 3.6°C, well above the 2°C Paris target.²⁸

Despite these empty climate pledges, Big Oil companies continue to use misinformation to lobby against climate action and expand unabated fossil fuel production. These recently announced acquisitions and plans for future consolidation will only continue that expansion. If the purchases are approved, giving these companies even more power, market share, control over supply, and profits, it will only serve to increase their ability to fend off attempts to rein in their emissions that harm the climate and humans whose lives depend on it.

We applaud the FTC for opening investigations of the Exxon-Pioneer, Chevron-Hess, and Occidental Petroleum-CrownRock acquisitions following the November letter referenced above. However, it is now even clearer that there is an anticompetitive pattern developing as Big Oil corporations race to consolidate the Permian Basin and other key American oilfields, and the FTC must take this pattern into account as it assesses each individual transaction. Indeed, the FTC’s latest merger guidelines acknowledge that whenever there are “multiple mergers at once or in succession by different players in the same industry,” the FTC should examine each transaction in the context of the broader pattern.²⁹

If a small group of dominant firms is allowed to control this industry, American consumers and industry competition will only suffer. Therefore, we urge the FTC to extend its current investigations, open inquiries into these new deals, and take all appropriate actions to protect competition in this industry. Lax enforcement during the last generation, such as allowing Exxon and Mobil to merge, resulted in market manipulation, unstable supply, and price hikes for Americans. We must avoid similar mistakes going forward.

Sincerely,

²⁵ <https://www.oxy.com/sustainability/planet/>

²⁶ <https://www.reuters.com/business/energy/occidental-favor-buybacks-over-funding-direct-air-capture-plants-2023-05-10/>

²⁷ <https://www.chk.com/download/2022-climate-report/?wpdmdl=13396&refresh=6585a8834feab1703258243>

²⁸ <https://www.msci.com/our-solutions/esg-investing/esg-ratings-climate-search-tool/issuer/exxon-mobil-corporation/IID000000002127471>; <https://www.msci.com/our-solutions/esg-investing/esg-ratings-climate-search-tool/issuer/chevron-corporation/IID000000002161679>; <https://www.msci.com/our-solutions/esg-investing/esg-ratings-climate-search-tool/issuer/occidental-petroleum-corporation/IID000000002153341>; <https://www.msci.com/our-solutions/esg-investing/esg-ratings-climate-search-tool/issuer/chesapeake-energy-corporation/IID000000002149662>

²⁹ https://www.ftc.gov/system/files/ftc_gov/pdf/2023_merger_guidelines_final_12.18.2023.pdf



Ro Khanna
Member of Congress



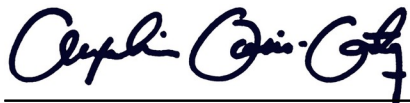
Charles E. Schumer
United States Senator



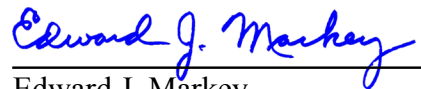
Summer Lee
Member of Congress



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United States Senator



Alexandria Ocasio-Cortez
Member of Congress



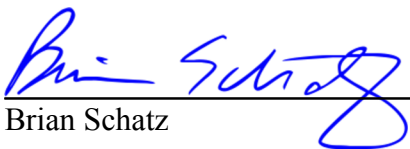
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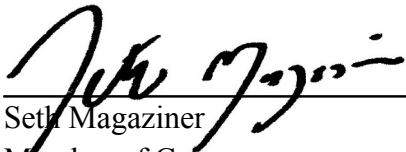
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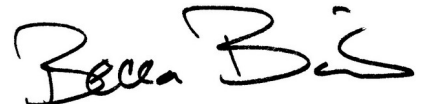
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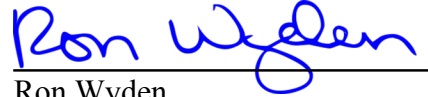
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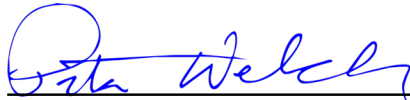
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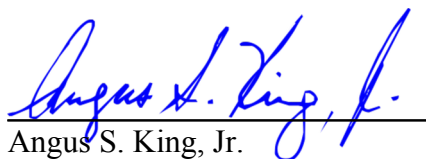
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Member of Congress



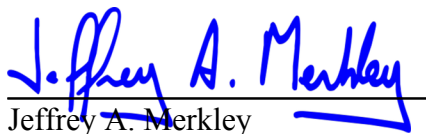
Jacky Rosen
United States Senator



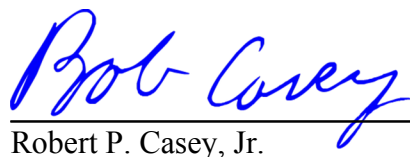
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United States Senator



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Adam Smith
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Elizabeth Warren
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Bernard Sanders

Bernard Sanders
United States Senator