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Congress of the United States
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May 2, 2022

Mr. Michael K. Wirth
Chief Executive Officer
Chevron Corporation
6001 Bollinger Canyon Road
San Ramon, CA 94583

Dear Mr. Wirth:

Chevron currently benefits from a wide range of very generous federal tax subsidies, ranging from the tax exemption on Foreign Oil and Gas Extraction Income (FOGEI) to the Last-In, First-Out (LIFO) accounting method. Every year, these tax subsidies cost the American taxpayer an average of $12 to $19 billion. At the same time, Americans are paying near-historic prices at the pump, while Chevron reported $15.6 billion in profit in 2021, a 437% increase over 2019. Something doesn't add up—why is the American taxpayer subsidizing Chevron's profits *and* paying near-historic gasoline prices? In the interest of the American taxpayer, I respectfully request information regarding the federal tax subsidies that Chevron received in 2021 and how these subsidies affect capital expenditure and oil prices.

The U.S. Treasury Department's FY22 Revenue Proposals list numerous tax subsidies benefiting the oil and gas industry.[1] In addition to these tax subsidies, oil and gas companies also benefit disproportionately from the LIFO accounting method.[2] All together, these tax subsidies are expected to cost the federal government as much as $196 billion in lost tax revenue over the next decade. For 2021, please address each of the following questions:

1. How much in avoided taxes did Chevron save with the Foreign Oil and Gas Extraction Income exemption for controlled foreign corporations?
2. How much in avoided taxes did Chevron save with the Foreign Oil Related Income deduction for controlled foreign corporations?
3. How much in avoided taxes did Chevron save with the enhanced oil recovery credit?
4. How much in avoided taxes did Chevron save with the credit for oil and natural gas produced from marginal wells?
5. How much in avoided taxes did Chevron save by expensing intangible drilling costs?
6. How much in avoided taxes did Chevron save by deducting costs paid or incurred for any tertiary injectant used as part of tertiary recovery method?
7. How much in avoided taxes did Chevron save with the exception to passive loss limitations provided to working interests in oil and natural gas properties?

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[1] Department of the Treasury. 2021. General Explanations of the Administration's Fiscal Year 2022 Revenue Proposals. https://home.treasury.gov/system/files/131/General-Explanations-FY2022.pdf

[2] For LIFO tax revenues, see Department of the Treasury. 2015. General Explanations of the Administration's Fiscal Year 2016 Revenue Proposals. https://home.treasury.gov/system/files/131/General-Explanations-FY2016.pdf. For the benefits of LIFO for oil companies, see Lirely, R., D. Coffee, R. Roig, and S. Swanger. 2010. LIFO Accounting and Liquidity Measurements in the Energy Industry. *Oil, Gas, and Energy Quarterly* 3: 393-406.

8. How much in avoided taxes did Chevron save using percentage depletion with respect to oil and natural gas wells?
9. How much in avoided taxes did Chevron save using the two-year amortization of independent producers' geological and geophysical expenditures?
10. How much in avoided taxes did Chevron save by expensing exploration and development costs?
11. How much in avoided taxes did Chevron save with the capital gains treatment for royalties?
12. How much in avoided taxes did Chevron save with the exemption from the corporate income tax for fossil fuel publicly traded partnerships?
13. How much in avoided taxes did Chevron save with the Oil Spill Liability Trust Fund (OSTLF) excise tax exemption for crude oil derived from bitumen and kerogen-rich rock?
14. How much in avoided taxes did Chevron save with the LIFO accounting method?

These tax subsidies exist to incentivize and support oil and gas extraction and, ultimately, reduce retail gasoline prices for the American consumer. However, recent modelling by researchers at the Stockholm Environment Institute and Earth Track has found that the impact of these subsidies on oil production and oil prices is limited, even more so when oil prices are high, as they are now, and new oil wells have a high expected rate of return.[3] This confirms the previous findings of former Deputy Assistant Treasury Secretary for Environment and Energy, Gilbert Metcalf, who concluded that ending subsidies for fossil fuel companies would have a minimal effect on oil production and global oil prices.[4]

With this in mind, please explain your company's methodology for determining the cost-benefit of new capital expenditure on oil and gas production and how federal tax subsidies affect these decisions. Please list new capital expenditure projects in Q3 and Q4 2021 in the U.S. and around the world that would not have been undertaken if Chevron did not receive these federal tax subsidies. Please explain why each of these projects is dependent on federal tax subsidies.

Finally, please explain how these tax subsidies affect oil prices and retail gasoline prices. What would Chevron's profits be for 2021 if your company did not receive these federal tax subsidies, and how would that impact the price at which your company sells oil and gasoline?

The American taxpayer is now paying more than $4/gallon at the pump *and* paying $12 to $19 billion per year in fossil fuel tax subsidies. As a Member of Congress, it is my duty to ensure taxpayer money is being spent judiciously. Therefore, to ensure that these tax subsidies are reducing retail gasoline prices and not simply increasing corporate profits, I respectfully request answers to the above questions by May 16, 2022.

I look forward to your timely response.

Sincerely,

Raja Krishnamoorthi
Member of Congress

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[3] Achakulwisut, P., P. Erickson, and D. Koplow. 2021. Effect of subsidies and regulatory exemptions on 2020–2030 oil and gas production and profits in the United States. *Environmental Research Letters* 16: 084023

[4] Metcalf, G. 2017. The Impact of Removing Tax Preferences for US Oil and Natural Gas Production: Measuring Tax Subsidies by an Equivalent Price Impact Approach. *Journal of the Association of Environmental and Resource Economists* 5(1): 1-37.