THE CHEVRON WAY: POLLUTING CALIFORNIA AND DEGRADING DEMOCRACY

This report was produced in November 2018 by the International Transport Workers’ Federation (ITF) Sydney Office

IN COLLABORATION WITH:
Chevron, one of California’s most profitable companies\(^1\), and one of the world’s largest oil companies\(^2\), pollutes California’s air and corrupts the State’s political process by spending hordes of cash to get what it wants from politicians. Chevron works hard to stop or blunt efforts by Californians to take important proactive steps to stop climate change and to create a fairer, more robust economy that works for all. This report aims to educate Californians about the growing influence that Chevron, and its friends in the oil industry, have in our state and what is at stake. As public awareness grows, state and local politicians should think twice about the public perception and risks of accepting Chevron’s toxic campaign contributions.

**KEY FINDINGS:**

- Chevron and its affiliates are the top corporate climate polluters in California, with Chevron-branded facilities responsible for more emissions in 2015 than Shell and Exxon Mobil-branded facilities combined.\(^3\)

- Chevron sells more than 20% of all California gas and has more than 25% of the total refinery capacity in the state. Chevron’s California refineries and oil production generate more than a billion dollars in revenue each year\(^4\), but appear to contribute very little in state tax revenues.\(^5\)

- Chevron has a global record of aggressive tax avoidance and California is no exception. Chevron paid no US income taxes in 2015 and had a company-wide effective tax rate of just 3%, a small fraction of the average income tax rate for individuals\(^6\) or the corporate income tax rate of 35%.\(^7\)

- Chevron is one of the largest corporate spenders on politics and lobbying in California. Since January 2009, the company has spent more than $37 million on contributions to candidates and committees in California state races alone. It has spent an additional $24 million on lobbying in the state.\(^8\)

- Chevron appears to have systematically sought to control public opinion in Richmond, home to a massive Chevron refinery with a troubling safety record.\(^9\) Chevron has poured millions of dollars into local elections\(^10\) and runs a company-funded online news outlet, The Richmond Standard, that has been used to promote company PR and answer the company’s critics.\(^11\)
CHEVRON IS A KEY PLAYER IN CALIFORNIA’S OIL SECTOR, EARNING BILLIONS

Chevron’s Two California Refineries and Network of Gas Stations Make it a Huge Player in the California Economy

According to data from the California Energy Commission, Chevron sells more than 20% of all gas sold in California, second only to Tesoro. The company’s two California refineries, in El Segundo and Richmond, account for 25% of the state’s refining capacity. 

Despite Drops in Oil Prices, Chevron’s CA Refineries Bring in an Estimated $1.7 Billion/Year

While the dip in oil prices has impacted Chevron’s overall profitability, Chevron’s California refineries continue to earn billions of dollars for the company. In 2015, Chevron reported that the company made $3.18 billion in total US downstream operations. The company’s two California refineries in El Segundo and Richmond accounted for 54.4% of Chevron production in the United States in 2015, resulting in estimated earnings of more than $1.7 billion. An earlier analysis by the Richmond Progressive Alliance estimated that the Richmond refinery alone may generate as much as $2.4 billion per year in operating profits. In October 2016, Reuters reported that Chevron will invest an additional $1 billion in modernizing the Richmond refinery with renovations scheduled to be completed by 2019.

Chevron Has Fought Hard to Avoid Paying its Fair Share of Property Taxes in Richmond

Despite billions of earnings from Chevron’s California refineries, Chevron has, for many...
years, challenged its local property tax bill in Richmond, CA, home to the company’s refinery which produces 245,000 barrels of oil each day. In 2012, Chevron filed a lawsuit to challenge a decision by the Contra Costa County Assessment Appeals Board that found that the company’s Richmond refinery was under-assessed by $27 million. Chevron also sued the same county board over a decision for 2004-2006 tax years, where the company alleged that it was given a smaller tax refund than it believed it was owed. Although the additional $1 billion investment by Chevron in the Richmond refinery should result in greater property tax revenue for Contra Costa County and the City of Richmond, the company’s history of legal maneuvering to minimize tax bills may leave local residents wondering if they will see any tax benefits of the upgrade.

In 2013, Chevron and various government agencies, including the Contra Costa Board of Supervisors and the City of Richmond reached an agreement that reduced the taxable value of Chevron’s Richmond refinery in 2012 from $3.87 billion to $3.28 billion. At the time of the settlement, Richmond City Councilman Jael Myrick suggested that the agreement was spurred in part by the threat of Chevron collecting additional refunds from the City: “Chevron was trying to get back from the city a pretty substantial refund. This takes that off the table.” Community advocates in Richmond were critical of the deal and asserted that the property continues to be under-assessed by roughly $1 billion, depriving Richmond of between $10 and $17 million in additional annual tax revenue.

DESPITE PROFITS, CHEVRON PAID NO US INCOME TAXES IN 2015

Despite Rhetoric, Chevron Paid No Income Taxes on US Operations in 2015

Since 2014, Chevron has given $2.5 million in contributions directly to a long-winded campaign committee called “Coalition to Restore California’s Middle Class, Including Energy Companies who Produce Gas, Oil, Jobs and Pay Taxes.” In 2015, despite a severe drop in oil prices, Chevron made $4.5 billion in profit. Ironically, according to documents filed by Chevron with the Securities and Exchange Commission, in 2015 the company paid no net income taxes in the United States and, instead, banked nearly $1.7 billion in tax credits. This included $296 million in tax credits on state and local taxes.

Companywide, including international operations, Chevron paid an effective income tax rate of just 3% in 2015. In other words, Chevron paid income taxes at less than one-third the rate of average Americans and less than one-tenth the U.S. corporate income tax rate. At the same time, the company paid its CEO $22 million in
Chevron paid no US income taxes in 2015 and had a company-wide effective tax rate of just 3%, a small fraction of the average income tax rate for individuals or the corporate income tax rate of 35%.

2015 and paid its top six executives a total of more than $62 million.33

While information on corporate tax payments in California is not publicly available, an economic analysis funded by the company stated that in 2012, Chevron paid only $700,000 in corporate income taxes and taxes on dividends.34

Chevron is Flooding the California Political Process with Cash in an Effort to Block Progress on Climate Change

Chevron is Flooding the California Political Process with Cash

The oil industry in California spends millions of dollars each year to influence politicians and state policies. From January 2009 through November 8, 2016, Chevron spent more than $61 million dollars on contributions to California political candidates, initiatives and lobbying expenses. Chevron's massive spending dwarfed that of its competitors.

The company spent more than $37 million on direct contributions to candidates and committees. The next largest oil company contributor was Valero Energy at $8.7 million; roughly ¼ of Chevron's spending. Incredibly, the numbers below are for California races only and do not include the millions that Chevron spends on California’s Congressional and Senate races.35

Chevron Tops Lists of Oil Companies Lobbying in California

Chevron topped the list of oil companies that spent millions on direct lobbying in California. In fact, the only industry player that outspent the company was the trade group Western States Petroleum Association, of which Chevron itself is a member.36 Chevron spent the most of any individual company, more than $24 million between January 2009 and November 8, 2016, nearly five times as much as the next biggest spending company, Phillips 66.37

Chevron’s Agenda in California: Stop Progress on Climate Change

What are Chevron and its industry partners spending so much money on in California? Two of the primary pieces of legislation that have been a focus of their energy has been SB 32 and SB 350. SB 350, which was signed into law in October 2015 by California Governor Jerry Brown, requires California to generate at least half of its electricity from renewable sources such as solar and wind by 2030.38 Thanks to lobbying from Chevron and its industry partners, the bill was stripped of an earlier provision which set a goal of
Chevron and the rest of the oil industry also lobbied heavily against SB 32, another bill aimed at boosting the state’s leadership in fighting climate change. The bill was ultimately signed by Governor Jerry Brown.

And Now Chevron is Spending Big to Punish Supporters of Environmental Legislation

Chevron is not content to blunt California’s efforts to take bold action on climate change. In 2015 and 2016, Chevron spent millions on a set of races which are plainly designed to punish those who supported the California legislation that Chevron opposed. In multiple cases, the spending by Chevron and other oil industry players was ultimately unsuccessful. However, in at least one case they were able to defeat an environmentally friendly politician.

In one example, Chevron has given $2.5 million to the Coalition to Restore California’s Middle Class since 2015. One of the largest recipients of political spending from the Coalition was California Assembly Member Cheryl Brown. Brown was dubbed “Chevron Cheryl” by opponents for her frequent support of the oil industry’s legislative agenda. The Los Angeles Times explained that Brown was “a member of the Legislature’s informal moderate caucus of business-aligned Democrats [who] played a key role in watering down last year’s landmark climate change bill.” Despite more than $1.3 million spent in support of Brown and against her opponent, fellow Democrat Eloise Reyes, Ms. Reyes won the race, unseating the incumbent.

In another example, the Chevron-funded Coalition to Restore California’s Middle Class also gave more than $350,000 to support California Assembly Member Nora Campos, a Democrat, who was running for a seat in the State Senate. Campos was running to unseat the incumbent State Senator Jim Beall, also a Democrat, and a co-author of both SB 350 and SB 32. Beall backed the earlier version of SB 350 that included the requirement to cut gas use in the state. During the debate, Campos complained that the requirement would have increased the cost of gas and hurt low-income consumers. Unfortunately for Chevron, despite throwing out more than $350,000 to support Campos, Beall won the election handily.

OIL INDUSTRY CONTRIBUTIONS TO CANDIDATES & COMMITTEES
(JAN 1, 2009 - NOV 8, 2016)

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Chevron has also spent big at the local level to fight environmental legislation. The company gave more than $1.5 million to oppose Measure Z\textsuperscript{51}, a proposal in Monterey County to ban fracking and the expansion of oil drilling operations.\textsuperscript{52} Measure Z proponents celebrated its passage on election night despite being outspent 33:1, primarily by contributions against the measure from Chevron and oil company Aera.\textsuperscript{53}

**However, in other cases, Chevron’s spending was successful in electing less environmentally friendly politicians.** Chevron was the largest corporate donor to the oddly named “Keeping Californians Working, Dentists, Housing Providers, Energy and Insurance Agents.” The company has poured $2.1 million into the committee since 2014. The committee spent lavishly to defeat Democrat Dan Wolk in a race for California Assembly. The coalition supported another Democrat in the race, Cecilia Aguiar-Curry. While Wolk consistently called for shifts away from fossil fuels and for a halt to fracking, the Chevron-supported Ms. Aguiar-Curry has been more guarded, insisting that the “jury is still out for me.”\textsuperscript{54} Ms. Aguiar-Curry won her primary race and subsequently won election to the Assembly.\textsuperscript{55}

**Chevron is Also Working Hard to Block Additional Taxes on Oil in California**

California is the only major oil-producing state that, in the words of Los Angeles Times reporter

**CHEVRON’S OUTSIZED ROLE IN THE POLITICAL PROCESS IN RICHMOND**

The Bay Area town of Richmond, population 106,469, is home to a massive Chevron oil refinery, currently producing more than 245,000 barrels of oil per day, making the company hundreds of millions of dollars in profit each year. The company is clearly intent on protecting its investment, spending millions to help shape politics in the city.

In 2014, Chevron spent $3.1 million to push a slate of company-backed candidates in the town. Chevron’s spending amounted to nearly $70/voter in a town with just less than 45,000 registered voters. Unfortunately, for the company, the big spending didn’t mean good results, and all four candidates funded by the Chevron-backed “Moving Forward” alliance lost, while candidates backed by the mainly volunteer Richmond Progressive Alliance won.

The company’s 2014 embarrassment doesn’t seem to have stopped it from pouring more money into the tiny city. In 2015, a non-election year, it spent $175,000 on a voter registration effort. Although more recent 2016 contributions have not yet been filed, Chevron is continuing to spend big to impact the public policy debate in Richmond. The company was a Platinum Level Sponsor of the Richmond Mayor’s October 2016 Golf Fundraiser.

In addition, Chevron publishes the online publication the “Richmond Standard.” Though the Standard covers a broad array of local news and recently boasted a higher readership in the City of Richmond than the San Francisco Chronicle’s website, it is produced entirely by Chevron and has an entire section called “Chevron speaks.” The Standard was launched in 2013, calling itself a “community-driven daily news source,” less than six months after a massive fire at the Richmond Chevron refinery. After the fire, the company paid $2 million in fines and restitution and pled no contest to charges of failing to maintain equipment in safe working order.
George Skelton, “doesn’t tax the goo as it’s pumped from the earth.” Skelton argued, in a September 2015 column, that the time is right for the California legislature to enact an oil severance tax and use the money to pay for badly needed repairs on the State’s roads and bridges. But, Skelton worried aloud about the immense power of the oil industry to block legislative action they don’t support.

Skelton’s skepticism, it turns out, was well founded. SB 1017, introduced in 2013, would have created an oil and natural gas severance tax and was expected to raise $1.6 billion, much of which was slated to fund the state’s underfunded public schools. The bill stalled in the legislature. In the same year, SB 241, another bill to impose taxes on oil and gas extraction, also was held interminably in the State Senate’s Appropriations Committee. Similar bills in the 2011-2012 session (AB 1326), 2009-2010 session (AB 1604 and AB 656), and the 2007-2008 session (AB 961) also failed to emerge from the legislature.

The inability to pass bills that fairly tax the oil industry is not surprising, given the strong opposition of the oil industry, including the Chevron-backed Western States Petroleum Association, the California Independent Petroleum Association and others. Efforts to pass an oil severance tax by voter initiative have also been unsuccessful thanks to millions spent by the oil industry and their allies, despite the fact that Californians appear to support the idea of an oil severance tax by roughly a two-thirds margin.

## OIL INDUSTRY LOBBYING EXPENSES

(JAN 1, 2009 - NOV 8, 2016)

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<th>COMPANY / INDUSTRY GROUP</th>
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<td>Western States Petroleum Association</td>
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<td>Californians Against Higher Oil Taxes</td>
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<td><strong>$112,371,214</strong></td>
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**Does Chevron Pollute Democracy in California?**

**Historically, Chevron’s political spending in California has appeared aimed at:**

- stunting progress on environmental protection,
- maximizing profits from California consumers; and
- limiting state and local revenue, which would also serve to fund better schools and infrastructure.

Now is the time for Californians to take back their democracy! Big money corporate contributions peddle an agenda that is clearly against the public interest.

As public awareness grows, candidates and politicians may want to think twice about accepting Chevron's political contributions and the perception of being bought by the state's largest polluter.


3. Analysis based on data from the California Air Resources Board, 2015 GHG Emissions data, released 11/4/2016. Available at: [https://www.arb.ca.gov/cc/reporting/ghg-rep/ghg-rep.html](https://www.arb.ca.gov/cc/reporting/ghg-rep/ghg-rep.html) Note: Based on email discussions with CARB staff, the numbers here are the totals of company facilities using the emissions numbers in Column I and Column J, related to “Emitter.”

4. Chevron Corporation, 10-K report. The chart on page 18 demonstrates that 54.4% of Chevron’s refining capacity in the United States is in the company’s two California refineries (526 thousand barrels per day out of 963 thousand barrels per day total). On page FS—8, the company reports that “U.S. downstream operations earned $3.18 billion in 2015.” We multiplied $3.18 billion by 54.4% to arrive at the estimate of $1.7 billion.


12. These figures are based on numbers from the California Air Resources Board, 2015 GHG Emissions data, released 11/4/2016. Available at: [https://www.arb.ca.gov/cc/reporting/ghg-rep/ghg-rep.html](https://www.arb.ca.gov/cc/reporting/ghg-rep/ghg-rep.html) Note: Based on email discussions with CARB staff, the numbers here are the totals of company facilities using the emissions numbers in Column I and Column J, related to “Emitter.”


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Sara Rubin, Measure Z victorious despite heavily oil industry spending against it, Monterey County Weekly, November 9, 2016, http://www.montereycountyweekly.com/blogs/news_blog/measure-z-victorious-despite-heavy-oil-industry-spending-against-it/article_e8788ec0-a661-11e6-b1e1-cfe9b8e204c.html


George Skelton, Los Angeles Times, The time is ripe for a tax on oil extraction to pay for California road repairs, September 16, 2015 http://www.latimes.com/local/california/la-me-cap-20150917-column.html


City of Richmond, City Facts, Accessed October 26, 2016 http://www.ci.richmond.ca.us/DocumentCenter/Home/View/8348

California Energy Commission, California’s Oil Refineries, Accessed October 26, 2016 http://www.energy.ca.gov/almanac/petroleum_data/refineries.html

Chevron Corporation, 10-K report. The chart on page 18 demonstrates that 54.4% of Chevron’s refining capacity in the United States shows Chevron’s Richmond refinery has refining capacity of 257 thousand barrels per day, or roughly 27% of the company’s US refinery capacity. On page FS—8, the company reports that “U.S. downstream operations earned $3.18 billion in 2015.” 27% of $3.18 billion is roughly $848 million.

City of Richmond, California, Elections, Report as of May 11, 2016 http://www.ci.richmond.ca.us/1349/Elections


The Richmond Standard, Richmond deserves more news coverage, January 23, 2013 http://richmondstandard.com/2013/01/richmond-deserves-more-news-coverage/