

May 06, 2020

The Honorable Steve Mnuchin  
Secretary  
Department of the Treasury  
1500 Pennsylvania Avenue NW  
Washington, DC 20220

Dear Secretary Mnuchin:

I write to express my serious concerns regarding reports that you are considering bailing out oil and gas companies using loans backed by taxpayer funds provided by the *Coronavirus Aid, Response, and Economic Stability (CARES) Act*. These companies have contributed to the deterioration of the environment through their emissions,<sup>1</sup> and their lobbying and political expenditure efforts have undermined efforts to identify and address the risks of the climate crisis.<sup>2</sup> The fossil fuel industry already receives billions of dollars in taxpayer subsidies annually.<sup>3</sup> These companies do not deserve special access to taxpayer-financed bailout funds at a time when millions of Americans are struggling to make ends meet.<sup>4</sup>

Late last month, you claimed that you were considering options to bail out to the oil and gas industry.<sup>5</sup> In particular, you stated, “one of the components we’re looking at is providing a

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<sup>1</sup> New York Times, “Oil and Gas May Be a Far Bigger Climate Threat Than We Knew,” Hiroko Tabuchi, February 19, 2020, <https://www.nytimes.com/2020/02/19/climate/methane-flaring-oil-emissions.html>; New York Times, “Climate Change is Accelerating, Bringing World ‘Dangerously Close’ to Irreversible Change,” Henry Fountain, December 5, 2019, <https://www.nytimes.com/2019/12/04/climate/climate-change-acceleration.html>.

<sup>2</sup> Washington Post, “How the fossil fuel industry got the media to think climate change was debatable,” Amy Westervelt, January 10, 2019, <https://www.washingtonpost.com/outlook/2019/01/10/how-fossil-fuel-industry-got-media-think-climate-change-was-debatable/>; Guardian, “How the oil industry has spent billions to control the climate change conversation,” Emily Holden, January 8, 2020, <https://www.theguardian.com/business/2020/jan/08/oil-companies-climate-crisis-pr-spending>.

<sup>3</sup> Environmental and Energy Study Institute, “Fact Sheet: Fossil Fuel Subsidies: A Closer Look at Tax Breaks and Societal Costs,” Clayton Coleman and Emma Dietz, July 29, 2019, <https://www.eesi.org/papers/view/fact-sheet-fossil-fuel-subsidies-a-closer-look-at-tax-breaks-and-societal-costs>.

<sup>4</sup> New York Times, “Jobless Numbers are ‘Eye-Watering’ but Understate the Crisis,” Patricia Cohen, April 23, 2020, <https://www.nytimes.com/2020/04/23/business/economy/unemployment-claims-coronavirus.html>.

<sup>5</sup> Wall Street Journal, “Trump Administration Weighs Aid for Oil Companies,” Timothy Puko and Rebecca Elliot, April 21, 2020, <https://www.wsj.com/articles/texas-regulators-decline-to-force-oil-cuts-but-companies-are-cutting-anyway-11587486457>; Washington Post, “Trump faces big decisions on energy industry rescue as U.S. runs out of places to store abundance of oil,” Steven Mufson, April 27, 2020, [https://www.washingtonpost.com/climate-environment/trump-faces-big-decisions-on-energy-industry-rescue-as-us-runs-out-of-places-to-store-abundance-of-oil/2020/04/26/fe0f6ee8-8632-11ea-a3eb-e9fc93160703\\_story.html](https://www.washingtonpost.com/climate-environment/trump-faces-big-decisions-on-energy-industry-rescue-as-us-runs-out-of-places-to-store-abundance-of-oil/2020/04/26/fe0f6ee8-8632-11ea-a3eb-e9fc93160703_story.html).

lending facility for the [oil and gas] industry.”<sup>6</sup> It is unclear, however, why such a facility would be necessary given that these companies already have access to credit. Eligible companies that have investment-grade credit, including oil companies, will already have access to loans through the facilities the Federal Reserve System (Fed) is currently rolling out.<sup>7</sup> The use of taxpayer money to create an additional facility that would allow non-creditworthy oil companies exclusive access to funds is both unjustified and unnecessary, especially because the administration has “resisted suggestions to include funding for renewable energy or green infrastructure into federal recovery efforts” and reports show that even federal assistance is “unlikely to change the amount of crude being pumped from U.S. oil fields.”<sup>8</sup>

The oil and gas industry, which already has landed multiple former industry representatives in key energy and environmental positions in the Trump administration,<sup>9</sup> has actively lobbied for “access to a range of stimulus funds, relief from a variety of pollution regulations, and use of the strategic petroleum reserve to bolster prices.”<sup>10</sup> Even before President Trump declared a national emergency for the coronavirus disease 2019 (COVID-19) pandemic,<sup>11</sup> reports have indicated that “The White House is strongly considering pushing federal assistance for oil and natural gas producers... as industry officials close to the administration clamor for help.”<sup>12</sup>

In addition to your proposal to create a special facility for these companies, lobbyists representing the oil industry have successfully advocated for the Fed to modify the terms of its Main Street lending facility to allow borrowers to use the money to repay previous loan balances.<sup>13</sup> Such an arrangement allows companies to use money they get at special rates to cover their past debts rather than continue to pay and employ workers on the frontlines. To the extent that the terms of this facility are altered,<sup>14</sup> it should be done to provide transparency and

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<sup>6</sup> Bloomberg, “Trump Developing Plan to Aid Oil Industry Despite Opposition,” Jennifer A. Dlouhy, Ari Natter, and Saleha Moshin, April 24, 2020, <https://www.bloomberg.com/news/articles/2020-04-24/trump-developing-plans-to-aid-oil-despite-democrats-opposition>.

<sup>7</sup> Board of Governors of the Federal Reserve System, “Primary Market Corporate Credit Facility,” April 9, 2020, <https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200409a5.pdf>; Board of Governors of the Federal Reserve System, “Secondary Market Corporate Credit Facility,” April 9, 2020, <https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200409a2.pdf>.

<sup>8</sup> E&E News, “Here’s what an oil bailout could mean for emissions,” Benjamin Storrow, April 27, 2020, <https://www.eenews.net/stories/1062979919>.

<sup>9</sup> New York Times, “Who Controls Trump’s Environmental Policy,” Lisa Friedman and Claire O’Neill, January 14, 2020, <https://www.nytimes.com/interactive/2020/01/14/climate/fossil-fuel-industry-environmental-policy.html>.

<sup>10</sup> Vox, “Coronavirus stimulus money will be wasted on fossil fuels,” David Roberts, April 20, 2020, <https://www.vox.com/2020/4/20/21224659/coronavirus-stimulus-money-oil-prices-fossil-fuels-bailout>.

<sup>11</sup> White House, “Proclamation on Declaring a National Emergency Concerning the Novel Coronavirus Disease (COVID-19) Outbreak,” press release, March 13, 2020, <https://www.whitehouse.gov/presidential-actions/proclamation-declaring-national-emergency-concerning-novel-coronavirus-disease-covid-19-outbreak/>.

<sup>12</sup> Washington Post, “White House likely to pursue federal aid for shale companies hit by oil shock, coronavirus downturn,” Jeff Stein, Will Englund, Steven Mufson, and Robert Costa, March 10, 2020, <https://www.washingtonpost.com/business/2020/03/10/trump-oil-bailout/>.

<sup>13</sup> Letter from Independent Petroleum Association of America to Federal Reserve System Chair Powell, April 15, 2020, <https://www.ipaa.org/wp-content/uploads/2020/04/Main-Street-Lending-Letter-04-15-2020.pdf>; POLITICO, “Fed’s expansion of lending program sparks oil bailout worries,” Victoria Guida and Zack Colman, April 30, 2020, <https://www.politico.com/news/2020/04/30/feds-expansion-of-lending-program-sparks-oil-bailout-worries-227545>.

<sup>14</sup> Office of U.S. Senator Elizabeth Warren, “Warren to Fed, Treasury: Your New \$1.45 Trillion Dollar Bailout Loan Program for Businesses Fails to Protect Workers, Taxpayers and the Economy,” April 16, 2020,

ensure that the bailout funds are used to support workers, not to cater to special interests. This is true, particularly given that many of the factors led to the poor fiscal health of these companies are due to factors unrelated to COVID-19.

The oil and gas sector has faced significant challenges in recent years, including “fracking operations... losing money for a decade” and “financial institutions... catching wind of fossil fuels’ weakness and beginning to back away,” highlighting the industry’s continued vulnerabilities to economic shocks.<sup>15</sup> The industry has also been heavily reliant on debt, with reports documenting that, “Wall Street supercharged America’s energy boom of the past decade by making it easy for oil companies to finance growth with cheap, borrowed money” and “Already heavily indebted, many companies are now struggling to make interest payments on the debt they carry and are finding it challenging to raise new financing, which has gotten more expensive as traditional buyers of debt have vanished and risks to the oil industry have grown.”<sup>16</sup>

In addition, one analysis found that in 2019, “the world’s five largest publicly traded oil and gas companies shelled out a total of \$71.2 billion in dividends and share buybacks last year, while generating only \$61.0 billion in free cash flow.”<sup>17</sup> Notably, BP, whose replacement cost profit, a proxy for net profit, was \$10 billion in 2019,<sup>18</sup> saw its net debt rise \$6 billion in recent months to a total of more than \$51 billion,<sup>19</sup> while maintaining their dividend payments<sup>20</sup> like many other large oil and gas companies.<sup>21</sup> That bailouts for these companies are even under consideration reflects the continued inability or unwillingness of the Trump administration to prioritize the workers on the frontlines in lieu of well-connected polluting industries.

Instead of a bailout for the fossil fuel industry, which already receives around \$20 billion in direct federal subsidies per year and causes trillions of dollars per year in societal costs around the world,<sup>22</sup> federal efforts should look to protect workers in the renewable energy sector, which

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<https://www.warren.senate.gov/newsroom/press-releases/warren-to-fed-treasury-your-new-145-trillion-dollar-bailout-loan-program-for-businesses-fails-to-protect-workers-taxpayers-and-the-economy>.

<sup>15</sup> Vox, “Coronavirus stimulus money will be wasted on fossil fuels,” David Roberts, April 20, 2020,

<https://www.vox.com/2020/4/20/21224659/coronavirus-stimulus-money-oil-prices-fossil-fuels-bailout>.

<sup>16</sup> New York Times, “American Oil Drillers Were Hanging On by a Thread. Then Came the Virus.,” Matt Phillips and Clifford Krauss, March 23, 2020, <https://www.nytimes.com/2020/03/20/business/energy-environment/coronavirus-oil-companies-debt.html>.

<sup>17</sup> Institute for Energy Economics and Financial Analysis, “IEEFA update: Oil majors paid \$216 billion more to shareholders than they earned directly from businesses over the past decade,” April 6, 2020, <https://ieefa.org/ieefa-update-oil-majors-paid-216-billion-more-to-shareholders-than-they-earned-directly-from-business-over-the-past-decade/>.

<sup>18</sup> CNBC, “BP full-year net profit falls 21% on weak oil and gas prices,” Sam Meredith, February 4, 2020, <https://www.cnbc.com/2020/02/04/bp-earnings-q4-2019.html>.

<sup>19</sup> Wall Street Journal, “BP Racks Up \$6 Billion in New Debt in Three Months Amid Pandemic,” Sarah McFarlane, April 28, 2020, <https://www.wsj.com/articles/bp-posts-loss-maintains-dividend-amid-pandemic-and-oil-rout-11588068555>.

<sup>20</sup> *Id.*

<sup>21</sup> Forbes, “Big Oil Dividends Under Pressure With Brent Crude Down 70% In 2020,” Gaurav Sharma, April 27, 2020, <https://www.forbes.com/sites/gauravsharma/2020/04/27/big-oil-dividends-could-be-under-pressure-with-brent-down-70-in-2020/#6fdade8f3b9c>.

<sup>22</sup> Environmental and Energy Study Institute, “Fact Sheet: Fossil Fuel Subsidies: A Closer Look at Tax Breaks and Societal Costs,” Clayton Coleman and Emma Dietz, July 29, 2019, <https://www.eesi.org/papers/view/fact-sheet-fossil-fuel-subsidies-a-closer-look-at-tax-breaks-and-societal-costs>.

represents a growing percentage of the nation's energy mix and may suffer significant losses of jobs and income for the sector's workers.<sup>23</sup> Notably, press reports show that over the last decade, "U.S. wind power capacity has tripled. Solar photovoltaic capacity has grown by a factor of 76. Costs have fallen so dramatically that solar and wind power are now two of the cheapest sources of electricity generation."<sup>24</sup> The pandemic poses a significant threat to clean energy jobs, which have continued to grow in recent years,<sup>25</sup> at a potentially higher rate than oil and gas jobs.<sup>26</sup> Despite the threats to the renewable energy sector, it however, is not as susceptible to the same shocks as the oil and gas industry<sup>27</sup> and may therefore be a more stable investment for federal assistance in the long run.<sup>28</sup> Additionally, the significant impacts of the climate crisis on public health and economic growth,<sup>29</sup> exacerbate the need to move towards a clean energy economy to reduce greenhouse gas emissions.<sup>30</sup>

I urge you to immediately halt or reverse any actions to bail out fossil fuel companies, whether in the form of a separate facility or the modification of one of the Fed's existing facilities, and instead focus the Trump administration's efforts on the workers and companies with legitimate needs who have been harmed by the economic collapse associated with the COVID-19 pandemic.

Sincerely,



Elizabeth Warren  
United States Senator

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<sup>23</sup> New York Times, "Oil Companies Are Collapsing, but Wind and Solar Energy Keep Growing," Ivan Penn, April 27, 2020, <https://www.nytimes.com/2020/04/07/business/energy-environment/coronavirus-oil-wind-solar-energy.html>; Vox, "As Trump and McConnell mock clean energy, the industry could soon lose a half-million jobs," David Roberts, April 16, 2020, <https://www.vox.com/energy-and-environment/2020/4/16/21220312/coronavirus-stimulus-renewable-energy-democrats>.

<sup>24</sup> Los Angeles Times, "Should we spend billions on clean energy? It worked during the last crisis," Sammy Roth, April 10, 2020, <https://www.latimes.com/environment/story/2020-04-10/congress-billion-clean-energy-coronavirus-crisis>.

<sup>25</sup> Quartz, "Coronavirus is wiping out clean energy jobs in the US," Tim McDonnell, April 20, 2020, <https://qz.com/1840363/covid-19-is-wiping-out-clean-energy-jobs-in-the-us/>.

<sup>26</sup> Bloomberg, "The Oil Industry Shed 51,000 Jobs in March (And Things Look Set to Get Worse)," Ari Natter, April 21, 2020, <https://www.bloomberg.com/news/articles/2020-04-21/oil-industry-shed-51-000-jobs-in-march-amid-accelerating-crash>.

<sup>27</sup> Wall Street Journal, "Green Energy Won't Slip on Cheap Oil," Rochelle Toplensky, April 27, 2020, <https://www.wsj.com/articles/green-energy-wont-slip-on-cheap-oil-11587975878>.

<sup>28</sup> Wall Street Journal, "Wind, Solar Farms Are Seen as Havens in Coronavirus Storm," Russell Gold, March 31, 2020, <https://www.wsj.com/articles/wind-solar-farms-are-seen-as-havens-in-coronavirus-storm-11585656003>.

<sup>29</sup> U.S. Global Change Research Program, "Fourth National Climate Assessment," November 23, 2018, <https://nca2018.globalchange.gov/>.

<sup>30</sup> New York Times, "Climate Crash Course Part 4: How do we stop fossil fuel emissions?," Brad Plumer, April 19, 2020, <https://www.nytimes.com/interactive/2020/04/19/climate/climate-crash-course-4.html>.