Oil & Gas industry

Chevron chief blames western governments for energy crunch

Mike Wirth points to 'unintended consequences' of pivot away from fossil fuels

Mike Wirth, Chevron chief executive, says the debate over energy has 'skewed towards climate, taking affordability and security for granted' © Jason Henry/FT

Derek Brower in San Ramon, California OCTOBER 13 2022

Western governments have made a global oil and gas crunch worse by "doubling down" on climate policies that will make energy markets "more volatile, more unpredictable, more chaotic", the head of US supermajor Chevron has warned.

Mike Wirth, Chevron's chief executive, said a premature effort to transition from fossil fuels had resulted in "unintended consequences", including energy supply insecurity from crisis-hit Europe to California.

Despite heavy global investment in renewables in the past 20 years, fossil fuels still met about 80 per cent of global demand, and governments had to hold an "honest conversation" about the scale of the energy challenge, Wirth said.

"The conversation [about energy] in the developed world for sure has skewed towards climate, taking affordability and security for granted," Wirth said in an interview at the company's headquarters in San Ramon, California.

"The reality is, [fossil fuel] is what runs the world today. It's going to run the world tomorrow and five years from now, 10 years from now, 20 years from now."

The supermajor boss's comments come as western governments' climate commitments clash with an energy crisis following Russia's invasion of Ukraine, which has sent inflation soaring and threatens to topple the world into recession.

Last week, Russia and its ally Saudi Arabia also agreed to begin cutting oil production next month, a sign that Moscow's energy war on Europe was taking on a global complexion.

But Wirth said the source of the energy crunch predated Russia's invasion and followed years of under-investment in new oil supply. Annual capital spending on oil and gas projects was now about half the rate seen in years before the pandemic, he said, even though demand for the energy has continued to rise.

Meanwhile, spending on alternatives to oil and gas was "woefully short, trillions of dollars short", Wirth said. The mismatch "illustrates the risk in moving from a system that keeps the world functioning today aggressively to another system, and shutting down nuclear, shutting down coal, discouraging oil and gas", he added.

Wirth's comments are likely to draw criticism from environmental campaigners who believe oil groups are seizing on the energy crisis to deepen dependence on fossil fuels despite the urgent threat of global warming.

Chevron is the world's second-biggest supermajor by market capitalisation, after ExxonMobil, and produces almost 2 per cent of the world's oil.

Wirth was among energy executives called to testify in Congress last year as part of an investigation into what lawmakers described as "Big Oil's disinformation campaign to prevent climate action".

Chevron last year announced plans to spend $10bn over seven years on low-carbon technologies, and has an "aspiration" to reduce its operational emissions to net zero by 2050, although this does not include pollution from the products it sells. Total capital spending this year would amount to $15bn, including $800mn on its low carbon business.

"The IPCC [UN climate report] concludes that anthropogenic climate change is a real thing and that the use of fossil fuels has contributed, and so we accept that," Wirth said.

But he rejected the blame attributed to oil companies for providing "a legal product that complies with all the laws", and for which there was still consumer demand — and reiterated his pledge that Chevron would continue to increase oil supply.

"If people want to stop driving, stop flying . . . that's a choice for society," he said. "I don't think most people want to move backwards in terms of their quality of their life . . . our products enable that."

The US Congress recently passed sweeping new climate legislation, including

$370bn worth of subsidies for clean energy, designed to accelerate an energy transition in the US.

But the Biden administration has also pushed for more immediate solutions to drive down the soaring US petrol prices that have dented the president's approval ratings. Last year, Biden took aim at "potentially illegal conduct" by companies such as Chevron and ExxonMobil and clashed with Wirth this summer after telling the supermajors their record profits were "not acceptable".

The administration has also released oil from its emergency stockpiles, loosened anti-smog rules and considered cutting fuel exports from the US in a bid to shelter domestic consumers from crude price rises.

Since Russia's invasion of Ukraine, the White House has also called for US shale producers, including Chevron, to increase domestic supply, although producers are increasingly eschewing pricey new drilling campaigns in favour of bumper dividends.

Wirth said this was a dilemma for an administration that had entered office with a "very clear agenda . . . to make it more difficult for our industry to deliver energy to our customers".

The White House's responses to the global energy crisis were now "all tactical", said Wirth.

"There's not a lot of deep energy expertise in the administration . . . There's a point of view that you find quite visible in the administration that we can move from system A to system B very quickly and easily. And it's not that simple."

Letter in response to this article:

Big Oil presents straw man arguments for the energy crunch / From Eric Crawford, Former Equity Research Analyst, UBS Investment Bank, Carmel, IN, US