



Jerry Got It Right Part 2 06/16/2022

Mr. President, you've been given a perfect gift when it comes to policy. Go against your instincts and just do the opposite! You are suggesting a windfall profits tax on oil company earnings. Do you remember 2020, or have you conveniently developed amnesia? The industry in 2020 had stranded assets of more than \$150 billion as a result of low oil prices (how quickly we forget) because average oil prices were below the cost of production. No one was, nor should they have been, thinking of bailing out the industry then. Oil demand collapsed by more than 2.5 mmb/d. This decline, coupled with the impact of ESG and the general intention to force the further reduction in oil demand led to the closing of refining capacity, something this White House welcomed.

In a piece I wrote over a month ago, "Jerry Got It Right," I referred to an episode of Seinfeld where George complains that everything he's done and every decision he's made has turned out wrong. Jerry simply says that if everything you've done has turned out wrong just do the opposite. As in the first piece, I continue to suggest that the president should follow that advice and go against his instincts and do the opposite.

He's going to Saudi Arabia and has been pleading with them to raise output. Yet, he and Yellen have been talking to the Europeans about a buyer's cartel. In his first week in office, he dismissed MBS by saying he only speaks to the king and that he actually wanted MBS to openly admit to the killing of Khashoggi.

Domestically, the president wants the industry to produce more but he won't grant the permits necessary to drill. He's been opposed to



granting new leases and has only done so where the courts have intervened. He has singled out Exxon as an example of a company who won't drill in order to get higher prices. Yet somehow, maybe by immaculate conception, the industry will increase production by at least 800,000 b/d this year and 1 million b/d in 2023 according to the current administration's own energy department. And as for Exxon, their capital budget increased sharply this year along with production. Their Permian output will grow 100,000 b/d this year, well above their initial goal. Now in hopes of getting the industry to produce more he's seriously considering a windfall profits tax.

The president has just agreed to allow Venezuela and Iran to produce more. Yet he treats Canada, our best and largest trading partner, as a stepchild. In his very first week in office, he killed the Canadian XL pipeline that would have brought nearly 900,000 b/d to our gulf coast. That line would be operational today had he not killed it. 50% of our imports come from Canada, 10 - 12 times the volume that comes from Saudi Arabia.

The president is considering a ban on oil exports (trying to blame anything and everything on someone or something) in order to lower prices to U.S. consumers. This would immediately send the economies of our allies into recession since the loss of U.S. supply would be larger than the threatened loss of Russian supply.

He wants U.S. consumers to buy EVs today. For the first time ever, the cost of an electric battery is rising sharply, and a typical EV is at least twice as expensive as a comparable gasoline vehicle. The only thing the consumer will be easily able to charge is not the EV but the cost of the electric vehicle on their credit cards.