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WEEKEND EDITION

Energy today is ‘life and death’

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Tamir Kalifa/New York Times President Biden’s criticism of oil company profits is ‘totally politics’ says energy banker and analyst Chuck Yates. The nation still needs to have a thoughtful discussion about energy, he says.

has an extremely cold winter, people will die. We need a thoughtful discussion about energy, a thoughtful discussion on energy transition,” he continued.

Europe, he noted, had gone all in on renewable energy, decommissioned their nuclear and coal plants and now “they woke up and have no energy. Bad things happen when you buy oil and natural gas from monsters, and Putin is a monster. They’re having discussions in real time that we need to have in the US – be thoughtful and figure out how to do this in ways that balance all factors.”

He cautioned that people should ignore rising temperatures “at their own peril. We do need to make sure if we do this energy transition, we can do it by spending \$5 trillion or \$10 trillion instead of \$75 trillion. If we spend \$75 trillion, we will impoverish people.”

Chuck Yates, veteran of the private equity and energy finance industries and currently an advisor for Cottonwood Venture Partners, isn’t surprised by oil companies being branded as “war profiteers” amid high profits.

“This is totally politics,” he told Grant Swartzwelder, president of OTA Environmental Solutions, which presents the monthly “Oilfield Strong” webinar. “I get politics, demagoguery – it’s happened in the US throughout the whole history of the republic.

“The sad thing is, we’re at a point in the world’s existence where energy matters. People will die. There’s a war going on in Ukraine where people are dying. If Europe

President Biden's rhetoric about ending fossil fuels and eliminating hydraulic fracturing on public lands and no pipelines on public land "is coming back to bite him," Yates said. Rather than resort to demagoguery to win the upcoming election, what the president needs to do, he said, is what he said he would do in 2020: "Be the grown-up in the room, sit down and be thoughtful about what we can do about energy. At the end of the day, it really is life and death."

He tried to put the profits just reported by Exxon-Mobil, Chevron and Shell in perspective, noting that they reported net income of \$43 billion, \$29 billion and \$32 billion respectively. Microsoft, Apple and Google, at the same time, reported net income of \$70 billion, \$65 billion and \$46 billion respectively. Net profit margins for Exxon was 13.5%, 16% for Chevron and 14% for Shell while those same margins were 34.5% for Microsoft, 34% for Apple and 22.4% for Google.

While the president complains about high energy prices, "if anyone has pricing power, it's someone with a net income profit margin of 35%," Yates said, pointing out that Apple "can blast out a new operating system in the middle of the night, rendering my phone inoperable and I have to buy a new one."

Yates acknowledged that industry messaging is a challenge. One challenge is the industry produces a commodity and sells it into the marketplace – unlike Nike, who can promote its shoes as better than, for example, Adidas. Another, significant challenge is, that tech titans like Elon Musk, Steve Jobs and Bill Gates can be celebrated because, generally speaking, they're doing well when the economy does well.

"Energy runs countercyclical – when we're at our richest point, generally speaking the economy is suffering and real people are suffering paying high gasoline prices. We've not been sympathetic to that and we need to show empathy," he said.

His solution is to take advantage of ever-present smartphones and their access to social media. Several times a week, "record something you're doing in the business. If you're in the field, record a pump-jack and say 'this is how it works.' If you're an engineer looking at a decline curve, say, 'by the way, this is a declining produce – we'll produce less tomorrow than we are today.'"

If a small producer has an oil spill, he advised, film the cleanup and show social media what you're doing to clean up the spill.

"Even posting something like that on Instagram and getting 10 likes has a viral effect," he said. "75% of us winning the narrative back and having a seat at the table so we can have thoughtful discussions about energy is showing that we're human. People outside our echo chamber don't know we're human beings and we need to change that."

"The sad thing is, we're at a point in the world's existence where energy matters. ... We need a thoughtful discussion about energy.

Chuck Yates, advisor for Cottonwood Venture Partners