

Understanding Oil & Natural Gas Company Earnings



Company earnings reflect global market conditions and the long-term investments required to produce affordable, reliable energy; not the ability of any one company to set prices. Financial strength enables America's oil and natural gas industry to invest in the infrastructure, technology, workforce, and innovation needed to meet growing energy demand.

Major takeaways:



Oil and natural gas prices are determined by competitive global markets.



The energy industry is cyclical, with periods of both strong earnings and significant financial losses.



Financial strength enables continued investment in reliable, affordable energy.



A successful energy industry supports American workers, communities, retirement savings, and economic growth.



Long-term investment stability is essential to meeting future energy demand while strengthening U.S. energy security.

Energy Is a Global Business

The energy industry operates in a highly competitive global market. Oil and natural gas companies are “price takers”; they do not set commodity prices.

- Oil is a globally traded commodity, with prices determined in global markets.
- The same global market forces that raise prices also drive them down.
- Market demand – not individual companies – drives earnings across the industry.
- For example, prices fell sharply during the COVID-19 pandemic as global demand collapsed, while geopolitical instability and supply disruptions have contributed to higher prices in recent years.
- Prior investigations into alleged “price gouging” have repeatedly failed to find evidence that producers artificially raised gasoline prices.

Keep in mind: Rather, prices are influenced by worldwide supply and demand, geopolitical events, weather, infrastructure, refining capacity, and consumer demand – not by any single producer.

Energy Is a Cyclical Business

The oil and natural gas industry experiences larger swings than most sectors of the economy. Quarterly earnings often attract headlines, but they represent only one point in a long-term business cycle.

- The industry experiences both higher highs and lower lows than many other sectors.
- During downturns, companies reduce investment, scale back operations, and eliminate jobs.
- Developing new energy supplies requires substantial upfront investment, often years before projects generate returns.
- Stronger financial performance allows companies to recover from prior losses and fund future production.
- A single profitable quarter does not capture the long-term realities of a capital-intensive, cyclical business.

Today's Investments Power Tomorrow's Energy

Developing oil and natural gas requires significant long-term investment and carries substantial financial risk. A financially healthy industry is better positioned to:

- Invest in new American production and infrastructure.
- Improve safety and operational performance.
- Deploy new technologies that increase efficiency and reduce U.S. emissions.
- Maintain reliable energy supplies to meet growing demand.
- Support the skilled workforce needed to produce American energy.

Industry Success Benefits Millions of Americans

The benefits of a successful energy industry extend far beyond energy companies themselves. A strong oil and natural gas sector supports:

- Millions of direct and indirect jobs.
- Manufacturing, agriculture, transportation, healthcare, and other energy-intensive industries.
- Local communities through tax revenue and economic development.
- American retirement savings through 401(k)s, pensions, mutual funds, and other investment vehicles that hold energy stocks.

When the industry succeeds, the benefits extend to workers, communities, and the millions of Americans whose retirement accounts – are including teachers, nurses, police officers and firefighters – are invested in publicly traded energy companies.

Affordable Energy Depends on Investment

Meeting growing global energy demand requires continued investment in American energy production over decades. Policies that encourage investment help:

- Strengthen domestic energy security.
- Support stable and reliable energy supplies.
- Improve U.S. competitiveness.
- Reduce reliance on less reliable foreign sources.
- Help moderate long-term price volatility by supporting adequate supply.

Policies that discourage investment may reduce future production without changing the global forces that determine oil prices. A healthy investment environment benefits consumers by supporting abundant, reliable energy over the long term.