

# Chevron's CEO: Affordable energy is crucial

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In this Thursday, Nov. 29, 2012 photo, Chevron CEO John Watson talks during an interview, in New York. Watson, 55, a California native and Chevron lifer, joined the company in 1980 as a financial analyst. Before becoming CEO in 2010 he was vice chairman in charge of strategic planning, business development and mergers and acquisitions. He also ran the company's international exploration and production business, led the company's integration with Texaco and was CFO. (AP Photo/Mark Lennihan)

(AP)—Chevron CEO John Watson notices something important as he visits his company's operations around the globe: Governments everywhere find high energy prices much scarier than the threat of global warming.

And that means the world will need a lot more oil and gas in the years to come.

To meet that demand, Chevron is in the midst of an enormous cycle of investment aimed at extracting oil and gas from wherever it hides in the earth's crust.

Chevron Corp., based in San Ramon, California, is the second largest investor-owned oil and gas company in the world, and the third largest American company of any type as measured by revenue and profit. Over the last year, Chevron has earned \$24 billion on revenue of \$231 billion.

Every day, the company produces the equivalent of 2.7 million barrels of oil and gas, mostly outside the U.S.

Next year Chevron will invest \$33 billion—more than it ever has—to drill wells, erect platforms, build refineries and scan for undiscovered deposits of oil and gas. Among its biggest projects: A [natural gas](#) operation in Australia that will ultimately cost Chevron and its partners \$65 billion to build. Also planned are three deep-[water drilling](#) and production projects in the Gulf of Mexico that will cost \$16 billion.

Watson, a 55-year-old California native and Chevron lifer, joined the company in 1980 as a financial analyst. Before becoming CEO in 2010 he was vice chairman in charge of strategic planning, business development and [mergers and acquisitions](#). He also ran the company's international exploration and production business, led the company's integration with Texaco and was CFO.

Watson has helped shape Chevron into the best performing major oil company in the world by several financial benchmarks, including the profit it makes for each barrel of oil it sells.

In an interview at The Associated Press headquarters in New York, Watson discussed world [energy](#) dynamics, U.S. energy policy, [hydraulic fracturing](#), and working abroad. Below are excerpts, edited for length and clarity.

AP: Why do people and politicians dislike big oil companies that deliver the energy they rely on and benefit from?

WATSON: They don't feel like they have the choices. Most products that you consume every day, you have a choice. In energy you have less choice. And as costs rise, it hits the family budget. It's a convenience that we like, but we'd rather pay less for it.

AP: Is there anything you can do about that?

WATSON: Invest in good projects around the world. Every drop of oil that we produce anywhere in the world hits world markets and, other things being equal, brings prices down.

AP: What do you think is the biggest misunderstanding about your company or your industry?

WATSON: Just how much we invest in the business and the risks that we take to deliver the oil and gas that we all expect every day. We literally go to the ends of the earth to bring this energy to consumers.

AP: Can the industry continue to produce oil and gas at a price that can keep the world economy growing?

WATSON: I think so. We want to produce at a price our customers can afford, and I think there's ample resource to do that for the foreseeable future.

AP: Energy companies complain that the U.S. is over-regulated, but at the same time they are expanding here and cite its many advantages. Which is it? Is the U.S. a terrible place to do business, or is it terrific?

WATSON: On balance it's a good place to do business. We always have to be aware of what other governments are doing, and we have to be sure that we stay competitive. When I met with the president with some of my colleagues a couple weeks ago, that was the first thing that people talked about. It wasn't about taxes per se, it was about staying competitive.

AP: People on all sides of the energy debate have long complained about the lack of a comprehensive energy policy in the U.S. Are we wishing for something that just can't happen in this country? And if not, what would it look like to you?

WATSON: Historically the United States has had a wonderful energy policy. We're blessed with a diversity of resources. We have oil. We have gas. We have coal. We have nuclear. And renewables. And as a result, one of our biggest competitive advantages has been affordable energy. You need a strong economy and you need affordable energy to fuel that economy.

AP: Do fossil fuel producers bear the responsibility for curbing greenhouse gas emissions?

WATSON: We have the responsibility to deliver our energy in an environmentally sound fashion. The greatest advancements in living standards in recorded history have taken place in the modern hydrocarbon era. I don't think that's coincidental. Our leaders have to make a decision. Do they want that to continue or do they have a better solution for us? So it's not my call.

AP: How should society go about reducing greenhouse gas emissions?

WATSON: If you look around the world, the countries with the best environmental practices are the wealthiest. There's a reason for that. If you're worried about where your next meal is going to come from or shelter over your head, your focus is on those things.

AP: The U.S. is a wealthy country, how should we reduce emissions?

WATSON: Well, we are a wealthy country. On the other hand, the economy is growing slowly. We have high unemployment. I think that's part of the reason why the president said now is not the time for a carbon tax, because he recognized that that would put pressure on the economy and put pressure on our energy prices, put pressure on manufacturing business, put pressure on consumers.

AP: When it's time to address the carbon issue, how should we do it?

WATSON: It's very difficult for the United States to go it alone. Watch what (other) governments do. The day-to-day decisions being made (show) that concern about climate change is less than other concerns that they have. China is racing by the U.S. in greenhouse gas emissions. Germany is shutting down their nuclear power, the only energy source with zero carbon emissions that can be produced at scale. Japan, much the same way. Governments around the world are making the choice that the benefits of lifting people out of squalor are very important. And affordable energy is the way to get there. And that currently comes through oil, gas and coal.

That doesn't mean there's nothing we can do. First, we can do a lot more on energy efficiency in this country. There are a number of promising technologies to deliver lower carbon fuels. I would support (government funding) of pre-commercial activity to try to advance some of these

breakthrough technologies, rather than putting big subsidies on technologies that we know are more expensive and won't necessarily solve the issue.

AP: Will fracking be curtailed in this country?

WATSON: I see very little obstacle to it, notwithstanding all the rhetoric. Now it's being done in some different areas. People aren't used to it, and there have been legitimate concerns expressed, like truck traffic at a simple level, but also concerns about water supplies. They're understandable anxieties. And so we have to work through those with the governments. I think in due course we'll do that because they'll see the advantages to it.

AP: Will natural gas become a bigger part of the energy mix?

WATSON: Natural gas will displace coal in power generation. Getting natural gas into the transportation fleet is harder. It works best for vehicles that work from centralized fueling facilities like trucking fleets or buses and cabs. That is happening. Before it can make big inroads beyond that, infrastructure is going to need to be developed. It will take some time.

AP: A recent factory fire in Bangladesh killed more a hundred people, shining a spotlight on the connections between Western companies and overseas suppliers. What is the responsibility of a company like yours when you go into a developing area?

WATSON: We have global standards for how we operate. And it's our responsibility to operate to those high standards everywhere. We use local labor in almost all cases and we spend an enormous amount of time training people. We provide half the natural [gas](#) in Bangladesh. I've been there a number of times. If you go to a construction site, you won't see

hard hats. You won't see shoes in many cases. And so we teach people safety standards.

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