



Does the size of oil companies affect competition?

As high energy costs have an impact on American consumers and draw the attention of policymakers, focus once again turns to oil and natural gas companies. Some of this renewed scrutiny centers on the competitiveness of these very large companies and related effects on consumers.

Even after industry consolidation during decades of poor profitability, the domestic oil and natural gas industry is highly competitive. A 2007 study by Timothy Muris, Federal Trade Commission (FTC) chairman under President George H.W. Bush, and Richard Parker, director of the FTC's Bureau of Competition under President Bill Clinton, described the U.S. oil and natural gas industry as "intensely competitive."

Muris and Parker point to more than 100 investigations between 1973 and 2006 in which the FTC examined every facet of the oil industry, aggressively scrutinizing for anticompetitive practices and applying merger standards that are significantly more stringent than those applied to other industries.

Muris and Parker found the U.S. petroleum industry to be highly competitive and the retail gasoline market similarly unconcentrated, with most gas stations being independently owned small businesses

that are facing stiff competition. In its investigations, the FTC has found no evidence of industry collusion or market manipulation, or any illegal industry-wide conduct to cause price anomalies.

The size of U.S.-based, investor-owned oil companies has changed over time so they can compete effectively in a massive competitive global marketplace. Globally, foreign national oil companies control nearly 80 percent of the world's proven oil reserves while investor-owned companies—including all of the large U.S. oil and natural gas companies—control just six percent.

In an era of volatile energy costs, policymakers understandably look for answers. While oil and natural gas companies are an obvious target, research such as the Muris and Parker study shows these companies are scaled to compete globally against huge foreign national oil companies, as well as locally in a highly competitive U.S. marketplace.

Ensuring Americans enjoy reliable energy supplies is an interest we all share. Let's work together to craft long term energy policies based on realities and facts, not rhetoric. Learn more at EnergyTomorrow.org.

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OIL AND NATURAL GAS INDUSTRY

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