TOP 10 SIGNS NEW MEXICO'S OIL AND GAS INDUSTRY WON'T SAVE OUR STATE BUDGET

NEW MEXICO VOICES FOR CHILDREN

1. **O&G Prices are Down.** Prices for New Mexico's oil and gas have been declining since 2014. From 2015 to 2019, prices fell an average of 44% – and that was *before* the COVID-19 pandemic.

2. **With Low Prices, Profits are Plummeting.** The top oil companies have faced declining profits for most of the past ten years, even as production has increased. A ramp-up in drilling and oil well activity in fiscal year 2019 resulted in a 47% increase in production of oil in New Mexico over FY 18. But it didn't lead to an increase in profits.

3. **Plastics Prices and Profits are Down Too.** Even prices for plastics – a byproduct of crude oil – are now far below what they were ten years ago. What's more, most of the growth in the plastics market through 2030 is expected to be from recycled plastics.

4. **They're Having to Borrow from Peter to Pay Paul.** With profits down, cash is scarce. The five largest publicly traded oil and gas companies – ExxonMobil, BP, Chevron, Total, and Royal Dutch Shell – have failed to generate enough cash from the sales of their oil, gas, and related products to cover the payments made to their shareholders. Since 2010 they have funded shareholder dividends by selling off assets and taking on new debt.

5. **O&G is Losing its (Wall) Street Cred.** For most of the past 10 years the energy sector lagged in the S&P's 500 Index and placed at or near the bottom in stock market performance. While there once were seven oil and gas companies in the S&P's 500 Index top ten, today there are *none*.

6. **Energy is Losing its Economic Muscle.** It's predicted that, by 2050, the domestic energy use associated with each dollar of U.S. economic growth will be less than half of what it was in 2005, according to the Energy Information Administration.

7. **Green Cars are Driving Down Demand.** The growth in electric vehicles is among the reasons that demand for gasoline is down. A new report predicts that the electric vehicle share of passenger vehicle sales will rise to 10% in just five years and reach more than 50% by 2040. It concludes that oil demand from passenger vehicles will never recover to 2019 levels.

8. **Natural Gas is Getting a Cold Shoulder.** Several major utilities and energy planners have rejected natural gas as a "bridge fuel" to cover their switch from carbon-intensive fuels like oil and coal to green energy. In June 2020, utilities in Arizona, Colorado, and Florida announced plans to close coal plants and build renewable energy facilities, skipping the use of gas as an interim measure.

9. **O&G Companies are Jumping Ship**. Companies are writing down their oil and gas inventories, expecting lower profits and less investment. ExxonMobil, the industry leader doing business in New Mexico under its XTO brand, announced last month that if prices remain the same for the rest of the year it could have to write off 20% of its current reserves because they are no longer extractable.

10. **The Writing is on the Wall.** Fundamental changes in the economy now support growth strategies that require less dependence on fossil fuels. Major oil and gas companies acknowledge that future economic growth will require less energy. Energy experts now chart corporate strategies to address the decoupling of economic growth from fossil fuel growth.

NEW MEXICO NEEDS TO DIVERSIFY ITS REVENUE STREAMS NOW

Source: *New Mexico's Risky Reliance on Oil Revenue Must Change: Industry Fundamentals Point to Long-term Decline*, Institute for Energy Economics and Financial Analysis, October 2020