Industry critics chastise oil companies for gaining what they claim are “unconscionable” profits. The truth is, however, that industry profits have been very much in line with those of other industries—and often they are lower. (See Third Quarter 2002 Oil and Gas Profit Margins Compared to Other Industries). There is a vast difference between profits, which is a company’s net income, and profit margins, which is net income divided by all the sales and other revenue from operations. Measures of changes in profits—the net income—alone tell only half the story. A more relevant, and accurate, measure of a company or an industry’s health is its profit margin.

Our industry is highly cyclical, and it is important to look across a full business cycle. Published data for the Third quarter of 2002 shows the profit margins of the fuel industry averaged just 2.3 percent compared to an average of 4.8 percent for all U.S. industry. Over the last five years, our industry’s net profit was 5.2 percent compared to an average for all industry of 5.6 percent.