

HOUSTON★CHRONICLE

What Chevron's move to Houston means for the energy capital



Chevron Chairman and CEO Mike Wirth will be relocating to Houston as part of the company's corporate move this year. Kirk Sides/Staff photographer

By Jonathan Diamond, Marissa Luck, Amanda Drane, Rebekah F. Ward, Staff Writers - Aug 2, 2024

The nation's second-largest oil company said Friday it planned to move its headquarters to Houston from San Ramon, Calif., later this year, consolidating even more big oil industry power in the nation's energy capital.

Chevron follows Exxon Mobil, the nation's largest oil company, which last year moved its headquarters to its Houston campus from Irving.

"Texas offers a business-friendly environment, a more affordable cost of living, and better proximity to key counterparts in the service sector, our industry and academia," the company said in a statement. "We are currently in the process of evaluating which positions will relocate, and

which positions will remain in San Ramon to support our California operations. We expect to complete this evaluation before the end of the year.”

Chevron’s decision follows a surge of punitive policy changes for the oil industry in California following Gov. Gavin Newsom’s 2022 climate commitments that promised to quicken the state’s shift to renewable energy. At the time, Newsom said the state was in the business of “holding Big Oil accountable.”

The following year, California Attorney General Rob Bonta filed a lawsuit against Chevron, four other oil and gas majors and the American Petroleum Institute alleging a years-long climate change deception campaign in the state.



A Chevron sign is photographed on Washington Avenue Tuesday, March 12, 2024 in Houston. Yi-Chin Lee/Staff photographer

“We have previously stated that we believe state policy makers have pursued policies that raise costs and consumer prices, creating a hardship for all Californians, especially those who can least afford it,” the Chevron statement said. “These policies have also made California investment unappealing compared with opportunities elsewhere in the U.S. and globally.”

Andy Lipow, president of Lipow Oil Associates in Houston, said Chevron, which has a major refining presence in California, “continues to be at odds with the California regulators and the

new state legislation that is impacting all companies operating in California. The state of Texas is much friendlier to the energy business and their moving to the state reflects that.”

Gov. Greg Abbott welcomed Chevron in a Friday morning tweet.

“Texas is your true home,” it said. “Drill baby drill.”

Houston Mayor John Whitmire said Friday “it’s an exciting day to be the mayor of Houston.” He said he got a call at 7 a.m. from Chevron’s president of production and exploration informing him of the company’s plans to move to downtown Houston.

“He told me they did that because they’re bullish on Houston, and they have confidence in my administration, that we will address challenges that I inherited, like public safety, infrastructure and also the city finances,” Whitmire said.

Chairman and CEO Mike Wirth and Vice Chairman Mark Nelson would be based in Houston as part of an effort to “enable better collaboration and engagement with executives, employees, and business partners,” the company said in a statement.

“It’s not surprising to see Chevron officially move its headquarters and senior leadership to Houston to better align with where the bulk of their employees, plus industry partners, are located,” said Andrew Dittmar, a principal analyst at Enverus Intelligence Research. “Exxon had previously made a similar shift moving its executive leadership team to its Spring campus from the Dallas metroplex. Although these moves aren’t M&A related, consolidation broadly in the oil and gas industry has increasingly concentrated companies in Houston.

“There are certainly advantages to being in the capital of the industry for working with operating partners, service companies and capital providers, plus accessing the deepest bench of local industry talent to recruit employees,” Dittmar said.

The announcement came as Chevron reported earnings of \$4.4 billion for the quarter ended June 30, down from \$6 billion in the year earlier period. It said the decline was due in large part to lower margins on refined product sales. The company said it returned \$6 billion to shareholders.

It said it had record production from the Permian Basin in West Texas and New Mexico and that worldwide production was 11% higher than the year earlier.

Cost savings for employees

Chevron’s impending move comes after a string of corporate relocations to Texas from California in recent years, including Hewlett Packard Enterprises’ move to Houston and Tesla’s move to Austin. Last month, Elon Musk also announced plans to move SpaceX and X (formerly Twitter) to Texas.

“Chevron’s decision to relocate its headquarters underscores the compelling advantages that position Houston as the prime destination for leading energy companies today and for the

future,” Steve Kean, CEO of the Greater Houston Partnership, said in a statement. He said Chevron becomes the fourth Fortune 500 company to move its headquarters to the Houston area in the past five years.

“Chasing jobs and employers out of California is no way to run the economy,” said Jim Wunderman, CEO of the Bay Area Council, a business-backed advocacy group, in a statement. “It’s an embarrassment for California that we’ve lost so many global companies because of misguided policies that make it incredibly difficult to do business here. California’s elected leaders need to take stock of the decisions they’re making that effect millions of families and workers, impact the state budget and have grave consequences for the future economic health of this state.”

James Gallagher, the Republican leader of the California Assembly, said the move the was “an entirely predictable consequence of Gavin Newsom’s constant demonization of the companies California depends on for energy, jobs and tax revenue.”

In response to the news, Newsom’s office doubled down on California’s clean energy focus, reflected in the state’s draft priority climate actions released in March.

“This announcement is the logical culmination of a long process that has repeatedly been foreshadowed by Chevron. We’re proud of California’s place as the leading creator of clean energy jobs — a critical part of our diverse, innovative, and vibrant economy,” said Alex Stack, a Newsom spokesperson.

There are now 53 companies on the Fortune 500 list headquartered in Texas, ranking behind California’s 56 companies, said John Boyd, principal at Boyd Co., a the national corporate site selection firm.

“There are significant business climate advantages in Texas with respect to taxes, business costs and an overall superior regulatory climate versus California,” Boyd said. “It’s really a tale of two states.”

While California has a relatively high state personal income tax rate, Texas doesn’t have a personal income tax — offering a significant savings for Chevron employees who make the move.

“There’s additional recruiting advantages of being in the Houston market with respect to its affordability versus the Bay Area, which is amongst the most expensive places on earth to live,” Boyd pointed out.

For example, the median home price in San Ramon was \$1.6 million in June, compared to \$349,000 in Houston, according to real estate firm Redfin.

The relocation could mean more high-income earners spending their paychecks in Houston, buying homes and paying property and sales taxes, too.

“It’s a catalyst for real estate development benefits on hospitality and retail industries in Houston, and also philanthropy,” Boyd added.

Chevron grows Houston presence

The company said it expected minimal immediate impacts to other employees currently based in San Ramon. The full transition to Houston would happen over the next five years, it said. Some operations would remain in San Ramon, about 40 miles east of San Francisco.

The headquarters move comes after Chevron has gradually been shifting its focus to Texas. In 2022, the oil major offered to pay for its California employees to voluntarily relocate to Houston, then sold its 92-acre San Ramon campus and relocated to a leased space nearby.

At the time, Chevron already had at least three times the employees in Houston as it did in San Ramon, where it had operated for more than 140 years.

On Friday, Chevron said it still had about 2,000 employees in San Ramon and 7,000 in Houston.

As of 2022, about 6,000 of its Houston employees officed in downtown Houston, where it’s considered the largest private employer. The energy firm then operated in roughly 3 million square feet of office space on Smith and Louisiana streets downtown.

In recent years, former Noble Energy employees were relocated to Chevron’s downtown headquarters after the two firms closed on a \$13 billion merger in 2020. That left two former Noble Energy office buildings vacant in northwest Houston, including a 20-story tower where Chevron still had a large block of sublease space as of November 2023. The empty tower, at 1002 Noble Way, was acquired by Williamsville, N.Y.-based Acquest Development last year, which said it planned to try to fill the empty sublease space.

Separately, Chevron owns 1001 Noble Energy Way, which was on the market for sale as of last fall.

Although most of Chevron’s office presence in downtown, the company’s external innovation arm, Chevron Technology Ventures, also operates in a small leased space at the Ion, Rice University’s innovation and tech hub in Midtown Houston.

It’s possible Chevron’s footprint could still grow in Houston. Last year, Chevron bought 77 acres in the Bridgeland community of Cypress, about 33 miles northwest of downtown Houston. Chevron is considering building a possible upstream research and development campus on the land, the company has said.

- Roland Li of the San Francisco Chronicle contributed.