

**Policy and Advocacy Working Group
22 May 2020**

Pre-read

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Agenda Item 1:
Context

Members of the Policy & Advocacy Working Group

PAWG agenda and pre-read for 22 May 2020

At this meeting, we will:

- Update on relevant developments and context.
- Update on bp high-level positions and agree the PAWG forward agenda.
- Discuss and agree post-Covid recovery policy recommendations.
- Discuss and agree a detailed position on palm oil.
- The final position on carbon border adjustments is appended to the pre-read for information and will be discussed only by exception.

I look forward to our discussion on 22 May.

Giulia Chierchia

15 May 2020

bp p.l.c.
POLICY AND ADVOCACY WORKING GROUP MEETING
Friday 22 May 2020
Via Teams, 15.00-17.00pm British Summer Time (UTC+1)

AGENDA

15.00	1	Context <ul style="list-style-type: none">• Introductions• Review of agenda*• Minutes and action log*• Brief updates and policy context	Giulia Chierchia Paul Jefferiss
15.20	2	bp Positions and PAWG Forward Agenda* <ul style="list-style-type: none">• Update on bp's high-level positions• Priorities and timings for PAWG Forward Agenda• For discussion and agreement	Paul Jefferiss David Bickerton
15.50	3	Post-COVID recovery policy* <ul style="list-style-type: none">• Draft position on post-COVID recovery policy• For discussion and agreement	Paul Jefferiss
16.10	4	Palm oil* <ul style="list-style-type: none">• Draft position on palm oil use and policy• For discussion and agreement	Adam Burks Eirik Pitkethly
16.55	5	AOB and date of next meeting	Giulia Chierchia

* Papers attached

Dial in details are as follows:

Microsoft Teams Meeting

United Kingdom, London (Toll)

Conference ID:

United States, Chicago

Members of the Policy and Advocacy Working Group

Final PAWG meeting notes – 29 April 2020

15.00 – 17.00

Attendees: Giulia Chierchia (chair), David Bickerton, Fuzzy Bitar, Spencer Dale, Mary Streett, Dominic Emery, David Eyton, Alan Haywood, Paul Jefferiss, Kathrina Mannion, Peter Mather, Jo McDonald, Lamar Mckay, Mike Nash, Eamonn Naughton, Mike O’Sullivan, Paul Lantero, Robert Stout, Casey Stuart, Nick Wayth and Xiaoping Yang.

Guests: Michael Denison, Liz Rogers, Kelly Goddard, Jan Lyons and Sarah Faivre-Ovion.

Apologies: Richard Bridge, Craig Marshall and Geoff Morrell.

No comments on the minutes from the last meeting.

Context and general actions:

- Chair invited PAWG members to suggest any opportunities to improve the PAWG’s effectiveness going forward. To be discussed at future PAWG meeting (Policy).
- Send any ideas and input to SD, PJ or KM to feed into BP’s Covid project which is looking at behavioural, societal and economic implications and trends and, in turn, opportunities for BP (All).
- Ensure sufficient and appropriate level of communications activity around the launch of BP’s revised human rights policy and share plans with BL’s office to ensure sequencing is appropriate (Policy, S&OR and C&EA).
- Ensure that all forthcoming PAWG papers consider the risks and opportunities associated with our growing businesses and future portfolio i.e. beyond oil and gas (Policy and paper owners).
- For all positions, consider what is needed to build awareness and training to equip external spokespeople to communicate and advocate effectively – with NGOs, investors and other stakeholders (Policy, C&EA and IR).

Sustainability framework

Actions

- Request for feedback from PAWG members and their teams on the sustainability framework and priorities as it is developed further and socialised over the coming weeks (All, Policy).
- The sustainability framework should be informed by where we have the greatest opportunities for influence, as well as the greatest impacts (Policy, Group Technology, S&OR and Communications).
- We should aim to quantify as best as possible the order of magnitude associated with anticipated impacts and opportunities (Policy, Group Technology, S&OR and C&EA).

Biodiversity

Decision: PAWG agreed the updated biodiversity position and to launch it as soon as possible. This will help demonstrate how BP's actions continue to align with its purpose, ahead of our capital markets day.

Actions

- Develop plans to launch biodiversity position, potentially as early as World Environment Day on 5 June 2020, which may include a joint statement or announcement with UNESCO and/or other conservation partners such as Conservation International (S&OR, Policy and C&EA).
- Finalise language in biodiversity position and aims as follows (S&OR, Policy, Legal and C&EA):
 - Consider where the aims language can be made more directive.
 - Include explanatory language – either in or alongside each aim - to make appropriately transparent what we actually mean by them (e.g. NPI is for direct impacts only) and, where appropriate, to describe actions that underpin the aims similar to the approach taken for BP's net zero aims.
 - Revisit how to express the aims with regards to the dates within them (2021 and 2022) to avoid the impression we are not taking action until then – we will continue integrating and strengthening biodiversity into our practices and decision-making and take preparatory action to underpin the delivery of our new aims.
 - Reflect in the updated position BP's leadership in the area of natural climate solutions (NCS) (e.g. through the NCS Alliance) and desire to capitalise on the potential of NCS to provide co-benefits with communities, including for biodiversity.

- Make clearer which parts of the three aims apply to BP's businesses including our growing businesses, not only our oil and gas businesses.
- Consider what we can say about our position on protected areas beyond IUCN categories 1a and 1b, including how we will work with governments to support the conservation of protected areas even in situations where we don't affect or enter them.
- Explore potential to expedite establishing a strategic partnership with Conservation International – which has been negotiated over the past two years - given the links between NCS and biodiversity and our updated position on biodiversity (Policy).
- As BP's new strategy evolves, revisit BP's biodiversity commitment and aims and ensure they continue to take into account our growing businesses and future portfolio e.g. low carbon investments (BP Strategy, S&OR, Policy).
- As part of biodiversity implementation and communication plans, ensure a focus on strategic engagement with NGOs so that they understand our aims, why any limitations are necessary, and we enlist their support as we develop action and communication plans and roll them out (S&OR, C&EA and Policy).
- Develop plans to ensure awareness and training that equips people to communicate our biodiversity position effectively – to NGOs, investors and other stakeholders (S&OR, C&EA, IR and Policy).
- Send any feedback or suggestions on framing of updated biodiversity position to KG, KM, PJ and MN (All).

Tax transparency

Actions

- Brief and seek support from key members of the LT (ED, GB and WL) on the tax transparency plans with specific regard for what they may mean for individual countries where we operate and where there may be 'issue hotspots' ; prepare for and manage these government relationships appropriately (Tax and C&EA).
- Map core risks associated with the proposed disclosures and specify the actions we'll take to manage those risks, including having a response plan in place, where necessary (Tax).
- Building on work already underway, consider where BP might face reputational risk from disclosure that we receive oil and gas subsidies or support that is perceived as oil and gas subsidies as this is currently of great interest to external stakeholders generally (Tax).

- Before additional tax information is disclosed, decide whether BP is only signing up to B Team's tax principles or to the B Team more widely, given their main focus is on engaging and influencing companies to take a stance on net zero GHG emissions (Tax, Legal and Policy).

Forward agenda

Actions

- PAWG members to provide names of SMEs to Policy for each upcoming agenda item or issue (All).
- Add proposed updated position on carbon pricing to July PAWG agenda (Policy).
- PAWG papers on NCS and offsets, and in turn the discussion, should include detail on the critical risks and set out BP's high-level principles (Policy).
- Following discussion at PAWG, proposed positions on NCS and offsets will need to go to the LT for approval (Policy).
- Revisit the role of oil agenda item once we are clearer on BP's new strategy and are better positioned to explain to the world how we see this (BP Strategy and Policy).
- Consider adding to the PAWG forward agenda the issue of how post-COVID stimulus policy could support the energy transition (COVID Project team and Policy).

PAWG Action Log: Updated 15 May 2020						
	Issue	Action	Lead	Complete by	Status	Notes
249	Coal Feedstocks	Environmental Technology team to undertake life-cycle carbon and cost comparison of CtL and alternative feedstock pathways.	LR	n/a	Ongoing	ToR agreed, work started. Scope is coal vs. gas value chains. Return to PAWG July 2020
262	Policy and advocacy guidance	Through the PPWG, test policy and advocacy principles on specific active policy (UK ETS, Netherlands and German carbon tax) and against select challenging policy types (e.g LCFS, ICE bans, EV mandates).	PJ	n/a	Complete	Principles tested and effective. Now need to be simplified and clarified for roll out and general use - via the Aims 6-9 work.
263	Policy and advocacy guidance	PAWG members to socialize detailed principles once finalized.	All members	n/a	Ongoing	Ongoing activity but needs to remain a priority. Will be progressed via review of PAWG performance at July PAWG
268	PAWG-approved bp messages	Provide a regular update on the status of PAWG-approved messages and talking points, which members can share with their teams.	PJ	n/a	Complete	To be presented and discussed at May PAWG
269	Role of Oil	Include the role of oil in the forward agenda.	AH/SD	n/a	Ongoing	To be revisited by Gp Policy and bp Strategy once we are clearer on bp's new strategy.
284	Biodiversity	Explore and identify any further opportunities to incorporate aspects of the draft UN biodiversity framework into bp's own position.	KG/KM	n/a	Ongoing	Will remain under review as the draft UN framework has not been finalised.
295	FPIC	Bring proposed FPIC position back to (a subset of) the PAWG for ratification, timing TBD.	PJ/KG	TBD	Ongoing	Timing to be agreed - Q3 or Q4.
297	Human rights	Prepare any necessary guidance (eg. under OMS) subsequently (eg. on HRD or FPIC).	KG	After May 2020	Ongoing	Note that no new commitments implied in strengthened Human Rights policy statement.
303	Plastics	Confirm the life-cycle carbon impact of burning end-of-life plastics compared to alternatives such as going into landfill, to ensure alignment with bp's net zero ambition.	KM	May 2020	Ongoing	Awaiting completion as soon as possible.

	Issue	Action	Lead	Complete by	Status	Notes
305	Improving PAWG	PAWG members to suggest any opportunities to improve the PAWG's effectiveness going forward. To be discussed at future PAWG meeting.	All members	May 2020	Ongoing	Feedback and recommendations for improvements to be discussed at July 2020 PAWG
306	Inputting to Covid project	Send any ideas and input to SD, PJ or KM to feed into bp's Covid project which is looking at behavioural, societal and economic implications and trends and, in turn, opportunities for bp	All members	May 2020	Ongoing	Post-COVID recovery policy to be discussed at May PAWG
307	Biodiversity	Explore potential to extend a proposed strategic partnership with Conservation International on NCS to include wider biodiversity, including NPI metric development.	KM/PJ	May 2020	Ongoing	Discussions with CI ongoing, complicated and delayed by current price environment
308	Tax transparency	Brief and seek support from key members of the LT (ED, GB and WL) on the tax transparency plans with specific regard for what they may mean for individual countries where we operate and where there may be 'issue hotspots' ; prepare for and manage these government relationships appropriately.	JL/DB	ASAP	Ongoing	
309	Tax transparency	Map core risks associated with the proposed disclosures and specify the actions we'll take to manage those risks, including having a response plan in place, where necessary.	JL	ASAP	Ongoing	
310	Tax transparency	Building on work already underway, consider where bp might face reputational risk from disclosure that we receive oil and gas subsidies or support that is perceived as oil and gas subsidies as this is currently of great interest to external stakeholders generally.	JL	ASAP	Ongoing	
311	Tax transparency	Before additional tax information is disclosed, decide whether bp is only signing up to B Team's tax principles or to the B Team more widely, given their main focus is on engaging and influencing companies to take a stance on net zero GHG emissions	JL/PJ/MN	ASAP	Ongoing	

Agenda Item 2:
bp Positions and PAWG Forward Agenda

Members of the Policy & Advocacy Working Group

Update on bp Positions and PAWG Forward Agenda

Issue

2020 is a pivotal year for bp, internally and externally. The strategic and organizational changes announced in February and to be elaborated in September, combined with the evolving COVID crisis and its aftermath, create a need to take stock of our policy and advocacy processes and positions.

This paper will

- Summarise the process by which bp Positions are currently developed
- Describe the formats in which they are kept and the purpose of each
- List the issues on which we have positions, and those that need updating or adding
- Describe the current and proposed platforms for storing positions and communicating them internally
- Outline a plan for developing external policy advocacy and communications strategies.

The paper does not judge the effectiveness of current processes and positions. As mentioned at the April PAWG, a review is underway to identify opportunities to improve PAWG's effectiveness and members have been asked to share any suggestions. These will be discussed at PAWG in July.

How are bp Positions developed?

For the past decade high level company positions on salient public policy issues have been discussed and agreed via the PAWG, previously called the IMWG. PAWG is chaired by the EVP Strategy & Sustainability and membership represents the full range of regions, businesses and group functions considered necessary to make a balanced decision on sustainability-related issues.¹

¹ Technically, in governance terms, the PAWG is an advisory committee to the Deputy GCEO. It is at the discretion of the Deputy CEO (previously PAWG chair), whether PAWG recommendations become de facto decisions or are escalated to the GCEO or LT for approval. With a change of PAWG chair, governance will need clarification going forward.

The PAWG has met quarterly – although may meet more frequently going forward. On average it considers one or two new issues at each meeting and concludes discussion of one or two issues introduced at a previous meeting. Existing positions are reviewed annually and as needed by Group Policy and updated factually or recommended for substantive revision and full PAWG review. On average, one existing position is reviewed at each PAWG meeting,

Issues are prioritized on the basis of importance to the company (reputationally or commercially) and importance to stakeholders. On a rolling basis, Group Policy recommends the Forward Agenda and PAWG discusses and agrees it, normally 3 quarters ahead, along with which area/s of the business will lead on the development of forthcoming PAWG papers.

Inputs to PAWG discussion are co-ordinated by Group Policy, with contributions from subject matter experts from all relevant parts of the company.

What form do bp Positions take and what is their purpose?

The PAWG discusses and agrees the content or substance of a position. PAWG positions are then passed to a communications sub-committee (the ESG Working Group) to convert into 2-page “bp Positions”. The 2-page Positions are internal documents whose purpose is to guide communications and advocacy, internally and externally. To deliver their purpose, they summarise key messages, principles and information relating to the issue, and provide guidance on whether the key messages should be advocated/communicated defensively (if asked), neutrally (if helpful) or proactively (without being asked).

External Communications and Advocacy

With one or two exceptions, the bp Positions are not intended to be directly shared externally in that form.² Instead, they can be adapted for external communications and advocacy in two ways:

1. Either as the basis for “high-level” external messaging and Q&A, for example for:
 - Inclusion in the Sustainability Report
 - Investors or investor events

² bp’s Position on Carbon Pricing has been published on bp.com

- Civil society (NGO) engagement
- bp AGM
- Executive speeches and opeds
- Responses to press inquiries

For high-level external communications purposes, adaptation of the bp Positions is usually led by C&A, with input from Group Policy and other functional or business SMEs as needed.

2. Or as the basis for more detailed and technical live policy advocacy, for example for:
 - Responses to multiple live legislative or regulatory consultations and processes around the world (e.g. Washington State cap and investment; NL carbon tax; EU Sustainable Finance Directive, etc.)
 - Discussions within trade associations (e.g. OGCI, ERT, IPIECA, WBCSD, etc)
 - Discussions within issue-specific external multi-stakeholder initiatives (e.g. CPLC, CLC, MGP, NCS Alliance, etc).
 - Technical initiatives (GHG Protocol, SBTi, SoS 1.5, TCFD, etc.)

For detailed external policy advocacy, elaboration of bp Positions is usually led by Group Policy, working with C&A and regional or business SMEs as needed. Group Policy has also developed and maintains a large set of very detailed technical positions on numerous specific aspects of climate policy.

High risk or opportunity policy advocacy issues are triaged on a weekly basis by the Climate Advocacy Group (CAG), chaired by the Deputy CEO and co-ordinated by C&A.

Internal communications

bp Positions have been kept on Message Bank and available only to GLs and communications and advocacy SMEs, other than by exception. Access was deliberately limited for security reasons.

The primary mechanism for internal communication of bp Positions is direct socialisation by PAWG members to each region, business or function they represent, using whatever communications channels they feel are appropriate. To help PAWG members communicate internally, Group Policy has provided a quarterly high-level summary of new bp

Positions, which is also shared with the LT, and occasionally referenced by the GCEO via staff communications channels.

What are issues on which bp currently has a Position?

Over the past decade PAWG has developed and agreed bp Positions on about 40 specific issues (see table below). Many of these (highlighted green) were reviewed in April 2020, to check that they were tonally and substantively aligned with the announcements made in February – and factually up to date. They may need further review over the next couple of years but are arguably not urgent. They can be found at [*bp Positions*](#).

Several, highlighted in yellow, may need faster or more substantive revision via PAWG before Capital Markets Day.

Highlighted in blue are positions on which we have a position agreed by PAWG but it is yet to be added to the bp positions document.

One or two existing positions, highlighted in red, are out of date and should probably be retired or completely replaced soon.

Position	Comments
Air quality	Present in bp position document.
Arctic	Present in bp position document.
Biodiversity	Recently updated position, yet to be added to bp position document.
Biofuels	Present in bp position document.
BP & Society	Present in bp position document.
Canadian Oil Sands	Existing position but out of date. Will need to be retired or replaced. Not in bp Position document.
CCUS	Present in bp position document.
Carbon Life Cycle Assessments	Present in bp position document.
Carbon offsets	Present in bp position document.
Carbon pricing	Present in bp position document and Carbon Pricing Principles are externally facing on bp.com
Climate Change adaptation	Present in bp position document.
Energy Efficiency	Present in bp position document.
Fossil Fuel Divestment	Present in bp position document.
Fossil Fuel Subsidies	Present in bp position document.
Gas	Present in bp position document.
Gender pay gap	Present in bp position document.
GHG Emissions	Present in bp position document.
Human rights	Recently updated policy, yet to be added to bp position document.
Hydrogen	Present in bp position document.
Free prior & informed consent (FPIC)	Recently updated bp position alongside human rights policy, yet to be added to bp position document.
Innovation policy	IMWG position. Yet to be added to bp position document.
Low Carbon Fuel Standards	Existing position. Yet to be added to bp position

	document.
Modern slavery	Not included as a brief in bp positions doc
Marine spatial planning	Yet to be added to bp position document.
Methane	Present in bp position document.
Non-operated JVs	Present in bp position document.
Oil Supply and Demand	Present in bp position document but needs significant revision as soon as possible (after strategy clearer)
Palm Oil	Position being reviewed by PAWG in May '20. Yet to be added to bp position document.
Paris agreement	Present in bp position document.
Remuneration	Present in bp position document.
Renewable energy/low carbon businesses	Existing position. Yet to be added to bp position document.
Responsible supply chain management	Present in bp position document.
Revenue and contract transparency	Present in bp position document.
Reward	Present in bp position document.
Scope 3 and customer emissions	Present in bp position document.
Sensitive and international protected areas	Recently updated position alongside biodiversity policy, yet to be added to bp position document.
Sustainable development goals (SDGs)	Existing position out of date Will need to be updated once sustainability is integrated in strategy. Yet to be added to bp position document.
Sustainable plastics	Present in bp position document.
Tax	Present in bp position document.
TCFD	Present in bp position document.
Trade Associations and Advocacy	Present in bp position document.
Transport	Present in bp position document.
Water Management	Present in bp position document.
Unburnable carbon	Existing position out of date and should be retired. Not included in bp position document.
Unconventional gas and hydraulic fracturing	Existing position. Yet to be added to bp position document
US crude export	Position is internal and confidential so not in the bp positions document

Proposal for rolling out bp positions

bp has not historically maintained a set of Positions in a form designed explicitly for direct external use. Nor, in general, have we proactively advocated or campaigned on particular policies, with the possible exception of carbon pricing.

Going forward, we propose to change our approach, to become more transparent about where we stand on major sustainability issues that relate to our purpose, and more proactive and strategic in how we communicate and advocate them - at a Group level but also regionally. This work is being progressed through a COmm-led working group on Aims 6-9 and includes:

- A. *Create an ESG 'hub' on bp.com to house ESG FAQs (currently under review by Legal) and key bp positions.*

We would like to publish bp policy positions detailing what policy we are advocating for or would advocate for should the opportunity arise.

Initially these will be drawn from existing materials – either already published or held within bp Positions. Going forward we will add to these positions when they become available and if something changes, we will update published positions.

Why?

- We have set an expectation in our aims that we will advocate for low carbon and be transparent about it. We also want to be recognized as a leader in transparency.
- This is a quick win as much of the content is either in the public domain or approved via bp positions. It's just not in one place.
- It provides a platform for future disclosure.
- Our peers are active and provide more disclosure in this area:
 - o Shell published climate positions and the beginnings of an 'advocacy register'
 - o Equinor publish their climate policies

When?

Before the AGM, we will publish select ESG FAQ. A schedule for reviewing and publishing future positions will be developed.

B. Communicate actively on a few key sustainability issues where we have ambitious policies or positions

We have already agreed ambitious new positions on Human Rights and Biodiversity. On both these issues we will seek opportunities in the next few weeks and months to promote our positions through suitable platforms, channels and events, in addition to bp.com. We will also seek champions and partners to support our communications.

Going forward, we plan to develop a broader and longer-term communications strategy and plans around our positions on a few key sustainability issues (see section below on prioritisation). This plan will be developed at a company level but adapted to regional and business-specific circumstances and priorities

C. Stakeholder engagement strategy

In parallel and in an interconnected way we propose to develop a fully integrated stakeholder engagement strategy. At present we tend to develop engagement strategies for each category of stakeholder: investors; NGOs; trade associations; universities; multi-stakeholder initiatives. Going forward we propose to develop a more integrated strategy and have begun the process of bringing together a database (map) of existing initiatives to which we belong.

D. Live policy advocacy

Our historical approach to live policy advocacy has tended to be reactive, with Group Policy working with the regions, businesses and others in real time. Going forward our intent is to be more strategic and proactive, including working with regions and businesses iteratively to develop forward advocacy plans for the year, based on Group priorities and local and business-specific needs – but moderated by whatever policy is live on the ground. The objective is to shape policy in a positive and constructive way - to create opportunities and deliver value for bp and society - rather than reacting to what others have put on the table. As a start to this process we have mapped our current and expected live policy activity globally.

A key need for live policy advocacy is to provide more granular guidance on the criteria for determining our stance towards specific policies, including calibrating the balance between risk to existing businesses and opportunities for new.

Prioritisation and next steps

As a start to the prioritisation and strategic planning process for proactive advocacy the following table arranges potential priority issues according to the themes we are also considering for our strategic sustainability frame: (1) re-imagining energy for; (2) people and; (3) the planet. Green indicates that we have a fully developed position. Amber indicates that we have a position but that it needs updating and strengthening. Red indicates that we have no current position.

Possible priority <i>proactive</i> issues		
Theme	Priority issues	Tier 2 issues
Re-imagining energy	Carbon price (consistent with Paris)	CCUS, hydrogen

People	Just Transition	FPIC
Planet	Biodiversity	Water
Cross cutting	NCS (June PAWG)	Offsets (June PAWG) Circular economy, Sustainability

There are also some issues on which we may need to update or develop positions from a more reactive or defensive perspective.

Possible priority <i>reactive</i> issues		
Theme	Priority issues	Tier 2 issues
Re-imagining energy	Palm oil (Today's PAWG) Coal feedstocks (July PAWG)	Methane, Role of gas (post-strategy) Role of oil (post-strategy) Oil sands
People		
Planet	Arctic	
Cross cutting		

The timing for developing these positions should be May-September, with priority positions and plans for roll out brought to the LT before Capital Markets Day in mid-September. Some positions have already been scheduled for agreement today or at upcoming PAWG meetings. The currently agreed PAWG forward agenda is appended to this note – but will need to be updated in light of the need to prioritise.

PAWG is invited to discuss and recommend priorities and timings.

Paul Jefferiss and David Bickerton
15 May 2020

Previously agreed Forward Agenda.

Issue	Further information	Lead
<i>June PAWG</i>		
Natural climate solutions (NCS)	NCS are a significant subset of offsets and likely to play a role in bp's strategy and carbon ambition but are controversial. bp needs to determine its NCS participation strategy, including an understanding of the risks and opportunities of NCS and how to manage them, including clear advocacy and communications messages to underpin our approach.	Group Policy
Offsets	Offsets are likely to play a role in delivering bp's strategy and carbon ambition but are controversial. bp needs to determine its participation strategy for offsets, including an understanding of the risks and opportunities of offsets and how to manage them, and clear advocacy and communications messages to underpin our approach.	Group Policy
<i>July PAWG</i>		
Carbon pricing	bp has championed carbon pricing, supported the Paris goals and set its own ambition to be a net zero company by 2050 or sooner and help the world do the same. But we have not explicitly called for a carbon price consistent with the Paris goals. We will explore the implications of doing this either in a specific geography (e.g. UK) or globally.	Group Policy / Group Economics
Coal feedstocks	The global policy environment for coal has worsened over the past 12 months due to its high carbon content and related impacts such as air pollution. While mining companies have suffered most	Group Technology / Group Policy

	from policies and investor action, we should anticipate this being expanded to “less visible” coal users in time. bp needs a high-level position which clarifies our use of coal-derived feedstocks, coal-based power and petcoke.	
<i>Future PAWGs</i>		
Access to affordable and clean energy	In the past bp emphasised the “dual challenge” of balancing the need to supply growing demand for energy with the need to address climate change. Our new purpose is to “re-imagine energy for people and the planet” ... to... “help the world reach net zero and improve people’s lives.” We are considering using the SDGs as a frame to help us deliver our purpose. SDG 7 is to “ensure access to affordable, reliable, sustainable and modern energy for all”. We need a clear position on what we believe this means and how we will help deliver it.	Group Policy
Water	bp’s current position around water was agreed in 2012 and needs updating. A new, more proactive water policy position is needed particularly on issues relating to water availability and pollution, the importance of effective water management and opportunities with regard to circularity.	S&OR
Just transition	A just transition considers social aspects of the energy transition and is viewed as important for gaining societal approval for the changes taking place. bp recognizes the importance of a just transition of the workforce with the creation of decent work and quality jobs and believe that our efforts to advance a low-carbon future will help to create such opportunities.	S&OR / Group Policy

Air quality	Air quality and climate change are overlapping, but ultimately distinct, issues that require different policy responses to be addressed effectively. The issues are often conflated, and this may lead to inappropriate or ineffective policy responses. This paper will summarise the scientific basis for air quality issues, policy and technology options and consider how bp could choose to update its existing position and advocacy approach to this issue.	S&OR
Role of oil	We need a clear position on the future role of oil to explain if and how this fits with bp's ambition to achieve net zero, and its plan to help the world do the same. This must include our view on how oil is used in products such as plastics, with a growing stakeholder movement against so-called "embedded oil".	Group Policy
Free Prior and Informed Consent (FPIC)	Following PAWG's support of a revised human rights policy statement, a paper proposing a stand-alone FPIC position is to be developed to further articulate our views on this issue.	S&OR / Group Policy

Agenda Item 3:
Post-COVID recovery policy

Members of the Policy & Advocacy Working Group

Post-COVID recovery policy

Post-COVID we believe there will be opportunities for government policy to support and accelerate the energy transition – to “build back better”. Around the world, governments are already beginning to discuss how this could be done and bp regions and businesses are urgently seeking advice on policy principles we should be advocating to them. bp’s wider project to assess post-COVID risks and opportunities has developed a set of draft messages and policy principles to guide our post-COVID advocacy, appended to this note.

PAWG is invited to discuss and approve these proposals – and to consider whether any key issues are missing or misrepresented. Are there any specific tricky issues we should address head on – for example on whether we believe there are some sectors that Governments should not support through the crisis? If so, which are they and how should we respond if asked about whether we should be eligible for such support and whether any conditions should be attached.

Paul Jefferiss

15 May 2020

Post-COVID recovery policy

How can the world 'build back better' after COVID?

Key messages

- **Post-COVID opportunities to “build back better” i.e. “greener and more resilient” must not be wasted. This requires policies that:**
 - Deal with the direct and indirect consequences of COVID
 - Accelerate the energy transition while reinvigorating growth and employment.
 - **The key to success will be recognising and adapting to the varying practical constraints, realities and priorities in different countries around the post-COVID world. Post-COVID recovery policy:**
 - **Should not** undermine COVID health goals including social distancing, testing, and tracking
 - **Need not** imply ‘massive’ new public spending.
 - **Post-COVID policies should distinguish between short-term “disaster relief” which is needed for survival now and long-term “recovery stimulus”.**
 - **Green conditionality should be attached to the latter and, where possible and without causing undue delay, to the former.**
-

Additional talking points

Post-COVID policies should also:

- Emphasise recovery policies that are low or no cost to the taxpayer – or can raise revenue.
- Focus on economic growth and employment through investment in green infrastructure, skills, capabilities, markets and business that create resilience to future risks, and avoid recreating or reinforcing vulnerabilities of the past.
- Recognise synergies between long and short-term goals:
 - Resilience to climate change and biodiversity loss confers (greater) resilience to famine, disease, migration and, potentially, conflict.
 - Lower GHG emissions from industry, power and transport may also be associated with cleaner air.
 - Locally produced renewable energy can strengthen energy security.
- Acknowledge the different situations and policy priorities of different nations.

These principles lead to policies that:

- Attach green requirements and conditions to all stimulus and recovery packages – for example for car fleets to include higher proportions of EVs, airlines to move to higher biofuels blends, or power suppliers to include more renewables and natural gas.
- Support economic growth and job creation through infrastructure investment but, rather than focusing on road building or airport expansion, instead prioritising the installation of

the wiring and plumbing for a low carbon world – power transmission and distribution to enable renewables and EVs; infrastructure for hydrogen and CCUS; and broadband/digital infrastructure to support remote working.

- Encourage shifts in modes of transport, pedestrianisation, low emission zones, congestion charging, biking, remote teaching and working to reinforce COVID-induced reductions in carbon, noise and air pollution from less travel and traffic and more home working.
- Increase the level and coverage of carbon pricing to drive down emissions – and raise revenue. Revenue should be used to address the regressive social effects of the carbon price itself and could be used to accelerate the energy transition as well as support other health or social or environmental priorities like inequality or nature conservation.
- Reduce subsidies and tax breaks for fossil fuel consumption and increase the emphasis on limits or even phase-outs of carbon-intensive fuels or technologies.
- Shift the emphasis away from subsidies and tax breaks for low carbon fuels and technologies and towards obligations, mandates and standards for low carbon energy and energy efficiency in buildings, vehicles and appliances.
- Improve climate adaptation alongside mitigation and support biodiversity conservation and enhancement – in order to strengthen resilience more generally.
- Recognise the need to support decarbonisation in the developing world both directly (e.g. through funding obligations and effective global policy cooperation under the Paris Agreement) and indirectly (e.g. through trade agreements and technology transfer).

bp is making contributions to support government efforts to help society through the COVID crisis such as:

- Offering free or discounted fuel to emergency services in many locations around the world, including the UK, US, Spain and Turkey
- Donating free jet fuel in the US to aid in the distribution of personal protective equipment
- Donating to the World Health Organisation and mental health charity MIND.

For internal guidance only – not for external communication

Governments around the world are offering financial support to employees and employers hit by the pandemic. One way we can help meet society's expectations is by not adding a burden to governments by drawing on their pandemic-response employment programs. Instead, we should be making positive contributions that are supportive of government efforts.

Therefore, please do not access any government-related support in any country unless approved by Dev Sanyal and Gordon Birrell.

Agenda Item 4:
Palm oil

Members of the Policy & Advocacy Working Group

Palm oil

Issue

Palm oil is an issue that continues to receive public attention, given its actual and perceived role in deforestation, biodiversity loss, and labour and human rights abuses. The issue was discussed at PAWG in September 2019 but agreeing a position was deferred pending further analysis. This paper responds to PAWG's specific questions about the sustainability and commercial implications of palm oil relative to alternative feedstocks, and stakeholder perspectives on them. These suggest that a bp ban on palm oil would not be effective, desirable – or feasible in some places. It also reconsiders our positioning in light of bp's new purpose, ambition and aims. PAWG is asked to review and agree a new position.

Context

Palm oil is one of the most efficient oilseed crops, delivering up to nine times more oil per hectare than alternatives¹ and typically resulting in less than half the carbon intensity of diesel from fossil fuels. It has very mixed environmental and social impacts, but when produced sustainably can enable essential employment and improved social conditions in the developing economies where it is grown. Biofuels account for a fifth of palm oil use and the majority of the 20% of palm oil that is certified.

bp's current and planned palm oil participation

bp currently purchases palm oil and palm oil-based biofuel to:

- comply with biofuel mandates, primarily in Europe but also Indonesia;
- supply biodiesel wholesale to mining operations in Indonesia;
- as feedstock for co-processing at our European refineries; and
- for entrepreneurial trading opportunities, when they arise.

Figure 1 – Summary of bp's palm oil activity (in million litres of fuel)

Year	Europe biodiesel/HVO	Europe co-pro	Indonesia wholesale	Indonesia NOJV	retail
2019 (actuals)	569	175	105	0.4	
2020 (forecast)	760	149	63	1.8	

¹ IUCN - <https://www.iucn.org/theme/science-and-knowledge/our-work/culture-science-and-knowledge/palm-oil-and-biodiversity-conservation/infographic>

As can be seen from Figure 1, over 90% of bp's palm activity is in Europe and is certified by internationally recognized bodies as required by the Renewable Energy Directive (RED). We are also developing capability to produce advanced alternatives to palm biofuel, based on more sustainable feedstocks such as used cooking oil, municipal solid waste and tallow. Our retail NOJV in Indonesia is expected to grow, with 300 sites being considered and volumes expected to rise to 16 million litres over 10 years.

bp's current position on biofuel sustainability

bp's high-level position on the sustainability of biofuels in transport (last updated in 2018) is: "bp's downstream business sources and blends biofuels in response to biofuel regulations in the markets where bp operates, meeting sustainability requirements where they exist and encouraging them where they don't."

Why we need a more detailed position on palm oil

Palm oil is viewed negatively by many environmental NGOs, with the focus on its use in food but increasingly on fuel use. Some stakeholders believe that the degree of deforestation in producer nations means it should not be used for fuel at all. Currently we are not generally associated with palm oil use by stakeholders and our presence in the market is modest at 5% of palm supplies to Europe. However, bp's sustainability performance is under heightened scrutiny following our February 2020 announcements. While using palm oil is aligned with our aim to reduce the carbon intensity of our products, even the use of certified palm potentially contributes to negative environmental and social impacts and could undermine the credibility of our purpose. A detailed position on palm oil will help us to manage this risk which is likely to grow over time.

Reinforcing this reputational risk is a potential shift in centres of demand for palm oil fuels from European markets to key Asian growth markets. Many such markets (e.g. India and China) have yet to introduce national biodiesel mandates and those that have, such as Indonesia, do not require the same level of sustainability certification. In addition to an overall decline in demand for liquid fuels, such a shift could be driven by the implementation of the recently introduced RED phase-out from 2024-

2030 of biofuels with high risk of indirect land use change (ILUC). This includes the majority of palm-based biofuels².

Having a clearer and more progressive and proactive position that advocates for limits and sustainability standards would enable us to more effectively mitigate reputational risks, especially in emerging markets which currently lack them.

A clear, strong and detailed bp position on palm oil is therefore needed and would enable bp to:

- continue to use palm oil to meet biofuels mandates cost-effectively;
- take steps to better align our palm oil use with our new purpose;
- carry out effective regulatory advocacy aligned with our new purpose;
- mitigate significant risk and protect bp's reputation; and
- gain clarity for our developing commercial strategy;

See Annex 1 for a summary of all identified risks, opportunities and mitigations.

Why a ban on bp participation is not desirable, necessary – or commercially feasible

At the last PAWG discussion of palm oil, some members challenged that that a bp ban on palm oil use should be considered, and requested answers to three specific questions:

1. What are the sustainability impacts of palm oil relative to those of alternative feedstocks?
2. What would be the commercial impact of turning to alternative feedstocks – and are they available in sufficient quantities?
3. What are key external stakeholder views on the use of palm oil relative to the use of alternative feedstocks?

Our high-level conclusion is that a complete internal ban on all palm oil or advocating for a regulatory ban of palm oil for fuels would not provide an optimal solution and could have negative outcomes. For example, it could lead to increased land use and other 'knock-on' consequences, such as economic hardship in the developing countries where it is grown, reductions in the use of sustainably produced palm oil and slower progress towards managing the wider social and environmental impacts.

² Palm oil-based biofuels are the only type to fall within the EU's high ILUC risk criteria even though other oilseed biofuels are also associated with ILUC risk. Certified palm is also caught unless it results from productivity increases or from crops grown on abandoned or severely degraded land.

Sustainability assessment

There is no universally accepted correct way to estimate the overall sustainability impact of biofuels. Life cycle analysis (LCA) can assess the impacts of palm oil production and use, but not the more intangible risk of impacts caused by knock-on effects in the wider oil-seed market such as additional deforestation from ILUC. Further, biodiversity loss and other non-climate environmental impacts depend on where the feedstock is grown and local management practices.

Certain feedstocks such as palm oil are native to particularly biodiverse and vulnerable environments where poorly managed production can result in biodiversity loss including endangered species, as well air, water and soil impacts. Labour and human rights abuses, especially with regard to migrant workers, are a result of local legal frameworks rather than an inherent feature of feedstock production. Thus alternatives to palm oil such as soy and rapeseed oils can have similar environmental and social impacts depending on where and how they are produced.

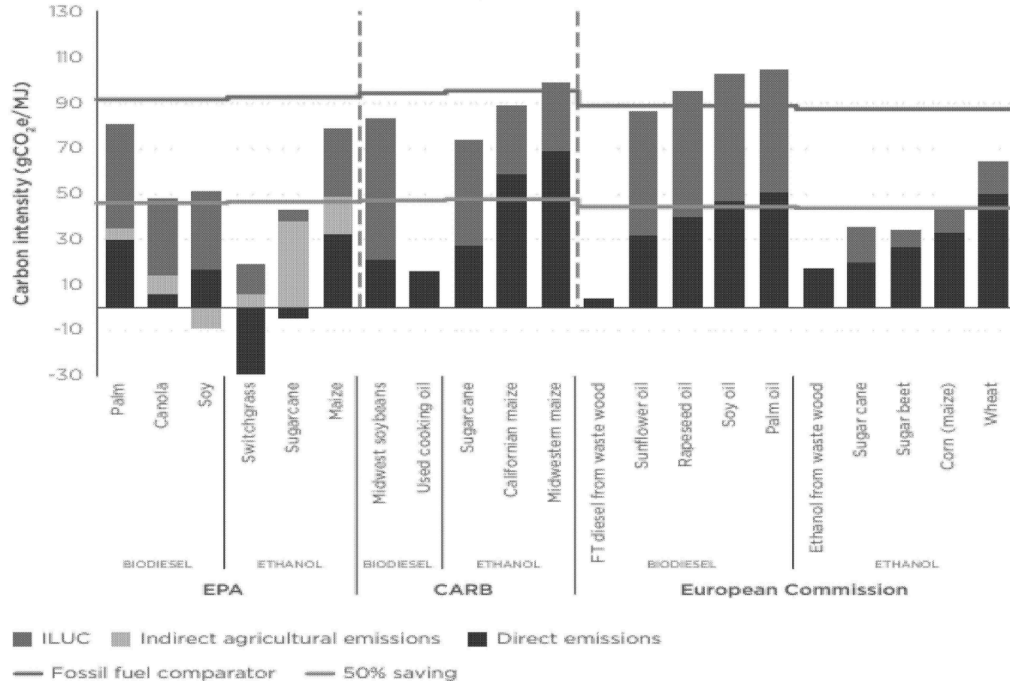
Figure 2: Average well-to-wheel lifecycle emissions from bp biofuels

Data Source:	EU RED II		Typical values from bp purchases	
Biofuel type - feedstock	C.I. (gCO ₂ /MJ)	GHG Savings	C.I. (gCO ₂ /MJ)	GHG Savings
Biodiesel – Used Cooking Oil	11.2	88%	8.4	91%
HVO – Used Cooking Oil	11.9	87%	16.8	82%
Biodiesel – Palm Oil	42.2	51%	16.8-21.0	78-82%
Ethanol - Sugarcane	28.1	70%	21.0	78%
Ethanol – Maize	42.3	55%	25.1	73%
Biodiesel - Rapeseed	45.5	52%	27.7-34.4	63-71%
Biodiesel – Soybean	48.6	55%	33.5-41.9	55-64%

(Source: EU RED Annex IX, third party verification of bp purchases of certified biofuels in 2019)

bp's purchases of biodiesel from palm oil delivered at least a 75% reduction in carbon intensity in 2019, performing better than RED typical values (Figure 2). In terms of the level of indirect land use change (ILUC) risk, assessments vary extensively, even between different regulators. Figure 3 illustrates the potential scale and variability in those assessments, which continue to develop. Whilst the extent of ILUC is uncertain, it is likely to be extensive and is often modelled as equal or greater than the potential GHG reductions offered by many oilseed feedstocks. It is also clear that all 1st generation feedstocks are exposed to some degree of ILUC risk and it is particularly prevalent among oilseeds.

Figure 3: Estimations of ILUC vary considerably between regulators



Carbon intensity of feedstock including ILUC, source: ICCT 2014³

Commercial assessment

In Europe, exchanging palm oil for a variety of other oil or waste feedstocks such as soybean, rapeseed, tallow or used cooking oil to comply with the RED may be possible. However, without considering logistics, the commercial impact is estimated to be at least \$60m p.a. for switching to other oilseeds and likely almost ten times that cost to switch to used cooking oil or similar advanced feedstocks (see Figure 4 below).⁴

Two scenarios have been considered for the EU:

Scenario 1 – Replace palm with Soybean biofuel (cheapest alternative)

Palm oil supplies are replaced with soybean oil, of which there is likely to be sufficient supply. Costs are expected from using a more expensive feedstock for blending and co-processing. Further costs are estimated from reduced co-processing margin due to production losses associated with other oils and initial permit restrictions. As soybean oil is more land

³ The graph is presented for illustration purposes only, the values presented in the table are those derived from regulations in place in 2014 when the comparison was made. Estimations will have changed as practice on LCA and ILUC modelling has developed. Changes have only served to increase the variability and also account for the differences between the European direct emission values in Figures 1 and 2.

⁴ The technical and logistical challenges of adopting a position on palm ahead of the market include being unable to use current supply logistics as fuels are extensively co-mingled and are difficult to model. These have not been included here. Initial estimates for the costs start at \$100 per tonne and could easily double the costs presented.

intensive it would likely result in a fuel with a carbon intensity 18 percentage points higher or for the volume of palm replaced over 400,000 extra tonnes of direct greenhouse gas emissions.

Scenario 2 – Replace palm with used cooking oil (most abundant advanced alternative)

Palm oil supplies are replaced with used cooking oil, the most abundant waste. The limited availability of these feedstocks means there is a very high risk we will not be able to source enough to comply with mandates and would need to pay the “buy out” penalty and supply fossil diesel.

Figure 4: Modelled impacts of alternative feedstock margin impacts in EU

(millions of Euros) 2020 – projected figures	Scenario 1 – Soybean Oil alternative		Scenario 2 – Used Cooking Oil / Fossil Diesel alternative	
	2019	2020	2019	2020
a) Increased costs from biodiesel purchasing	36	48	59	102
b) Increased costs from co-pro feedstock purchasing	7	6	26	20
c) Impact of reduced co-pro margins	14	11	22	22
d) Spain & Germany Buyout compliance costs	-	-	347	373
TOTAL	57	65	453	517

In Indonesia it is not feasible to supply alternative feedstocks, as the Government mandates domestic palm biofuels (30% by volume). The government also assigns palm mills to fossil fuel importers, from which they buy their palm biodiesel supply. Therefore, we may not be able to purchase sustainably certified palm directly. We can, however, opt to purchase RSPO certificates from other sources to ensure all palm supplies are certified on a book and claim basis. RSPO certificates for our Indonesian operation would likely cost up to \$25 a tonne and potentially make our ~\$3m wholesale operation marginal. Our Indonesian retail network is a non-operated joint venture and we may not be able to convince our partners to accept the cost of certification which could equate up to 5% of gross retail margin.

Stakeholder views of palm oil use and certification schemes

Many stakeholders believe that a ban of palm oil will not solve ILUC and that global stewardship, transparency and continued positive engagement in the value chain are more likely to deliver results. Others are of the view that the involvement of western economies in these sensitive eco-systems has driven poor behaviours and the only way

forward is to withdraw completely, starting with biofuels given the many alternative options to decarbonise transport fuels.

Further detail of stakeholder views is at Annex 2 but in summary:

- Public awareness of ILUC is still low and mainly focused on food, but sentiment is turning against the use of palm oil in European fuels eg. Greenpeace blockaded a Total refinery using palm as feedstock.
- A spectrum of NGO positions exists on general palm use, ranging from those that encourage boycotts (Greenpeace) to those that locally encourage certification (WWF, IUCN).
- Most environmental NGOs advocate for electric and zero emissions mobility and are skeptical of ICEs, and by extension biofuels. Few have an explicit position on palm use in biofuel. Leading transport-specific NGOs are either skeptical (ICCT) or against (T&E) palm-based biofuels.
- RSPO recently received publicity for participants' alleged links to forest fires e.g. Greenpeace report "Burning down the house"⁵.
- Relying on certification alone has not protected companies in the food sector from NGO scrutiny.
- Socially focused NGOs have concerns about hazardous working conditions, child labour and human rights abuses linked to palm oil production. They are skeptical of certification schemes and perceived weaknesses in standards.

IUCN, Verite and WWF, have highlighted that ceasing palm oil production globally is not the answer and is likely to have unintended consequences. It would result in more land use change and deforestation as land intensive crops are planted to meet the demand for food and feed.

Recommended position on palm oil

Although we do not believe that a ban on bp participation in palm oil is desirable, necessary or feasible we do recommend clarifying and strengthening our position and practices in several ways. We are therefore recommending that bp adopt a position which stresses that where palm oil is used it must be produced sustainably. We believe it is possible not only to avoid or reduce negative environmental impacts but also to have positive social impacts, particularly in developing economies where it is grown. This perspective reflects the views of key external stakeholders on palm oil and certification schemes. It specifically

⁵ <https://www.greenpeace.org.uk/news/certified-sustainable-palm-oil-is-a-con-says-greenpeace-as-new-evidence-links-certifying-body-to-five-years-of-fires-across-indonesia/>

recognises the potential detrimental impacts of palm oil and other high ILUC-risk feedstocks and the importance of tackling them.

It goes further than our existing position on the sustainability of all biofuels in transport, particularly by actively supporting the need for regulatory change. It is also aligned with bp's purpose, ambition and aims by enabling us to "perform while we transform", improving short-term outcomes whilst enabling and influencing positive long-term change for bp and society. The recommended position has five main elements and would apply to bp's own operations and products; we would seek to influence our partners (e.g. non-operated joint ventures) to follow a similar approach but there remains a significant risk they will not agree.

1. Actively supporting limits of high ILUC-risk feedstocks

We will proactively advocate for governments to place limits on high ILUC-risk feedstocks including palm oil, providing they are accompanied by policy support for advanced feedstocks (e.g. wastes) or other transport technologies (e.g. electrification, hydrogen). We will not support limits that result in increased direct GHG emissions.

2. Improving the sustainability of the wider biofuel supply chain

We will work proactively with governments, certification schemes, NGOs and other businesses to drive greater adoption of sustainability standards, their monitoring and enforcement; although not raising our profile unnecessarily. Where appropriate we will work with other businesses (eg. Shell, Neste, Unilever) and NGOs to improve certification standards and local outcomes.

3. Palm oil use certified to the highest international standards

Where regulation mandates biofuels and includes high ILUC risk feedstocks, such as in Europe or in Indonesia, we will continue to use palm oil to comply. Switching to alternative feedstocks in Europe is unlikely to result in significantly reduced environmental and social impacts and would incur substantial cost (at least \$60m per annum). Where biofuel mandates exist, but sustainability certification is not a legal requirement we will voluntarily source supplies certified to the highest international standards wherever possible, i.e. ISCC or RSPO (see Annex 3 for a comparison between these two schemes).

4. Purchasing certification credits where RSPO/ISCC certification is not possible

If it is not possible to access RSPO or ISCC certified palm oil in a particular supply chain, as is sometimes the case in Indonesia, we will certify to local standards and purchase certification credits (credits will cost \$15-25 per tonne). This will ensure all bp's palm supplies are certified on a "book and claim" basis.

5. Using palm oil production waste

Palm Oil Mill Effluent (POME), a waste-water from palm production is recognised as an advanced feedstock (ie. sustainable) in the EU, alongside used cooking oil, as it is not likely to result in ILUC impacts. A fifth of global palm oil is used for fuels, and POME makes up less than 5% of typical plant output. We support its use as an alternative to crude palm oil whilst it continues to deliver lifecycle reductions.

Resources to deliver the proposed position

Implementing the updated bp position on palm oil will require the following additional resources:

Additional Staff – up to 2 FTE

- 0.5 - 1 FTE to support extra government, supplier engagement and purchasing of credits where necessary, eastern hemisphere
- 0.5 - 1FTE extra policy capacity to work with certification bodies, develop communications messaging and advocacy activities with other oil companies and NGOs, western hemisphere

Additional Costs ~ \$80k up to \$3.5m

- \$10-20k per annum – membership of certification bodies in addition to ISCC e.g. RSPO, ISEAL
- \$ 50k advocacy for strengthening and elevating certification standards
- ~\$500k funding to a range of NGO projects in production areas to develop and demonstrate best practice (e.g. training and other support initiatives engaging with small holders)
- \$ 20k up to \$3m - Credit purchases for currently uncertified supply (ie. in Indonesia). Low end represents working with current supply chains to achieve RSPO or ISCC certification, upper bound is costs of paying for RSPO credits on the open market and applying on a book and claim basis. Both would increase with growth in volumes.

Next steps

We believe the proposed position on palm oil is pragmatic and relatively low risk. However, it is not entirely risk free, given the possibility that regulations may change – for example the phase out of palm oil may be accelerated in the EU – or NGO attitudes may harden or their focus shift from palm oil for food to palm oil for fuel. For these reasons we will:

- Consider potential (policy, commercial, reputational) risk scenarios and propose risk mitigation measures should these scenarios materialise.
- Consider whether, over time, there are alternative feedstocks we could gradually use to replace palm oil.

Adam Burks and Eirik Pitkethly

15 May 2020

Annex 1: Summary of risks, opportunities and mitigations

See below a table of all identified risks, opportunities and mitigations.

Position	Risks	Opportunities	Mitigations
Current position: regulatory compliance and low-key action to mitigate risks excluding additional certification	<ul style="list-style-type: none"> • Delay in identifying and acting on commercial opportunities [L/3] • Reputational damage from being associated with the issue of unsustainable palm production [M/3] • Undermining ambitions (aims 3,6) 	<ul style="list-style-type: none"> • Protect current margin from palm activity. 	<ul style="list-style-type: none"> • Work with suppliers to audit and assess/confirm compliance with standards
Recommended position: Active management of palm sustainability and development of best practice in sector, over compliance through additional voluntary sustainability certification of supplies	<ul style="list-style-type: none"> • Reputational damage from being associated with the issue of unsustainable palm production [M/2] • Potential to become a target for direct action if too far ahead of competition in this space [M/2] • Growth retail markets may be uneconomic over next 5 years if additional costs of certification are not mandated (e.g. India) [M/2] • Current Indonesian wholesale business may become marginal [L/3] 	<ul style="list-style-type: none"> • Commercial opportunities swiftly considered and acted upon against clearer criteria • Develop a leading position in marketplace for “good palm” limit risk of other feedstocks becoming socially undesirable • Develop reputation for rational, fact-based advocacy in line with aims (6) 	<ul style="list-style-type: none"> • Work with suppliers to audit and confirm compliance with standards • Promote sustainability schemes in production areas • Work to develop higher standards in certification schemes, make improvements on the ground and advocate for wider use (aim 6) • Advocate for mandatory certification in all markets.
Ambitious alternative: Unilateral withdrawal from palm-based fuels pos. Indonesia	<ul style="list-style-type: none"> • Significant current margin loss in EU (up to \$500m p.a.) [H/3] • loss of potential future growth retail markets (India/Indo etc) [M/2] • Loss of Indonesian wholesale market [L/3] • Undermine purpose and aims (3) with increases of direct GHGs associated with our products and loss of employment in palm supply chains 	<ul style="list-style-type: none"> • Become sector leader on non-palm biofuel • Develop retail offers of palm free fuel – possible differentiator but with large challenges 	<ul style="list-style-type: none"> • Advocate for palm ban in RED and national legislation • Invest in higher margin alternative advanced biofuel production to compensate for lost margin

Mitigated risk impact assessment [Impact/probability]

Rating	Impact	Rating	Probability
High(H)	equal or greater than \$100m or prolonged adverse (inter)national media attention	3	greater than 10% chance in 1 year
Medium (M)	Equal or greater than \$5m or short term adverse (inter)national media coverage	2	greater than 10% chance over 10 years
Low (L)	Less than \$5m or prolonged local media coverage	1	Less than 10% chance over 10 years

Annex 2: Stakeholder views on palm oil

NGO (focus of activity)	Comments
ICCT (global environmental impacts from transport)	Sceptical of palm oil GHG benefits when used as a biofuel, supportive of certification in general, and not yet explicitly against certified palm being used in biofuels.
T&E - Transport & Environment (European transport policy and environmental impacts)	Opposed to using palm in biofuels and advocating an immediate phase out of palm and gradual move away from 1 st generation biofuels. Strongly supportive of a shift to electrification and away from ICE technology.
Greenpeace (Global environmental protection)	Opposed to exploitation of palm oil, as well as other first generation oils as a feedstock for biofuels.
WWF (Global environmental protection)	Supportive of sustainably certified palm use at a global level (co-founder of RSPO scheme), local branches have taken positions opposing use of palm and other first generation oilseeds in biofuels due to high ILUC.
Amnesty (Global human rights)	Sceptical of RSPO certification and has criticised the human rights abuses associated with food palm production. In general supportive of action to tackle climate change to prevent vulnerable communities being impacted and recommending governments phase out oil and gas use as soon as possible.
Verite (Global labour rights)	Participant in the RSPO process concerned with preventing child labour and other human rights abuses, supportive of certification as a means to achieve better outcomes. Concerned about gaps on protecting human and social rights.
IUCN (Global biodiversity protection and nature conservation)	Supportive of action to mitigate palm's impacts rather than ban the use of palm. Supportive of certification approaches that recognise areas of high carbon stock and high conservation value but uncertain of their efficacy.
BSR (Sustainability consultancy and advocate)	BSR work with businesses to assess and evaluate their exposure to poor environmental and social performing palm. They have established a "Action for Sustainable Derivatives" initiative to promote responsible sourcing and collective action to increase sustainable production, focussing on increased transparency and long-term relationships with plantations.
Shell (oil major)	Purchases palm biodiesel for compliance, is not considering using palm oil in its own production (under development). Uses certified products, and where not possible will purchase credits. Involved in main platforms for crop-based feedstocks, RSPO, Bonsucro, RTRS, ISCC. Showcase in Thailand for Palm Oil certification for 800 smallholders.
Total (oil major)	Purchases palm biodiesel and co-processes palm and derivatives in its refineries. Recently began production at its new biorefinery in southern France amid protests. Before French legal change was targeting ca.45% bio-mandate compliance through palm-based feedstocks. Now seeking to increase volumes of alternatives where they are available. Following recent events keen to reduce profile on the issue.
ENI (European oil company – produces HVO)	Recently added two large HVO production facilities, has announced it will phase out its use of palm in biodiesel production by 2023 and rely mainly on waste oils and fats.

Annex 3: Comparing palm oil certification schemes

There are two main international voluntary schemes for certifying palm oil against a range of criteria – including greenhouse gas emissions, biodiversity, human and labour rights. RSPO is the most recognised by consumers as it is used by major retailers but has only just been recognised under European biofuels regulation. bp is a member of the other main scheme, the International Sustainability and Carbon Certification (ISCC). All bp's biofuel supply to Europe is certified ISCC.

RSPO has historically focussed on the biodiversity, social and human rights concerns surrounding palm oil production, tackling community involvement, consultation processes, prescribing minimum wages and union involvement. By contrast ISCC is a specific response to European regulation; it relates to a variety of feedstocks and certifies them to ensure they meet strict minimum environmental and greenhouse gas criteria (including methane capture). It uses third party audit to ensure that certified palm is not produced on land with high biodiversity or high carbon stock, or on peatlands. However, its coverage of human and social rights is not as extensive as RSPO⁶.

Whilst the benefits of such certification schemes on reducing land use change and preventing deforestation are clear, there is currently limited understanding of the performance of certification schemes relative to uncertified production across all possible impact categories. There is therefore a small risk that certification may be found to exacerbate certain impacts and improvements to schemes will be necessary in future. For both schemes stakeholders have identified gaps and risks and advocate improvements, making clear that whilst certification schemes are positive step forward, they come with risks and are far from perfect.

⁶ Frequently certification will involve a mix of schemes mutually recognising each other e.g. plantation is certified under RSPO and the mill is certified under ISCC to generate the qualifying credit for EU RED compliance.

Agenda Item 5:
Any other business

Members of the Policy & Advocacy Working Group

Carbon border adjustments (CBAs)

bp's updated position on Carbon Border Adjustments (CBAs) was discussed and agreed by PAWG in February. At that meeting, while the position was agreed, two additional points were suggested for inclusion:

- Least Developed Countries could be temporarily exempted from CBAs.
- Where they exist, free allowances should be phased out if CBAs are introduced.

bp's historical perspective has been to oppose non-carbon Border Tax Adjustments (BTAs) as being a restraint on trade flows, and to prefer domestic exemptions from carbon prices over CBAs to provide leakage protection for domestic industries, including refining, that are energy intensive and trade exposed. But as more countries adopt carbon pricing policies - but some do not, complementary policy measure/s are needed to ensure pricing policies are effective – particularly against carbon leakage.

We have therefore positioned our new support for CBAs carefully with the aim of:

- (a) describing CBAs as a necessary mechanism to enable national and regional carbon pricing to be delivered effectively until global cooperation can be achieved – rather than being desirable in themselves;
- (b) explaining that CBAs are a simpler and more transparent alternative to direct protections (such as free allowances or tax exemptions) for energy intensive and trade-exposed businesses); and
- (c) acknowledging that CBAs must be carefully designed to ensure that they function properly to provide environmental protection rather than trade barriers.

We have already begun to articulate this position externally, for example in an article published in March in Oxford Energy Studies.

Bill Thompson
15 May 2020

Carbon border adjustments (CBAs) – draft position

Key messages

- **As more countries adopt carbon pricing, complementary policy measure/s are needed to ensure such policies are effective.**
- **CBAs must be designed carefully with the specific aim of protecting the environment and avoiding unnecessary or unfair impacts on trade.**
- **bp will work with other stakeholders, including policymakers, to help design CBAs that are effective and meet WTO rules.**

Additional talking points

- **As more countries adopt carbon pricing, complementary policy measure/s are needed to ensure such policies are effective.**
 - Climate change is a global problem and we need to reduce emissions everywhere, while recognising countries are moving at different speeds.
 - An increasing number of countries, states and regions are adopting some form of carbon pricing to accelerate the transition to low-carbon economies.
 - bp is a strong supporter of carbon pricing as the most efficient and comprehensive policy for reducing carbon emissions.
 - Until countries have similar carbon prices, carbon border adjustments (CBAs) are needed to avoid emissions shifting elsewhere – known as carbon leakage – and to protect economies.
- **CBAs must be designed carefully with the specific aim of protecting the environment and avoiding unnecessary or unfair impacts on trade.**
 - CBAs can be designed in many different ways but must ultimately create a level playing field by adjusting the costs of imports and exports to offset for different carbon prices.
 - Any CBA would need to be designed in line with World Trade Organisation rules.
 - They should not be a barrier to trade, for example by adding significant administrative costs to goods and services being traded.
 - CBAs must be designed with some flexibility so they can be adjusted together with any changes or improvements in countries' carbon pricing.
- **Where they exist, free allowances available under emissions trading schemes should be phased out when CBAs are introduced.**
 - Introducing such policies is a complex task and will require countries to develop, collect and monitor high-quality data.
 - Some less developed countries may need to be temporarily exempted from CBAs so as not to prevent or slow their ability to trade and develop their economies.

- **bp will work with other stakeholders, including policymakers, to help design CBAs that are effective and meet WTO rules.**
 - bp will contribute to ongoing discussions on introducing CBAs to help meet climate goals in the US (via the Climate Leadership Council) and in the EU (via the European Commission).
 - We have worked with the Methane Guiding Principles European Policy Working Group to develop and advocate life-cycle methane intensity standards for gas imported into the EU. This embodies a similar concept to CBAs.