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**From:** Smith, Curtis A SHLOIL-ERM/A [/O=SHELL/OU=MSXSOPC/CN=REDACTED]  
**Sent:** 7/8/2018 12:27:36 PM  
**To:** Everts, Frans F RDS-ER [REDACTED@shell.com]  
**CC:** Norman, Andy SI-ERM [REDACTED@shell.com]  
**Subject:** WA State Reax Summary

Dear Frans,

Andy and I talked Friday afternoon and he offered that a bit of chronology related to the WA state carbon tax story would be helpful.

**Background:** the Washington State carbon tax issue was first raised to ER Media by the Federal GR team. The challenge, initially, was framed as maintaining Shell's status as a global champion for a carbon price while appearing neutral on the voter referendum in Washington state – despite the widespread industry (and internal) belief the initiative was, essentially, flawed. A “win” would allow Shell (if pushed) to identify the problems with the initiative but to maintain neutrality as a non-funder of the VOTE NO campaign to defeat it. That outcome was made complicated by Shell's membership in the Western States Petroleum Association (WSPA), a much-maligned “climate foe” and driving force behind the campaign to defeat the Washington carbon tax initiative.

**On June 29<sup>th</sup>, Seattle Times reporter, Hal Bernton, asked the following of Shell:**

***“Shell has pledged \$56,826 toward a No on 1631 campaign organized by the Western States Petroleum Association. Since this initiative puts a price on carbon, and Shell has supported carbon pricing why is Shell putting money into an effort to defeat this initiative?”***

**The question:** Unsurprisingly, the question was framed to force a response specific to Hal's insinuation of hypocrisy on this issue and to smoke out Shell's perceived flaws of the carbon tax initiative. The “way out” that existed prior (**answer:** *Shell is on record supporting carbon pricing - we will let the voters decide – we are not contributing to the VOTE NO campaign*) was taken off the table when it was made public that money Shell contributed to WSPA was going directly to the campaign to defeat the initiative.

**The reporter:** Hal had the public disclosure documents and motivation to write this story as he's been taking note of Shell's carbon tax statements for over two years. Hal is not a media activist, but he's familiar with Shell having covered the Alaska Venture extensively, and he's shown a personal enthusiasm for some form of a carbon tax in Washington State (and California). Based on prior exchanges, it's likely Hal hoped Shell would go against the grain of industry and support the initiative.

**The response:** Not knowing if Hal would single out Shell in his article (he's done it before) or include our comments in a broader story, myself, the Federal GR lead and WA State GR lead, convened to deliver a response to Hal's question by deadline. The holding statement that was crafted prior (with no initial contribution from ER Media) was lengthy and no longer accurately addressed/defended Shell's position in light of Shell's WSPA contribution being assigned to the VOTE NO campaign. Further, it was deemed susceptible to selective editing by the reporter. As a result, and against deadline, it was agreed the revised statement should make clear the following:

- 1) Shell supports a price on carbon
- 2) We don't support this initiative because it's flawed
- 3) Shell will not contribute further to the campaign to defeat it

**Shell response to Seattle Times reporter, Hal Bernton:**

***“Shell has made the decision not to participate outside of the initial phase of the campaign. That should not be taken as an endorsement of the initiative, itself.***

*Our support for a robust and transparent carbon price is well known but our desire to address climate change by way of a carbon tax cannot come at the cost of thoughtful and effective policy. It's our view I-1631 singles out and unfairly burdens the oil and gas industry while holding harmless other major sources of emissions. Further, it does not incentivize innovation and generally lacks a convincing argument that carbon emissions would be reduced in a meaningful way if this initiative were to succeed."*

**The delivery:** It was agreed the statement would be given to Hal followed by an off-the-record phone call in an attempt to reason with him that Shell's initial campaign contributions via WSPA were not intended to be part of the larger, opt-in push to defeat the carbon tax measure. Unfortunately, Hal was not receptive to the storyline that Shell was completely backing away from being an influencer on this issue. It's my personal belief his disappointment with Shell's carbon tax stance and WSPA membership, in general, influenced his view on this. That said, his final product read as factual and fair. Hal posted his article on July 2<sup>nd</sup>. The headline (although he did not write it) was altered to be slightly less inflammatory in a new version two hours later:

<https://www.seattletimes.com/seattle-news/fight-heats-up-over-washington-state-carbon-fee-likely-to-make-fall-ballot/>

## Fight heats up over Washington state carbon 'fee' likely to make fall ballot

By Hal Bernton, Seattle Times

**OLYMPIA** — Proponents of a Washington carbon-fee initiative showed up at the Secretary of State's office in Olympia with more than 370,000 signatures to put their measure on the November ballot.

The signatures tally for Initiative 1631 — backed by a broad coalition that includes environmental, labor, tribal and social-justice groups — is more than a third higher than the minimum number required for a measure to be put to a vote.

"We are confident we are turning in enough signatures to qualify, said Ahmed Gaya, field director of Yes on 1631, which recruited more than 2,300 volunteers to assist in the collection effort.

Though still early in the campaign season, the measure already has galvanized high-powered energy-industry opposition.

A No on 1631 political-action committee formed by the Western States Petroleum Association has obtained pledges from BP, **Shell Oil Products**, Chevron Corporation, Phillips 66 and other contributors, according to state Public Disclosure Commission records.

The debts reported so far by the No on 1631 committee include more than \$130,000 in consulting fees to Winner & Mandabach Campaigns, a Santa Monica-based firm, that according to the company website, has a 90 percent win rate in the nearly 200 state and local initiatives that it has been involved in.

The petitions submitted Monday by the initiative coalition still need to be reviewed by the Secretary of State's office to ensure that there are enough valid signatures to get the measure on the ballot.

The initiative by the Alliance for Jobs and Clean Energy would create an escalating Washington carbon "fee" on most fossil-fuels emission, and invest the revenue in clean energy, clean water, forests and other projects that seek to slow or help cope with climate change.

The fee would start at \$15 a metric ton of carbon, which would add an estimated 14 cents to the cost of a gallon of gasoline. The fee would rise annually by \$2 per ton of carbon emission, plus the rate of inflation.

Initiative proponents said they opted for a carbon fee — rather than a tax — so the spending of this revenue could be tied to spending on projects that could help reduce carbon emissions from fossil-fuel combustion and other greenhouse gases that contribute to climate change.

Money raised from a tax can be spent more broadly through legislative action. Fees, like those charged at state parks, are spent more narrowly.

**Bottom of Form** The carbon fee would raise an estimated \$1 billion annually initially, and the spending would be overseen by an independent board drawn in part from the public, which proponents hope will provide accountability.

At the gas pump, these fees would hit everyone, including low-income residents. This differs from carbon-tax initiative, rejected by voters in 2016, which would have rebated up to \$1,500 to some 460,000 low-income families.

Proponents say low-income residents still would reap benefits through new investments in their communities for conservation, solar, clean-energy as well as job training and other expenditures.

There also could be expanded assistance to low-income residents. Coalition members are also exploring other types of assistance that might be possible.

### **Fight heats up**

The initiative is being attacked by opponents as a poorly designed measure that exempts some big polluters, such as a Centralia coal-fired power plant scheduled to shut down in 2025 and relies too heavily on government spending that can sometimes be bureaucratic and ineffective.

Those opponents include BP, which did not take a position on an earlier carbon-tax initiative that failed in Washington in 2016, and backed California carbon-pricing legislation, according to a company official.

"BP supports a well-designed price on carbon. The initiative in Washington state does not meet that requirement, therefore we do not support it," said a statement from Michael Abendhoff, BP's director of Media Affairs. "Among other things ... the initiative is not economywide and does not treat equivalent emissions from different industries the same."

Proponents say that the single largest source of carbon emissions in Washington is the transportation sector. They say most of the exemptions benefit trade-sensitive industries, such as aluminum producers, and such protection was necessary to help solidify a coalition that includes labor unions.

"We know that giant oil companies will do everything they can to divide, undermine, attack, confuse and defeat this coalition and measure, but this coalition has been tested time and time again. This broad-based, people-powered movement is poised to make history this November," said Rich Stolz, executive director of OneAmerica, a coalition member.

Opponents criticize the measure as a regressive tax on Washingtonians. They note that the state — with a sales tax but no income tax — already is considered to have the most regressive tax system in the nation, according to a study by the Institute on Taxation and Economic Policy.

"We're looking forward to engaging Washington state citizens in robust discussion," said Mark Funk, a spokesman for No on 1631, who said the fee would "place the burden for initiative squarely on middle-income and lower-income people."

### **Millions spent**

The money spent by both sides on the 2018 campaign is expected to be in the millions of dollars, and substantially top the amounts expended during the 2016 carbon-tax initiative, when proponents raised more than \$3 million and opponents raised more than \$1.5 million.

The 2016 carbon measure also was burdened by [a nasty split in the state environmental community](#) over whether it was the right way to move forward. The measure was intended be revenue neutral, cutting some taxes while raising taxes on fossil fuels that generate emissions.

Many environmental groups that support the 2018 initiative declined to endorse the 2016 initiative and it garnered [less than 41 percent of the vote](#).

The initial polling on the 2018 initiative is stronger than the initial polling on the 2016 initiative, according to Nick Abraham, of the Yes on 1631 campaign, which so far has raised more than \$2.2 million, according to state filings.

Abraham says that the measure would initially impose the fee on more than 70 percent of the state's carbon emissions from fossil fuels.

The campaign is gaining a boost from the united front put forward by coalition members.

"It's a lot more fun to be part of a bigger group with everyone pulling in the same direction," said Gail Gatton, executive director of Audubon Washington, which supported the carbon tax in 2016 and also has backed the carbon fee this year.

The initiative also could benefit from the lack of action on the national front as President Donald Trump has said that the United States would withdraw from the Paris climate accord reached in 2015.

Even as Trump administration back peddles on the science of climate change, BP, Shell and some other oil companies, on their websites have said they support carbon pricing to reduce carbon emissions.

"We believe that carbon pricing provides the right incentives for everyone — energy producers and consumers alike — to play their part in reducing emissions," said a statement on the BP website.

BP also was involved in trying to reach agreement on a carbon tax during the 2018 legislative session, according to a company official.

Curtis Smith, a Shell spokesman, said his company's support for "a robust and transparent carbon price is well known. He said that the 2018 initiative "generally lacks a convincing argument that carbon emissions would be reduced in a meaningful way if this initiative were to succeed."

While Shell participated in the "initial phase of the No on 1631 campaign, Shell has made the decision not to participate beyond that, according to Smith.

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**Seattle Times follow:** Given the Seattle Times' regional reputation, this story will likely stand as the definitive summary of the political battle to come. A follow up, off-the-record call with Hal two days ago left unanswered his willingness to decouple Shell from future stories that mention Shell as a contributor to the VOTE NO campaign (because we are no longer funding). He did acknowledge the request was reasonable (tens of thousands of \$\$\$ contributed by Shell v. millions to come).

**The Daily Caller:** On July 3, a day after Hal's story posted, Jason Hopkins from the online news site, *The Daily Caller* picked up on the Seattle Times story and posed a similar question:

*"I was hoping to understand what appears to be an apparent discrepancy in the company's position. Shell is listed as a "founding member" on the Climate Leadership Council, a group that is pushing for a federal carbon tax. At the same time, Shell is listed as a pledge on the No On 1631, an initiative that opposes a carbon tax proposal in Washington State. If this is the case, why does Shell support a federal carbon tax, but not one in Washington State?"*

Jason was provided the holding statement and no more. The Daily Caller is not considered an outlet of record in the U.S. (not influential) nor does it carry special regional influence in the Pacific Northwest.

**Media impact:** given the 4<sup>th</sup> of July holiday (week) in the U.S., the lack of enthusiasm for any form of a carbon tax from the White House and the long period between today and the voter referendum in Washington (Nov. 6), there has been no further media interest in this story.

**Social Media:** as of today (July 8) there has been virtually no social activity that specifies the Washington state carbon tax situation + Shell. There has been significant chatter about “carbon tax” in general due to CEBB’s comments at *Make the Future*, but virtually none that specify the Washington state carbon tax situation outside of the two articles we’ve already seen. The social media CoE has set up listening for Washington/Washington State/Washington Carbon/Washington Carbon Tax + Shell in the US Media Listening Dashboard on Sprinklr. We will monitor for any changes in activity.

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It appears this story has run its course for this news cycle. But no one here is celebrating a near miss. It’s been personally disappointing to have missed the mark and created work and uncomfortable conversations for you both. Had I known who had crafted the first response to this issue, I would have certainly cleared the revised statement at that level.

It’s my view the GR/ER Media relationship in the U.S. is exceptionally strong as evidenced by years of almost-daily collaboration on several issues that challenge our business and reputation. We’re at our best with that partnership goes unnoticed. The plan is to keep it that way.

Curtis