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From: Minge, John C[/O=MSXBP/OU=EXCHANGE ADMINISTRATIVE GROUP
(FYDIBOHF23SPDLT)/CN=RECIPIENTS [REDACTED]
Sent: Wed 08/02/2017 2:26:28 PM (UTC)
Subject: Re: Baker/Schultz WSJ OpEd

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On Feb 8, 2017, at 7:41 AM, Morrell, Geoff <[REDACTED]@bp.com> wrote:

Opinion: A Conservative Answer to Climate Change

Enacting a carbon tax would free up private firms to find the most efficient ways to cut emissions.

By George P. Shultz and James A. Baker III

The Wall Street Journal

February 7, 2017

Thirty years ago, as the atmosphere's protective ozone layer was dwindling at alarming rates, we were serving proudly under President Ronald Reagan. We remember his leading role in negotiating the Montreal Protocol, which continues to protect and restore the delicate ozone layer. Today the world faces a similar challenge: the threat of climate change.

Just as in the 1980s, there is mounting evidence of problems with the atmosphere that are growing too compelling to ignore. And, once again, there is uncertainty about what lies ahead. The extent to which climate change is due to man-made causes can be questioned. But the risks associated with future warming are so severe that they should be hedged.

The responsible and conservative response should be to take out an insurance policy. Doing so need not rely on heavy-handed, growth-inhibiting government regulations. Instead, a climate solution should be based on a sound economic analysis that embodies the conservative principles of free markets and limited government.

We suggest a solution that rests on four pillars. First, creating a gradually increasing carbon tax. Second, returning the tax proceeds to the American people in the form of dividends. Third, establishing border carbon adjustments that protect American competitiveness and encourage other countries to follow suit. And fourth, rolling back government regulations once such a system is in place.

The first pillar, a carbon tax, is the most cost-effective way to reduce emissions. Unlike the current

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cumbersome regulatory approach, a levy on emissions would free companies to find the most efficient way to reduce their carbon footprint. A sensibly priced, gradually rising tax would send a powerful market signal to businesses that want certainty when planning for the future.

A “carbon dividend” payment, the second pillar, would have tax proceeds distributed to the American people on a quarterly basis. This way, the revenue-neutral tax would benefit working families rather than bloat government spending. A \$40-per-ton carbon tax would provide a family of four with roughly \$2,000 in carbon dividends in the first year, an amount that could grow over time as the carbon tax rate increased.

A carbon dividends policy could spur larger reductions in greenhouse-gas emissions than all of President Obama’s climate policies. At the same time, our plan would strengthen the economy, help working-class Americans, and promote national security, all while reducing regulations and shrinking the size of government.

The third pillar is a border adjustment for carbon content. When American companies export to countries without comparable carbon pricing systems, they would receive rebates on the carbon taxes they have paid. Imports from such countries, meanwhile, would face fees on the carbon content of their products. Proceeds from such fees would also be returned to the American people through carbon dividends. Pioneering such a system would put America in the driver’s seat of global climate policy. It would also promote American competitiveness by penalizing countries whose lack of carbon-reduction policies would otherwise give them an unfair trade advantage.

The eventual elimination of regulations no longer necessary after the enactment of a carbon tax would constitute the final pillar. Almost all of the Environmental Protection Agency’s regulatory authority over carbon emissions could be eliminated, including an outright repeal of President Obama’s Clean Power Plan. Robust carbon taxes would also justify ending federal and state tort liability for emitters.

With these principles in mind, on Wednesday the Climate Leadership Council is unveiling “The Conservative Case for Carbon Dividends.” The report was co-authored by conservative thinkers Martin Feldstein, Henry Paulson Jr., Gregory Mankiw, Ted Halstead, Tom Stephenson and Rob Walton.

This carbon dividends program would help steer the U.S. toward a path of more durable economic growth by encouraging technological innovation and large-scale substitution of existing energy sources. It would also provide much-needed regulatory relief to U.S. industries. Companies, especially those in the energy sector, finally would have the predictability they now lack, removing one of the most serious impediments to capital investment.

Perhaps most important, the carbon-dividends plan speaks to the increasing frustration and economic insecurity experienced by many working-class Americans. The plan would elevate the fortunes of the nation’s less-advantaged while strengthening the economy. A Treasury Department report published last month predicts that carbon dividends would mean income gains for about 70% of Americans.

This plan will also be good for the long-term prospects of the Republican Party. About two-thirds of Americans worry a “great deal” or “fair amount” about climate change, according to a 2016 Gallup survey. Polls often show concern about climate change is higher among younger voters, and among Asians and Hispanics, the fastest-growing demographic groups. A carbon-dividends plan provides an opportunity to appeal to all three demographics.

Controlling the White House and Congress means that Republicans bear the responsibility of exercising wise leadership on the defining challenges of our era. Climate change is one of these issues. It is time for the Grand Old Party to once again lead the way.

Geoff Morrell

On Feb 8, 2017, at 6:42 AM, Morrell, Geoff [REDACTED]@bp.com> wrote:

‘A Conservative Climate Solution’: Republican Group Calls for Carbon Tax

By John Schwartz

New York Times

February 7, 2017

A group of Republican elder statesmen is calling for a tax on carbon emissions to fight climate change.

The group, led by former Secretary of State James A. Baker III, with former Secretary of State George P. Shultz and Henry M. Paulson Jr., a former secretary of the Treasury, says that taxing carbon pollution produced by burning fossil fuels is “a conservative climate solution” based on free-market principles.

Mr. Baker is scheduled to meet on Wednesday with White House officials, including Vice President Mike Pence, Jared Kushner, the senior adviser to the president, and Gary D. Cohn, director of the National Economic Council, as well as Ivanka Trump.

In an interview, Mr. Baker said that the plan followed classic conservative principles of free-market solutions and small government. He suggested that even former President Ronald Reagan would have blessed the plan: “I’m not at all sure the Gipper wouldn’t have been very happy with this.” He said he had no idea how the proposal would be received by the current White House or Congress.

A carbon tax, which depends on rising prices of fossil fuels to reduce consumption, is supported in general by many Democrats, including Al Gore. Major oil companies, including Exxon Mobil, have come out in favor of the concept as well.

The Baker proposal would substitute the carbon tax for the Obama administration’s Clean Power Plan, a complex set of rules to regulate emissions which President Trump has pledged to repeal and which is tied up in court challenges, as well as other climate regulations. At an initial price of \$40 per ton of carbon dioxide produced, the tax would raise an estimated \$200 billion to \$300 billion a year, with the rate scheduled to rise over time.

The tax would be collected where the fossil fuels enter the economy, such as the mine, well or port; the money raised would be returned to consumers in what the group calls a “carbon dividend” amounting to an estimated \$2,000 a year for the average family of four.

The plan would also incorporate what are known as “border adjustments” to increase the costs for products from other countries that do not have a similar system in place, an idea intended to address the problem of other “free-rider” nations gaining a price advantage over carbon-taxed domestic goods. The proposal would also insulate fossil fuel companies against possible lawsuits over the damage their products have caused to the environment.

Attacks on the plan can be expected from many quarters, even among supporters of a carbon tax in theory. Supporters of the Clean Power Plan are likely to oppose its repeal. Democrats also tend to oppose limitations on the right to sue like those envisioned in the Baker proposal. And the idea of a dividend will no doubt anger those in the environmental movement who would prefer to see the money raised by the tax used to promote renewable energy and other new technologies to reduce emissions.

It is also unclear how the plan will be received by the Trump administration. Stephen K. Bannon, the senior counselor to the president, has shown little interest in appeasing establishment Republicans. Breitbart News, which Mr. Bannon led before joining the Trump White House staff, has been outspoken in denying the science of climate change.

Whatever the fate of the plan, it is a notable moment because it puts influential members of the

Republican establishment on the record as favoring action on climate change — a position that is publicly held by few Republicans at the national level, though many quietly say they would like to throw off the orthodoxy in the party that opposes action.

“This represents the first time Republicans put forth a concrete, market-based climate solution,” said Ted Halstead, an author of the paper and social entrepreneur whose organization, the Climate Leadership Council, is posting the memo outlining the plan. Mr. Halstead, who also founded the New America research institute, said the political left and right had stalled on climate action in part because they disagreed about the means to fixing the problem, even though they might find common ground.

Some popular environmentalists take stands that those on the right can never embrace, Mr. Halstead said, citing the works of Naomi Klein, who attacks capitalism itself as the root of climate change. “That is so at odds with the conservative worldview, of course they’re going to walk away,” he said. “The only way for this solution to come about is if it gets a start on the right.”

The other co-authors of the memo include N. Gregory Mankiw and Martin Feldstein, former chairmen of the Council of Economic Advisers, and Rob Walton, the former chairman of Wal-Mart.

A survey taken just after the 2016 election by the Yale Program on Climate Change Communication found that 66 percent of registered voters supported a carbon tax on fossil fuel companies, with the money used to reduce personal taxes. The party breakdown for that support was 81 percent of Democrats, 60 percent of independents and 49 percent of Republicans. Even among Trump voters, 48 percent support taxing fossil fuel companies, according to the Yale program.

Mr. Baker said it was time for the Republican Party to engage in the discussion of global warming beyond simple denial.

“It’s really important that we Republicans have a seat at the table when people start talking about climate change,” Mr. Baker said. He said that, like many Republicans, he was skeptical that human activity was the main cause of warming, but that the stakes were too high for inaction. “I don’t accept the idea that it’s all man made,” he said, “but I do accept that the risks are sufficiently great that we need to have an insurance policy.”

As for the likelihood of success of his plan, “I have no idea what the prospects are.”

Geoff Morrell

On Feb 8, 2017, at 12:21 AM, Henshaw, Peter <[REDACTED]@bp.com> wrote:

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On 8 Feb 2017, at 01:39, Minge, John C <[REDACTED]@bp.com> wrote:

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