

Information Note

Reputational Risk associated with upcoming BP Advocacy Campaign to protect Cherry Point Refinery's Licence to Operate

BP's Cherry Point refinery is in Whatcom County, Washington State. P66 has the only other refinery in the County, The County Council is scheduled to consider and vote on a local ordinance in November that would make obtaining permits for any expansions or upgrades more difficult and costly.

The ordinance sets a baseline of rolling 3-year average throughput for the refinery. Any activity resulting in increased throughput over this baseline would be subject to a conditional use permit. This could hinder Cherry Point's ability to optimise value, improve or upgrade facilities, change use of equipment or replace with a new equipment, replace or invest in new units - even if these activities improve efficiency of the refinery and lower its emissions. The ordinance would also require mitigation of associated GHG emissions exceeding the baseline either through local offsets, which are limited, or by \$60/ton fee per year over the lifetime of the asset - including for emissions associated with feedstock at its source, transportation, processing, and refined fuels combusted in Whatcom County. Additional impacts on new production facilities include imposing insurance and bonding that is currently unavailable in the market.

These proposed changes would limit our ability to operate the refinery efficiently as existing facilities age and operational conditions require upgrades and modifications over time. They would also limit growth opportunities; under this scheme BP would have to pay \$60 million/year for the 'Green Diesel' hydrogen unit as a stationary source, which makes the project uneconomic.

US C&EA in coordination with the US Fuels business is preparing to launch an advocacy campaign in Whatcom County to convince the County Council to amend the proposal and/or postpone consideration until they have studied the matter further and better understand the impacts of the proposal. While our messaging will focus on jobs and the economy, there is a risk that those who support the proposal will argue that this is a climate issue and criticize BP for opposing it. BP plans to mitigate this risk with advertising, as well as earned media and direct advocacy around what we do in the climate space in Washington State, chiefly Cap & Trade legislation in the 2020 legislative session, demonstrating our commitment to carbon pricing and the low carbon agenda. Even if we are successful in changing or eliminating the county ordinance, we expect to receive some negative media coverage. Any negative stories are likely to be much more muted than the criticism from the Washington State ballot initiative in 2018, as we do not expect major e-NGOs (TNC, EDF) will get involved.

Given the opposition to our industry in this area of the United States, we expect these types of issues will continue to arise. Separately, we are also developing a comprehensive Washington State strategy for discussion in early November with the business and SJS to look at longer term options for managing business and reputational risk from our West Coast operations.

Background and Additional information

The Council could vote on the proposal in mid-November. Given the political make-up of the Council membership there is a high chance that the proposal would be adopted if it comes to a vote.

BP is planning a \$300,000 advocacy campaign to build opposition to the proposal in its current form and persuade local officials to amend, postpone or give up on the plan. Western States Petroleum Association (WSPA) will also run a coordinated \$200,000 grassroots voter activation campaign on behalf of its membership.

BP's spending on this effort will be subject to disclosure under Washington State's lobby disclosure laws. As a member company, its association with the WSPA advocacy campaign will also be publicly disclosed.

Mary Streett

Senior Vice President, US Communications & External Affairs

October 10, 2019