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Sent: Thur 30/01/2020 4:52:57 PM (UTC)
Subject: Houston Chronicle: - BP bucks oil industry on carbon pricing

Redacted - First Amendment

Best, Jason

https://www.houstonchronicle.com/business/energy/article/Is-BP-s-stance-on-state-carbon-price-for-real-15015196.php

Houston Chronicle - BP bucks oil industry on carbon pricing

By James Osborne Jan. 30, 2020

WASHINGTON - For years multinational oil companies have fought back state and federal carbon pricing schemes, holding out for a nationwide carbon tax as the most equitable means of addressing climate change.

But now that strategy could be starting to buckle. The British oil giant BP is running an advertising campaign supporting cap and trade legislation in the state of Washington, breaking with an industry that had maintained state-by-state regulation is too costly.

The move represents a pointed statement on climate change by BP as pressure on fossil fuels increases and the oil and gas industry seeks to steer regulation in a direction that allows it to more easily adapt its business to a low-carbon economy. Just two years ago, the British oil major, which operates the largest refinery in Washington state, joined with other energy companies to defeat a ballot question that would have imposed a carbon tax there.

“We believe the world is on an unsustainable path, and where there is legislation and policy being developed is on the state level,” said Phil Cochrane, senior government affairs director for BP Fuels North America. “We have decided to engage there instead of waiting for a holy grail to come together.”

A spokesman for Royal Dutch Shell, which also operates a refinery in Washington, but took no position on the 2018 carbon tax issue, said the company would likely support the legislation as well, “absent drastic and/or unforeseeable changes.”

The Washington Legislature is considering a cap and trade system, under which the amount of carbon dioxide that companies can emit is capped. Companies that stay below the cap receive credits, which they can sell to those that exceed the threshold, creating a market that determines the price of carbon. The cap is lowered over the years, providing additional economic incentives to release less carbon dioxide, a major contributor to global warming, into the atmosphere.

A carbon tax or fee provides similar incentives through the government assessing a cost or price for each ton of carbon dioxide emitted by business. Supporters of the Washington cap-and-trade legislation maintain the proposal is more expansive than the 2018 carbon tax plan, doing away with many of exemptions that BP argued left it and other large polluters unfairly burdened

With most oil companies either holding out for a nationwide scheme or — more often — fighting against carbon pricing all together, it remains an open question whether the industry can come together with environmentalists on carbon pricing legislation.

As European companies, BP and Shell are perhaps special cases. They are under intense pressure from their home governments in the United Kingdom and The Netherlands to reduce their contribution to climate change, a position unique from their competitors in other countries.

But with growing public awareness about the risks posed by climate change, oil companies are getting more engaged on the issue, said Bob Perciasepe, president of the nonprofit Center for Climate and Energy Solutions. Late last year the American Gas Association, which represents companies including Exxon Mobil and ConocoPhillips, announced it was calling for carbon pricing, the first oil and gas trade group to do so.

"If you went back 10 years, you did not see this kind of activity in the oil and gas sector," Perciasepe said. "From my conversations with these major oil companies, they do support [a carbon tax] and it's real. That said they have strongly held views on how those prices are constructed, who's covered, is it fair and equitable?"

Leading the way on carbon pricing for large oil companies is the Climate Leadership Council, founded in 2017 to push a plan for a revenue neutral carbon tax forged by former secretaries of state James Baker and George Schultz, both Republicans.

Instead of a state-by-state approach with 50 different sets of rules, their plan is to create a $40 per ton national carbon tax on all emissions. Rising 5 percent a year, it would replace existing regulations on greenhouse gas emissions, with all the revenue raised by the levy going back to American taxpayers. Members including Exxon, ConocoPhillips, Shell, BP and Total have each put at least $1 million into funding lobbying efforts to get legislation before Congress, said Ted Halstead, chairman of the council.

"Their view is let's not do generic carbon pricing of any flavor. We need a very specific plan where all sides win," he said. "We think our proposal will be introduced on a bipartisan basis by mid-year."

But a new tax that would likely raise the costs of fuel, electricity and other goods on Americans remains a tough sell in Washington. One political consultant recounted how an oil company told him whenever they raised the issue in private meetings on Capitol Hill, they found a dearth of interest among politicians of either party.

And among many environmentalists, there is resistance to the idea of replacing regulations that limit greenhouse gas emissions with a carbon pricing system.

"If they can get out of complying with regulations for public health, they will take that deal for a minimum carbon price," said Liz Perera, climate policy director at the Sierra Club. "They also know a small carbon tax is not going to impact the use of oil and gas, so they're hedging their bets."
More: Read the latest oil and gas news from HoustonChronicle.com

In Washington state, BP's decision to endorse the cap and trade program has won the company accolades.

The bill is state Democrats' third attempt to put a price on carbon. The last one, the 2018 ballot measure, would have created a $15 per ton carbon tax, rising to roughly $55 a ton by 2035, while exempting certain polluting industries such as mass transit and agriculture.

After initially signaling support the tax, BP pulled back from negotiations claiming refineries were unfairly targeted. BP joined with other companies, such as the San Antonio refiner Valero, to run a campaign opposing the carbon tax plan. Washington voters defeated the ballot measure 56 percent to 44 percent.

"I'm not sure [BP] doomed it, but it certainly hurt it," said Doug Ray, chairman of Carbon Washington, a nonprofit advocating for climate action. "We're really pleased [this bill] has the support of BP. They're such a big player in the private sector."

And BP says it isn't done yet. They're currently working with Oregon Governor Kate Brown, a Democrat, on a similar cap and trade bill there.

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Sent: Wednesday, January 29, 2020 11:31 PM
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Subject: E&E: Oil giant seeks carbon cap in Wash. after opposing CO2 tax

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Best, Jason

Oil giant seeks carbon cap in Wash. after opposing CO2 tax

Benjamin Storrow, E&E News reporter Published: Wednesday, January 29, 2020

BP PLC's Cherry Point refinery north of Bellingham, Wash. BP is backing a cap-and-trade bill in the Washington Legislature, more than a year after spending heavily to defeat a carbon tax at the ballot box. BP Images/Flickr

In 2018, BP PLC spent $13 million to defeat a carbon tax at the ballot box in Washington state. Now, the oil giant says it supports efforts to achieve net-zero emissions and implement a cap-and-trade program in the Evergreen State.

Cap and trade faces long odds this year in Olympia, the state capital. Washington legislators only meet for an abbreviated 60-day session in 2020. Gov. Jay Inslee, a Democrat and prominent climate advocate, has signaled he is more focused on passing a low-carbon fuel standard this year.

BP's shift is nevertheless notable, injecting new momentum into a flagging effort to price carbon in the Pacific Northwest. The London-based oil major has long supported the emission reduction targets of the Paris Agreement and said it supported a national carbon tax.

But in 2018 BP opposed Initiative 1631, a ballot measure that would have implemented a gradually escalating carbon tax, raising skepticism about its commitment to address climate change. The company argued that 1631 was poorly designed by offering exemptions to large emitters like the state's sole coal plant, which is scheduled to shut down in 2025.

In a recent memo to Washington lawmakers, the company struck a different tone. The memo applauded a bill that would require the state to achieve net-zero carbon emissions by 2050. It endorsed a cap-and-trade proposal introduced last year as the means to meet that target.

"Accompanied by provisions to protect Washington businesses from unequal competition from states without similar targets or policies, and with allowances for carbon sequestration in land, we believe these two bills could reduce the need for a complex patchwork of overlapping policies and set a new gold standard for carbon leadership in the State of Washington," the memo **stated**.

The Pacific Northwest has been on the front lines of the debate over carbon pricing in America. Washington pursued three proposals for a carbon tax (one at the legislative level and two at the ballot box) between 2016 and 2018. All three failed (***Climatewire***, Nov. 7, 2018).

Oregon, which has been weighing cap and trade for a decade, appeared on the verge of passing a measure to cap emissions and join California's emission reduction program last year. Republican lawmakers then fled Salem, the state capital, blocking a vote on the measure (***Climatewire***, June 26, 2019).

Those defeats have not dampened efforts to price carbon emissions in the region. Oregon lawmakers are back this year with a revamped cap-and-trade bill, which would make participation in the program voluntary for rural communities.

In a boost to those efforts, roughly two dozen corporations in the region released a joint **letter** today expressing support for carbon pricing in Oregon and Washington (***Climatewire***, Jan. 15). They argued that carbon pricing represents a proven means of reducing emissions and promoting economic growth. The letter voiced strong support for regional collaboration among Western states. Adobe Inc., Microsoft Corp. and Nike Inc. were among the corporations to sign on.

"We felt compelled to bring the business voice to bear in these conversations early given the history in both states on this topic," said Alli Gold Roberts, the director of state climate policy at Ceres, a sustainability nonprofit that organized the letter. "If we don't bring the business community to the table early, it is unlikely that something is going to happen."

Vince Digneo, sustainability strategist at Adobe, noted that the software firm has committed to powering all of its operations with renewable energy. But more substantial efforts are needed to meet the scope of the crisis, he said.

California's history with cap and trade demonstrates the program can reduce emissions, create jobs and raise revenue for public transit. Adobe operates a data center in Oregon and has employees in Seattle.

"The days of acting alone are over," Digneo said.

CO2 from cars and industry

Oregon and Washington face similar climate challenges. Both states have relatively green power sectors, thanks to the abundance of hydropower. Transportation is the largest emitter in both states. And concerns about the impact of carbon pricing on industries like forestry, refining and cement manufacturing, all of which are exposed to international competition, loom large.

The oil industry has a larger presence in Washington, which is home to five refineries. BP's Cherry Point refinery north of Bellingham is the second-biggest emitter of greenhouse gases in the state after the Centralia coal plant, according to EPA data. The refinery reported carbon dioxide emissions of over 2 million tons every year between 2011 and 2018. Refineries owned by Royal Dutch Shell PLC, Andeavor and Phillips 66 Co. ranked the third-, fourth- and sixth-largest, respectively, in terms of CO_2 emissions over that time period.

But efforts to curb emissions from the sector have seen mixed results. The state Supreme Court recently upheld an Inslee plan to regulate emissions from sources like refineries and factories but said the state lacked the authority to regulate emissions from companies that sell and distribute oil and natural gas.

Cap and trade was thrust back into the limelight against that backdrop. It comes as lawmakers prepare to take up a House bill that would require the state to cut emissions 45% of 1990 levels by 2030 and 95% by 2050. The remainder would be achieved by carbon offsets.

A **bill** proposed last year by state Sen. Reuven Carlyle (D) would set a declining limit on carbon emissions and establish an auction where large emitters could buy and sell carbon allowances. Revenues raised at auctions would be directed toward energy efficiency programs, low-income households and climate mitigation programs.

The bill would provide a declining number of free carbon allowances to trade-exposed businesses like paper mills, cement plants and refineries. California has adopted a similar approach, which has helped build business support for the program but attracted criticism from environmentalists who say it allows large emitters to continue polluting. They contend that poor communities bear the brunt of that pollution.

In an interview, Carlyle said those provisions were intended to keep businesses from uprooting to other states or countries from which they would continue to emit greenhouse gases while supplying Washington with products it once made at home. And he argued it is well within the state's ability to design a program that accounts for environmental justice concerns and hastens the cleanup of the most heavily polluted communities.

"I fundamentally believe the market can work," Carlyle said. "We have to be bold and design a framework to allow all elements of our economy to participate."

The senator welcomed BP's shift, saying the company appears to have concluded that blanket opposition to climate policy was no longer tenable in Washington.

"It is my opinion that the company leadership has made a decision at the highest levels to choose to try to be for something," he said.

Clean fuels standard

Carlyle conceded cap and trade is likely to take a back seat to other climate bills this year. In addition to revamped emissions targets, Inslee's office and environmentalists are pushing legislation to strengthen the state's ability to regulate indirect emissions from fuel distributors, a zero-emission vehicle standard and a low-carbon fuel standard, which targets a 20% reduction in the carbon intensity of transportation fuels by 2035.

Greens see the last bill as especially important. Transportation represents 43% of Washington's emissions. In passing the bill, Washington would join California and Oregon with a program aimed at reducing the carbon intensity of transportation fuels.

"It is exciting that people are having the carbon pricing conversation. Our focus is on what we think are the opportunities for this year, which begins with the clean fuels standard," said Reed Schuler, an Inslee climate adviser.

The oil industry is opposed to that idea. Industry officials argue that efforts in California and Oregon have added to expenses while failing to reduce emissions. (Supporters contend the opposite.)

"Here in California, the cap-and-trade program is much more effective in reducing carbon," said Kevin Slagle, vice president for strategic communications at the Western States Petroleum Association, an industry group based in Sacramento.

WSPA led opposition to 1631 in Washington, helping collect $30 million to defeat the carbon tax. The organization nonetheless supports carbon pricing, Slagle said.

"We do want to get to yes on these things, but we want to start with good public policy, science and stakeholder participation and go from there," he said.

Asked about WSPA's stance on cap and trade in Washington, Slagle said the group has yet to take a position.

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