

## Creating a Better Environment to help BP deliver its Operational and Strategic Priorities in Washington State

### Case for Change

In 3Q18, BP spent 13 m\$ to successfully defeat I-1631 because it would not have effectively reduced carbon emissions in Washington state. However, had it passed, it would have also decreased ~38 m\$ RCOP in 2020, worsening to ~137 m\$ by 2035, decreasing ROACE by 1.9% in 2020 and 6.9% in 2035.

During the 2019 legislative session, three bills were passed which destroyed business value as follows:

|                       | RCOP (m\$/yr) | NPV (\$m)          | ROACE (%) |
|-----------------------|---------------|--------------------|-----------|
| Increase in MTCA tax  | (40)          | (473)              | (2.0)     |
| Union mandate         | (10)          | (208) - inc. capex | (0.5)     |
| Capping crude by rail | (8)           | (97)               | (0.4)     |
| Total                 | (58)          | (778)              | (2.9)     |

Additional business threats include WA LCFS, higher B&O taxes on fuels manufacturing if I-976 passes (an initiative to slash car registration fees that fund road and transit projects) and Whatcom County Council proposed land use changes which is currently being fought through both advocacy and legal means.

There is no reason to believe the legislature won't come back and raise costs in the future as they received little to no public blow back from their 2019 activities. The Washington state legislature and the Whatcom County Council both see Cherry Point (and the oil and gas industry as a whole) as an easy target. A business with lots of money that can't leave, has little public sympathy, empathy or support.

This will only get worse unless we change the public's perception of us and the elected official's lack of respect for our business. If we are only seen as part of the problem and not part of the solution it will significantly limit BP's ability in the Pacific Northwest to create value and usher in a lower carbon future.

### The Strategy

We believe a combination of business decisions that bring local examples of the energy transition to Cherry Point and a more robust program of external education, community engagement, political influence and advocacy can change the narrative, stem the flow of bad policy and create opportunities for business growth.

Success will be defined in the following ways:

- **Public** – moving the needle (measured by polling, advocacy and anecdotal information) on the public's understanding of our commitment to be part of the solution by advancing the energy transition.
- **Government officials** – finding common ground based on shared interests with government leaders so that we stem the tide of harmful activities and have more success in the legislative and regulatory arenas.

Only BP can lead the charge on changing its own narrative but we will reach out to, educate and grow a coalition of supporters that can share our story and support our activities, including:

- Business/trade organizations
- NGOs
- Local tribes
- Community organizations

Finally, the tactics contemplated in the program (whether they have a specific budget component or not) are mostly educationally driven to support advocacy. However, they will need to have back-up support from legal challenges (when necessary) and political engagement (through the BP Employee PAC).

## **The Tactics**

### To Date

BP has been actively conducting community outreach, advocacy and education programs in Washington for years, most recently there has been an increase in the following areas:

- Actively promoting a carbon cap and trade bill in the Washington legislature;
- Participating in a WSPA-led coalition against a proposed LCFS in Washington state;
- Moving Tom Wolf from Illinois to Washington to increase C&EA's bandwidth on state and local issues; and
- Significant investment in outside legal counsel to help fight legal battles pertaining to the Whatcom County comprehensive plan and the contractor apprenticeship training law that passed in Olympia in 2019.
- Increase in BP employee PAC fund distribution in Washington state

## Ramping it up

To implement the strategy of changing the narrative, we are asking for a significant increase in C&EA funding for Cherry Point. The funds will be used to implement a series of complimentary tactics over a five-year period. The kinds of tactics we're thinking of are described below but this will be a moving target over time so view these as recommendations that give you a sense of the depth and breadth of the program elements and the budget that will be needed to be successful.

Incremental tactics could include:

### **Special one-time project – the BP/Lummi Salmon Cooperative: \$2.5m one-time cost**

- Funding to construct a salmon hatchery at CHP that will produce up to 2m young salmon/year for release in Lummi rivers for imprint. It has the potential to change the dynamic of how the public and elected officials view the refinery all along the western coast of Washington state – with multiple opportunities for updates, visits and earned media. Could be tied to a CHP 50<sup>th</sup> anniversary community legacy investment –tying the future of the refinery to the robust sea life in the Puget Sound.

### **Soft persuasion: \$300,000/year**

- Additional community investment dollars that can be leveraged throughout the area, throughout the years – increasing the value of CHP to the community. This will help us grow our community support that will be helpful with elected officials.

### **Hard persuasion: \$2.5m/year or \$4.5m/year**

- More than any other tactic, this is the most public-facing activity BP will be doing. We can keep doing good things and we can keep advancing the energy transition, but if we don't talk about it through the biggest megaphone, then the public and elected officials won't know about it.
- \$2.25m/year covers targeted advertising (including some TV).
- \$4.25m/year allows for a more robust statewide advertising campaign – including TV in high-cost Seattle and Portland markets (Portland, Oregon market covers SW Washington state).

### **Additional persuasion: (no specific budget increase)**

Examples include:

- An employee/contractor education and advocacy program that encourages them to be active ambassadors.
- Create local and statewide media opportunities when announcing program activities or milestones.
- Create BP CHP specific social media identities so the refinery and its employees have an active voice in the social media conversations that affect the future of CHP. The

identities will allow BP CHP to be a proactive participant in the social media portfolio – both as a provider of content and as an appropriate supplier of information to platforms that create disinformation about Cherry Point.

**People/staff resources:        \$460k year one; \$300k in subsequent years**

Any program needs the appropriate resourcing so it works efficiently and effectively. This will be no different.

- Additional funding for lobbyists in Washington and Oregon (in 2020 only).
- Consultant for creating and growing a pro-energy/pro-CHP community advocacy group.
- Administering and leveraging public outreach programs in support of the BP/Lummi Salmon Cooperative.
- Creating and managing CHP specific social media channels.
- Note: This could include an FTE H-level position to help manage some of activities (instead of outside consultants) as well as more robust leveraging on community investment and engagement programs.
- Note: The Cherry Point business will continue to provide FTE time and expertise to support these programs (no direct additional cost).

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