

DvH Notes of Meetings--Paul Jefferiss Visit to Washington, July 24-26, 2017

I. July 24, 9:30-10-30 am Teleconference with Guy Powell and Susan Blevins of ExxonMobil

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Upcoming Moody's reporting that will rate different companies according to their strategic carbon approaches and focus on "significant credit risks" those approaches pose. Exxon is concerned because API as shown little or no interest in engaging and redirecting the Moody's report. Apparently IOGP is in the process of writing a letter to Moody's and API will have the opportunity to sign on. Exxon has been contributing to the IOGP letter process. The Moody's report, Exxon believes, is poor quality work. Exxon has met with Moody's and believes they are coming around to addressing some of the concerns. What Moody's doesn't seem to appreciate is their historic neutrality; They are not like a bank – but are now entering into a realm that could pose reputational problems for companies. Moody's does not understand the political risks that are posed and it strikes

Exxon as alarming that heavy-weight institutions like them can behind activities that are biased/reflect deep prejudice.

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The Exxon Corporate Treasurer is sending a letter to the Moody's CEO. The Report could be finalized as soon as during the week of July 31 though Powell thought that could well slip further.

**API Voluntary Methane Program** Susan Blevins indicated that Exxon would support the API voluntary methane emissions reduction program for existing sources and would likely join but noted they have an internal program that is much more robust. Doing nothing is probably not the right answer.

**II. July 24, 11:30-12:30pm, Meeting at Environmental Defense Fund (EDF) with Tom Murray, Vice President, EDF+Business Division and Ben Ratner, Director, EDF+Business Division**

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EDF is looking for continued cooperation with companies like BP. They cited the Walmart model which is the first retailer to set supply chain goals for their suppliers (they do have enormous power/leverage). Walmart has set a 15-year target to eliminate emissions of 1 billion tons of CO2 but this includes its supply chain. They then told us about Smithfield (now owned by the Chinese) which has become the first major protein-producer to set a GHG reduction target. That is with respect only to their own operations Major food brands like Smithfield can pull along Tysons, Cargill, ADM and put a wedge between "leaders and laggards."

We mentioned targets at BP We expect to have some in place by next year. There are several ways one could formulate deviation from business as usual – e.g., GHG emissions per unit of value generated.

We were warned that statements and behaviors of business units such as lower 48 especially around methane could pose a reputational risk where there is significant deviation in the U.S. from what BP says globally about leading on methane; where what they see is us remaining in the pack in support of an over-the-top deregulatory approach.

**III. July 25. The Princeton, Harvard, Tufts Carbon Policy Discussion**

- There was robust discussion around the BP position on "open access" of the industry to off-shore areas and sensitive on-shore areas in the U.S. **Redacted - First Amendment**

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BP should draw some red-lines, they said, when we indicated we would let our actions (the choice not to drill in areas where we can) speak louder than any words. Socolow also expressed surprise we seemed not to be concerned about these Trump policies leading to even lower oil and gas prices.

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We can now go after the lower-cost product in less environmentally-sensitive areas. We don't have to pursue expensive-to-extract resources in the ultra-deep water, the deep water arctic or in oil sands etc. There seemed general agreement by our external participants that it would be good for our image to draw a line somewhere; to talk about where we will not go.

- They spoke of corporations like ours being the last line of defense when you have an administration that will not set an environmental floor in deference to small developer that do not care. We should treat it like safety standards and say we will go beyond the levels that government sets.
- Socolow asked with respect to internal rates of return and portfolio risks, whether we looked at the sorts of factors that he remembers were considered when John Brown led the company such as employee retention, shareholder views, employee views and preferences, etc.
- There was discussion of a mix of emitting, negative-emitting processes. Some emit zero. Some have negative emissions. You are offering the consumer a bundle, some of which could be net zero or net negative or net positive, at a premium price that many consumers are willing to pay.
- "Offsets" is a bad word. They have much greater credibility if you develop them yourself. It is like a bond market and there are a lot of junk bonds out there.
- BP could become a leader in accounting of the net emissions from bundling of these offsets.
- Other types of GHG targets, include increasing the rate of emissions reduction (How fast do emissions reduction occur relative to the previous period?) Under Kyoto, the U.S., and the EU had the same rate of emissions reduction.
- Gallagher thought GHG intensity is a measurement that is not widely understood and should be avoided. It can also be easily manipulated.
- In China one sees a decline in momentum around addressing climate change in the wake of the advent of the Trump Administration. You do not see strong leaders in their Climate Division any more. The general direction of policy is good but the momentum of action is falling off. This slowing of the pace gives us more time to position ourselves.
- Agriculture, forestry and land use (AFALU) credits/offsets can create negative emissions. The simplest thing is to plant or preserve trees/forests where there aren't any. In sub-arctic and arboreal regions this can actually lead to increased warming. Only in the tropics does it have the opposite, positive effect.
- In many areas with cropland soil, 60-75 % of the carbon stored that can be stored in the soil has been lost. In the Piedmont region of Virginia almost 2 feet of carbon has been lost over the last three centuries of farming. By changing tillage practices (no-till ploughing) and through additives to the soil, you can start to store very large amounts of carbon again. It is about two tons of carbon per hectare and the total numbers are very large. There are complications. This doesn't work everywhere. In the Piedmont, it works great. In central Kansas where you have clay, it doesn't work so well.
- There are co-benefits to these practices as well. At the same time as you increase carbon storage, you can increase water holding capacity and through fertilizer use reform you can change the amount of methane that is produced.
- It will be relatively easy to prove scientifically the enormous wedge that can be created through improved farming practices and Steve Pacala proposes using the land grant universities to do the huge experiment across the country that needs to be done. It will not cost all that much and the money is available inside the farm bill. The US could meet its current Paris NDC by doing just this and by letting gas have its way.
- The other thing to do to prevent methane emissions is to restore wetlands including especially coastal wetlands.

- IV. July 26, 9:00-10:15 am: Meeting with C2ES President Bob Perciasepe, C2ES Climate Adviser Elliot Diringer and C2ES board member Frank Loy (former chief U.S. climate negotiator 1999-2001)

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- V. July 26 , 11:30am – Noon, Meeting with Thomas Cunningham, Senior Policy adviser at Statoil

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Statoil, which is used to being very heavily regulated in Norway, is hardly at the forefront of any deregulatory initiatives here in the U.S. At the same time, it is increasing its U.S. footprint and is not looking to strand out in opposition to the Administration. A new head of office (Westgaard) is coming to Washington soon to replace Evan Fuery who will go on to lead Statoil's office in Algeria.