The oil industry acknowledges that a price on carbon emissions is inevitable, but it shows no interest in Gov. Jay Inslee’s cap-and-trade proposal.

By Jim Brunner
Seattle Times political reporter

OLYMPIA — Earlier this month, the chief executive of Royal Dutch Shell urged a gathering of oil-industry executives to take a leadership role in fighting climate change by embracing charges on carbon emissions.

Speaking in London, Ben van Beurden warned that the industry faces a credibility problem “if you undermine calls for an effective carbon price; and if you always descend into the ‘jobs versus environment’ argument in the public debate,” according to a copy of his prepared remarks.

Shell has endorsed cutting greenhouse gases through cap-and-trade policies that put a price on carbon. It’s not the only oil giant to talk that way — BP also says it favors a global carbon price, and that national or regional carbon policies are “a good first step.”
But here in Washington, where the Legislature is debating cap-and-trade legislation proposed by Gov. Jay Inslee, the oil industry has displayed little desire to cooperate.

The association representing the state’s five major oil refineries — including those owned by Shell and BP — has worked with other business and agriculture groups to stymie Inslee’s proposal.

The fossil-fuel lobby is politically well-positioned to block the plan. The oil and gas sector has sent more than $415,000 in direct donations to Washington legislative candidates since 2012, according to contribution data compiled by the National Institute on Money in State Politics.

The top eight recipients are members of the state Senate’s Republican-led majority caucus, where leaders have opposed advancing any version of a cap-and-trade proposal this year.

Despite big spending for Democrats by environmental groups backed by California billionaire Tom Steyer, Republicans strengthened their Senate majority in the fall elections.

Tesoro was the largest oil-sector donor to the legislative candidates, giving more than $70,000. The company owns a refinery in Anacortes and has proposed an oil railroad terminal in Vancouver.

In addition to direct donations, Tesoro and allied oil groups delivered an additional $72,000 to political-action committees backing Republicans last fall, according to Public Disclosure Commission records.

Inslee’s legislation would cap statewide carbon emissions, impose $1 billion a year in charges on polluters and direct the proceeds to schools, transportation projects and other programs.

Sen. Kevin Ranker, D-Orcas Island, the prime sponsor of the proposal in the state Senate, says he’s met with oil-industry lobbyists in his office and suggested they work with him on a policy they can live with.

“I told them ‘you can either be at the table or on the menu,’ ” Ranker said, arguing if the Legislature fails to act, voters will approve some form of carbon tax or cap-and-trade system by initiative.
But Ranker said he’s gotten nowhere with that argument. “They just don’t want anything to happen,” he said.

**“Properly designed”**

Frank Holmes, regional director for the Western States Petroleum Association (WSPA), said the industry doesn’t deny climate change and might be willing to discuss a “properly designed” cap-and-trade system. But he called both the system now in place in California and Inslee’s similar proposal in Washington unacceptable.

When asked what a properly designed system might look like, Holmes said, “I don’t know that there are any specific proposals that we would be willing to put forward. But there are definitely alternatives for reducing greenhouse gases that are more cost effective and achievable.”

Under Inslee’s cap-and-trade proposal, oil refineries and other major carbon emitters would be required to purchase pollution “allowances” at auctions. Over time, the tradable permits would grow more expensive, giving industries an incentive to reduce emissions.

In December, on the day Inslee announced his cap-and-trade plan, WSPA and allied groups announced the creation of the Washington Climate Collaborative. The green-sounding group has a website featuring a photo of Mount Rainier and statistics on Washington’s reputation as an environmental leader. The group says it supports incentives for private-sector development of clean energy.

But its main focus has been to campaign against Inslee’s cap-and-trade proposal, including commissioning a study that predicts it would raise gasoline and energy prices and destroy thousands of jobs. The group, organized by the Association of Washington Business, also includes farm and trucking groups, Realtors, paper mills and several local chambers of commerce.

Some of those same organizations also have backed another group, Washington Consumers for Sound Fuel Policy, to lobby against another piece of Inslee’s climate agenda: a possible executive order instituting a low-carbon-fuel standard in the state, similar to one in place in California.
That group is part of a web of oil-industry backed “AstroTurf” groups with grass-roots sounding names launched by WSPA to combat what it calls “aggressive anti-oil initiatives,” according to a report last year by NW News Network.

A chief argument of the cap-and-trade critics has been to point to progress Washington has made in reducing emissions standards. But environmentalists say those same groups have opposed major policies that have helped reduce pollution, such as car emission and clean-energy mandates.

“They’re the not-now, not-here crowd,” said Cliff Traisman, state lobbyist for the Washington Environmental Council.

**Top money recipients**

Top legislative recipients of oil contributions dismissed any notion that the campaign cash has influenced their actions.

Sen. Andy Hill, R-Redmond, was the largest recipient of direct oil and gas sector contributions, getting $13,800. As the GOP’s lead budget writer and a potential gubernatorial candidate, Hill was among the Republican incumbents targeted in the 2014 elections by environmental groups seeking to flip control of the Senate to Democrats.

Hill said he doesn’t oppose cap-and-trade in theory but criticized Inslee’s proposal as overly complicated, noting it exempts several categories of industries. He called complex government-run regulatory schemes “the devil’s playground” because they’re subject to manipulation.

Sen. Doug Ericksen, R-Ferndale, pumped his fist in the air when a reporter mentioned his status as one of the top beneficiaries of oil-sector support. His 2014 re-election campaign received $11,350 in direct donations from the companies.

Ericksen said the money has nothing to do with his opposition to policies like cap-and-trade. “Absolutely not. I am focused in on protecting the consumers and the people of Washington state. One of the ways I protect them is keeping energy costs low,” he said.

Ericksen’s Whatcom County legislative district includes the BP Cherry Point and Phillips 66 Ferndale refineries. He said it’s as important to protect those
workers’ jobs as it is to keep Boeing jobs in the state.

Overall, the state’s five oil refineries employ more than 2,000 full-time workers, paying an average wage of more than $120,000, according to a 2014 report by the Washington Research Council. An additional 2,700 contract workers are employed on an average day, according to the report, which was paid for by the WSPA.

As the chairman of the Senate Energy, Environment and Telecommunications Committee, Ericksen has blocked a hearing on that chamber’s version of Inslee’s cap-and-trade bill, but he says he’ll give the House version a hearing if it passes there.

**Oil firms respond**

Major oil companies have varied in their response to cap-and-trade proposals. The oil sector spent millions in California trying to block such regulations, sounding warnings of a “hidden gas tax” much as they have in Washington state.

At the same time, some oil-company representatives sound like environmentalists in embracing cap-and-trade.

Angus Gillespie, Shell vice president for CO2, speaking in January during a panel discussion in San Franciscosponsored by Climate One, said he sees debate within the industry on how to respond to climate change — but not on whether it is happening.

“We (Shell) do actively call for a strong price on carbon ... we need to see the start of affirmative action on climate change. You will struggle now to finding climate deniers inside the oil industry. It has just become unacceptable,” he said.

Despite such rhetoric, there is no indication Shell will back Inslee’s bill if it does move forward.

Curtis Smith, a Shell spokesman, said in an email that the company has not testified “nor have we taken a position on this local issue.”

The oil industry’s mixed messages come as little surprise to some experts who’ve tracked the industry’s response to climate change.

Paul Simpson, CEO of the Carbon Disclosure Project (CDP), a British nonprofit
that works with companies to disclose their carbon emissions and environmental policies, said that at a theoretical level, many big corporations realize action on climate change is needed.

Companies including Shell and BP have disclosed they’re planning for carbon prices of $40 per metric ton, according to a CDP latest report, published in September. That’s substantially higher than the initial carbon-pollution charges predicted under Inslee’s cap-and-trade proposal for Washington.

“They realize carbon is going to be priced. It’s inevitable and therefore they’re preparing for it,” Simpson said. “At the same time they still resist it.”

*Seattle Times staff reporter Hal Bernton contributed to this report. Jim Brunner: 206-515-5628*
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