Big Oil and the Obstruction of Climate Regulations

October 2015
The energy majors’ slogan leading up to Paris 2015 is to call for a price on carbon. Behind the scenes, however, they are systematically obstructing the very laws that would enable a meaningful price. This report examines this obstruction, how trade associations are playing a key role and misalignment by Shell and Total and their own trade associations on these issues.

Summary

Shell, BP and Total (but not ExxonMobil and Chevron) have challenged the governments of the world to put a **price on carbon** as their key position in the run up to the COP21 meeting in Paris. This has since been followed by a flurry of messaging from them on the topic that will likely continue in the coming months. Our detailed analysis of these five integrated oil and gas companies shows they exhibit very little discourse on the specifics of the legislation necessary to establish a price on carbon and indeed show a systematic obstruction of this legislation directly and through their trade associations. UN FCCC Executive Secretary Christiana Figueres notes that national climate legislation is “the absolutely critical, essential linchpin” of an international agreement on climate. We analyzed three key strands of climate policy that have been proposed, refined, rejected and debated continuously in numerous national governments over the last decade or so: the carbon tax, emissions trading and greenhouse gas emissions regulations.

Shell appears to be the most misaligned with its trade associations on these climate policies followed by French firm TOTAL. BP, Chevron and Exxon appear to be as equally obstructive as their trade associations with misalignment factors close to zero. Shell holds several board level positions in trade associations advocating against effective carbon pricing regulation, despite its apparent vocal support. A good example is its board-level relationship with the European chemicals trade association CEFIC, which has **consistently obstructed** progress of the EU Emissions Trading Scheme.

The info graphics on the next page summarize how the big five oil and gas majors are engaging on the climate legislation that is necessary to enable a price on carbon, and the obstructing trade associations they are close to. The survey covers the last few years and various regions of the world. While the overall InfluenceMap.org rankings look at twelve areas of climate policy, in the table below we narrow down our analysis to the three regulatory strands key to a carbon price.
Climate Influence: Oil Majors and their Trade Associations

- The **organizational score** represents the degree to which the organization is influencing the areas of climate policy and legislation (the carbon tax, emissions trading and greenhouse gas emissions regulations) we studied. The higher the score, the more supportive it is. And vice versa.

- The **relationship score** is an aggregation of the scores of the trade associations the company has close relationships with, on the same issues. The stronger the relationship, the greater the impact on the company’s score (strong relationships are indicated by darker shades of gray in the cells in the grid).

- The **misalignment factor** is the degree to which the corporation’s own messaging is projecting a more positive position on these legislative items than the activities and positions of the trade bodies it has key relationships with. The higher this number, the more misaligned the company is. Shell tops this metric.

- InfluenceMap tracks the nature of the relationship between corporations and the trade bodies and scores this. In the table below, the darker the shade of gray the stronger the relationship (e.g. a black square indicates a senior corporate executive in a key position in the trade association).

Below we show the overall scores of the trade associations on these issues in the key. The color coded scores follows the InfluenceMap scoring system where **A** and **B** (green) is supportive of progressive climate policy with **C** and **D** (blue) less so through to **F** (red) which represents highly obstructive influence.
Company Profiles

In the following sections, we look at each company in detail and examine their position on the need for climate action. We then look at the three regulatory strands important for a price on carbon: the carbon tax, emissions trading schemes and greenhouse gas emissions standards. Alongside these positions, we note the activity, on the same issues, of the key trade associations the oil & gas majors are very closely related to. These examples are taken from the InfluenceMap.org database of over 10,000 pieces of evidence on corporations’ engagement with climate policy and our analysis illustrates both the obstructive nature of big oil towards crucial climate policy and the use of trade associations to bolster this objective.
### On the need for climate action

**Shell corporate website (April 2015):**

“CO2 emissions must be reduced to avoid serious climate change. To manage CO2, governments and industry must work together. Government action is needed and we support an international framework that puts a price on CO2, encouraging the use of all CO2-reducing technologies.”

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**Business Europe Press Release, Director General Markus Beyrer (October 2014):**

“EU leaders didn’t have the strength to re-orientate Europe’s climate and energy policy towards the international competitiveness of EU industry. The 40% emissions reduction target is highly ambitious, aiming at the same effort in 10 years as we are doing over 30 years. It must be re-assessed in the light of the upcoming climate negotiations in Paris. It is also imperative to anticipate now stronger carbon leakage measures to avoid industrial re-location out of Europe based on lower climate objectives by other major economies.”

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### On a price on carbon

**Shell response to CDP information request Q.2.3a (2014):**

“We support the need for a robust carbon price in the EU by removing the significant surplus of allowances now in the system. EU Climate Policy to 2030 […] In the EU we have further encouraged the adoption of a measure to strengthen the ETS. We propose that the Commission bring forward (from 2021) their proposal to implement a Market Stability Reserve mechanism within the ETS.”

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**CEFIC Director General, Hubert Mandery quoted in media (July 2013):**

“The proposals for back-loading will not help. They signal a willingness to intervene in the market and push up prices, risking weakening competitiveness and distracting investment from innovation.”

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**CEFIC Director General, Hubert Mandery quoted in media following a key EU ETS vote (February 2015):**

“Anything that ups our costs relative to global competitors is another blow that we cannot afford.”

### The link between Shell and Business Europe

Shell Executive An Theeuwes is Chair of the BusinessEurope Green Taxation Working Group.

### On emissions trading schemes (EU ETS)

**CEFIC Director General, Hubert Mandery quoted in media:**

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**CEFIC Director General, Hubert Mandery quoted in media following a key EU ETS vote:**

“Anything that ups our costs relative to global competitors is another blow that we cannot afford.”

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### Footnotes

1. Shell Corporate website, April 2015
2. BusinessEurope website, Director General, Markus J. Beyrer, Press release, October 2014
3. Shell CDP 2014 Information Request, Q.2.3.a
4. Euractiv.com, July 2013
5. ICIS Reed Business Information quoting CEFIC Director General, Hubert Mandery February 2015.
Royal Dutch Shell

<table>
<thead>
<tr>
<th>On greenhouse gas emissions regulations (US EPA’s Clean Power Plan)</th>
<th>The link between Shell and Business Roundtable</th>
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</thead>
<tbody>
<tr>
<td>Shell corporate website (2014):</td>
<td>Shell Oil Company Executive Marvin Odum is a Direct Member of Business Roundtable</td>
<td>Business Roundtable’s official comments to the EPA on Obama’s Clean Power Plan (2014):</td>
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<td>“There’s a place for other forms of regulation too. The ambitious goals of initiatives like the EPA’s Clean Power Plan – which aims to cut power plant-related emissions by 30% – could make a real difference. They give states clear targets while allowing them the freedom to work with industry, consumers and others on how best to achieve those targets.” 6</td>
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<td>Business Roundtable’s official comments to the EPA on Obama’s Clean Power Plan (2014): “Our conclusion is that given the number of complex issues and the legal uncertainty surrounding the proposed rule, EPA should consider re-proposing the rule and requesting additional comments. Business Roundtable looks forward to working with EPA on how best to achieve cost-effective greenhouse gas emissions reductions while continuing to support economic growth and job creation.” 7</td>
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**InfluenceMap comments:**

Shell has stated support for the US Clean Power Plan and progressive reform of the European Union Emissions Trading Scheme (EU ETS), two of the world’s most important pieces of climate legislation. At the same time, Shell also holds a senior position on the board of CEFIC (a powerful European chemicals trade body) that has consistently resisted progress on the EU ETS. A Shell executive is chair of the Green Taxation working group of Europe’s leading business federation, BusinessEurope, which appears to advocate for Europe to be less ambitious on a global deal on climate. While Shell has publicly supported Barack Obama’s 2014 Clean Power Plan it is also a direct member of the Business Roundtable, a US CEO grouping that officially advocated for the same plan to be shelved.

**Footnotes**

6 Shell Corporate website, September 2014  
7 US government regulatory consultations, 2014
### On the need for climate action

**Total corporate website** (2013):

"Moreover, in 2014 TOTAL decided to join the call of the United Nations Global Compact, which encourages companies to consider a CO2 price internally and publicly support the importance of such a price via regulation mechanism suited to the local contexts. In particular, TOTAL advocated the emergence of a balanced, progressive international agreement that prevents the distortion of competition between industries or regions of the world. Drawing attention to future constraints on GHG emissions is crucial to changing the energy mix."

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**API website, comments from President and CEO Jack Gerard** (April 2015):

"Unfortunately, there are some in our society who do not share our view or enthusiasm for the American energy moment. It has become apparent that during this administration’s final two years in office their focus is not on our nation’s 21st century energy renaissance or on securing our long-term status as global energy leader but instead on a narrow political ideology driven by the upcoming climate change summit in Paris - the center piece of the president’s effort to burnish his environmental legacy."

### On a price on carbon

**Total website, message to UNFCCC supporting carbon pricing** (June 2015):

“We believe that a price on carbon should be a key element of these frameworks. If governments act to price carbon, this discourages high carbon options and encourages the most efficient ways of reducing emissions widely, including reduced demand for the most carbon intensive fossil fuels, greater energy efficiency, the use of natural gas in place of coal, increased investment in carbon capture and storage, renewable energy, smart buildings and grids, offgrid access to energy, cleaner cars and new mobility business models and behaviors.”

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**Minutes from a recent CEFIC meeting** (February 2015):

"On 24th February, the EP ENVI Committee will vote on the draft opinion by MEP Belet on the MSR proposal purpose of which is to withdraw allowances from the carbon market so as to engineer an increase in the carbon price. As an energy intensive industry, exposed to carbon leakage, the chemicals industry would suffer a serious loss of competitiveness were such a carbon price increase to be imposed in the absence of effective carbon leakage protection. The existing carbon leakage measures do not provide this and they will steadily become even less effective over time. Therefore before the MSR is introduced, we would need for these measures to be reformed so as to ensure that sectors at risk of carbon leakage will receive full allocation of free allowances, up to benchmark standards of carbon efficiency, in respect of their actual production. Action: AFEMs were invited to ask their MEPs to support our amendments in order to ensure this outcome.”
### On emissions trading schemes

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<th>Total comments as part of official EU Consultation on climate and energy policies until 2030 (2013):</th>
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<td>“Adapt regulations to specifically reinforce the constraints on power generation sector greenhouse gases emissions, to incentivize the use of less emitting energy sources, including natural gas, which flexibility of use qualifies it to complement intermittent energy sources.”</td>
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### The link between Total and the American Chemistry Council

**Total executive Bernard Claude is on the board of the American Chemistry Council**

### On greenhouse gas emissions regulations (US EPA’s Clean Power Plan)

**Comments submitted to the US EPA by the American Chemistry Council (December 2014):**

“The proposed rule is already causing irreparable harm and should be withdrawn. The aggressive emission reduction targets that EPA has proposed will cause significant and irreparable harm to the Associations’ members. Although the final compliance date is not until 2030, EPA’s proposal would require that the majority of emission reductions occur within a few years, meaning that immediate, rushed action on the part of the Associations’ utility members is necessary to achieve those goals.”

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**InfluenceMap comments:**

**Total** has voiced its support for an international agreement on climate change, which includes placing a price on carbon. However, it has a senior executive on the board of the American Petroleum Association (API), an organisation that views the climate change summit in Paris as driven by “narrow political ideology”. Total is also a member of CEFIC (a powerful European chemicals trade body) that has resisted progress on the EU Emissions Trading Scheme (EU ETS). Despite Total’s stated support for limits on greenhouse gas emissions from the power sector, its executive, Bernard Claude, is on the board of the American Chemistry Council, which opposes the US Clean Power Plan’s greenhouse gas targets.

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**Footnotes**

8 Total corporate website, 2015
9 American Petroleum Institute website, April 2015
10 Total corporate website, June 2015
11 InfluenceMap Website, CEFIC profile page
12 Official EU Consultation website: EU Consultation on climate and energy policies until 2030, May 2013
## On the need for climate action

**BP corporate website (2015):**

“BP believes that the scale of the climate challenge is such that governments must act by setting a clear, stable and effective carbon policy framework if energy companies are to limit GHGs while providing energy competitively.”  

**NAM CEO Jay Timmons in media interview, on the US EPA Clean Power Act (2015):**

“As users of one-third of the energy produced in the United States, manufacturers rely on secure and affordable energy to compete in a tough global economy, and recent gains are largely due to the abundance of energy we now enjoy. Today’s proposal from the EPA could single-handedly eliminate this competitive advantage by removing reliable and abundant sources of energy from our nation’s energy mix.”

## On greenhouse gas emissions regulations (US EPA’s Clean Power Plan)

**BP America executive John Minge is on the NAM Board of Directors**

## On a price on carbon

**BP CEO Bob Dudley quoted in media (June 2015):**

“What we are recommending is simply a price on carbon, however it is emitted. This will then enable many solutions to play a part.”

**BP’s comments as part of official EU ETS Consultations (2013):**

“Regarding system surplus, there has been an unfortunate desire to intervene in the EU ETS mid phase via back-loading and now the Market Stability Reserve (MSR). These interventions have been disruptive to the market in encouraging short-term responses to each stage of the political process of regulatory approval.”

## On the emissions trading schemes (EU ETS)

**BusinessEurope Press Release on the EU ETS Market Stability Reserve (February 2015):**

“Today’s decision fails to make the system work for every sector and business. It imposes an extra burden on energy-intensive and trade-exposed industries, without taking sufficiently into account the detrimental effect on their international competitiveness.”
BP corporate website (2015):

“GHG regulation is increasing globally. For example, we are seeing the growth of emission pricing schemes in Europe, California and China, additional monitoring regulations in the US and increased focus on reducing flaring and methane emissions in many jurisdictions. We expect that GHG regulation will have an increasing impact on our businesses, operating costs and strategic planning, but may also offer opportunities for the development of lower carbon technologies and businesses.”

WSPA President Catherine H. Reheis-Boyd in letter to the California Air Resources Board on expansion of California emissions trading scheme (December 2014):

“Expanding the program to fuels is a major, unprecedented step. No other jurisdiction in the world has attempted to regulate gasoline and diesel markets through a cap and trade mechanism. That is why we are recommending the program be delayed – so that all Californians can be properly educated, obligated parties can understand how the program is intended to work, and appropriate controls are in place to prevent unnecessary disruptions to markets and fuel supplies.”

InfluenceMap comments:

BP has been calling for an effective global treaty to limit greenhouse gas emissions. It has, however, a very mixed record of direct engagement with renewable energy policy in the EU, with the CEO of BP Downstream quoted in 2014 as regarding the EU as “having too many targets for renewables, for efficiency and for GHGs”. It is one of a small group of companies to have sued the US EPA through the opaque group NEDA/CAP over its remit to regulate greenhouse gas emissions. In addition, a BP America executive is on the board of the National Associations of Manufacturers (NAM), which has a long history of opposing climate change policy. This includes opposing Obama’s Clean Power Plan in court and supporting new legislation to prevent any future US carbon tax. BP America is also a member of the Western States Petroleum Association, which has campaigned against the California Air Resources Board’s extension of its cap and trade program to the transport sector.

Footnotes

14 BP corporate website, 2015
15 Buffalo News quoting Jay Timmons, President, National Association of Manufacturers, June 2014)
16 Offshore Energy Today quoting BP CEO Bob Dudley, Speech at World Gas Conference, June 2015
17 Official EU ETS Consultations website
18 BusinessEurope website 2015
19 BP corporate website, 2015
### On the need for climate action

**Chevron corporate website (2015):**
“The level and pace of global policy action indicates a low likelihood of a global accord to restrict fossil fuel usage to the levels envisioned in the ‘unburnable carbon’ concept. Twenty years after the United Nations Framework Convention on Climate Change, negotiations have yet to yield a global agreement which would constrain emissions to the extent envisioned in unburnable carbon scenarios. Notwithstanding the intent of nations to do so, Chevron’s view is that the implementation of comprehensive, enforceable and verifiable regulation to implement policies assumed similar to the IEA’s 450 Scenario is not a likely outcome.”

**IOGP Climate Change position paper (November 2014):**
“The oil and gas industry has taken significant steps, at a global level, to limit emissions of greenhouse gases (GHG) from their own operations and is committed to contributing to a global effort including all parts of society. This involves working constructively with decision-makers to develop and implement appropriate policy measures aimed at reducing GHG emissions where that decision is taken, whilst ensuring a secure supply of oil and gas to meet the increasing global demand for energy. IOGP believes that the long term objective of climate change policy should be to reduce the risk of serious impacts on society and ecosystems, while recognizing the importance of energy to the global economy.”

### On a price on carbon

**Chevron CEO John Watson quoted in an Financial Times interview (June 2015):**
“It’s not a policy that is going to be effective because customers want affordable energy. They want low energy prices, not high energy prices. I don’t think that putting a price on carbon is necessarily the answer. I’ve never had a customer come to me and ask to pay a higher price for oil, gas or other products.”

**The link between Chevron and ALEC**
Chevron is a member of ALEC

**ALEC’s comments on its website on carbon taxation (October 2014):**
“A carbon tax would have an immediate consequence of increased prices for gasoline and electricity with a costly impact on low-income families and businesses alike. Such a tax would also be inconsistent with ALEC’s Principles of Taxation, because it would use the tax code as a means of manipulating consumer choices. For these reasons, the resolution concludes that ALEC should oppose a carbon tax at both the state and federal level.”
Chevron

On greenhouse gas emissions regulations
Chevron CEO John Watson quoted in media (May 2015):
“I understand the concerns that are out there. The U.S. is just 15% of the world’s greenhouse gas emissions, so it's very difficult for us to take unilateral action, given that we are already a very energy-efficient economy. We have to be careful on what costs we choose to impose on the average American. 50% of Americans live paycheck to paycheck. So as we impose costs, it can shift economic activity.”

The link between Chevron and the Western States Petroleum Association
Chevron is a Direct Member of the WSPA

On greenhouse gas emissions regulations (California State regulations)
Western States Petroleum Association website (2015):
“The Low Carbon Fuel Standard (LCFS) is a regulation developed by the California Air Resources Board as part of the implementation of AB 32. It requires fuel providers to reduce the carbon intensity of gasoline and diesel fuel 10% by 2020. Though simple sounding, the regulation creates major problems for the state’s refiners. According to the Boston Consulting Group, the LCFS will have a profound impact on the cost of providing fuels, and will result in major job losses and declines in tax revenue.”

InfluenceMap comments:
Chevron has expressed clear scepticism about the prospect of the world acting effectively to regulate and reduce greenhouse gas emissions. It has refused to support a price on carbon, which CEO John Watson says is not “going to be effective”. This is reflected in Chevron’s opposition to California’s Global Warming Solutions Act (which regulates greenhouse gas emissions) and the scheme’s extension to the transport sector. This opposition is supported through Chevron’s membership of Western States Petroleum Association (WSPA), a group that has funded a number of groups and campaigns to oppose California’s world leading climate legislation. CEO John Watson is on the board of the American Petroleum Institute a powerful trade body that “applauded” the US Congress for “blocking the EPA from regulating greenhouse gases under the Clean Air Act”.

Footnotes
20 Chevron corporate website, 2015
21 International Association of Oil and Gas Producers, November 2014
22 Americal Legislative Exchange Council website, October 2014
23 Investor Village quote from Chevron CEO John Watson, May 2015
24 Western States Petroleum Association website, 2015
### On the need for climate action

**ExxonMobil corporate website (2015):**

> “While there remains uncertainty in projecting future changes in climate and associated impacts, ExxonMobil believes that changes to the earth’s climate, including those that may result from anthropogenic causes, pose a risk [...] We believe it is important that as policymakers seek to provide accessible and affordable energy for all, they also carefully consider the risks posed by climate change, including climate change that may result from anthropogenic causes.”


### The link between Exxon and ALEC

**Exxon Executive Cynthia Bergman is on the ALEC Private Enterprise Council**

**ALEC’s website (2015):**

> “Unilateral efforts by the United States or regions within the United States will not significantly decrease carbon emissions globally, and international efforts to decrease emissions have proven politically infeasible and unenforceable. Policymakers in most cases are not willing to inflict economic harm on their citizens with no real benefit. ALEC discourages impractical visionary goals that ignore economic reality, and that will not be met without serious consequences for worldwide standard of living.”

### On a price on carbon

**ExxonMobil CEO Rex Tillerson quoted in media (October 2015):**

> “We have held the view that a revenue-neutral carbon tax is the best option. The revenue-neutral carbon tax could be a workable policy framework for countries around the world. They can tailor it to their own economic conditions.”

### The link between Exxon and Business Roundtable

**Exxon CEO Rex Tillerson is a Committee Chair of the Business Roundtable**

**Business Roundtable President John Engler quoted in media (2012):**

> “I think it runs a competitive risk. I think the carbon trading system in Europe has largely failed, and I think a new tax on productions or a carbon tax at a time when we seem to be developing because of the proliferation of shale gas now, announcements by Dow Chemical, big construction down in the Gulf, chemical plants coming back, chemical exports now rising. There used to be a great balance of trade contributor positively. We ought to be taking advantage of the energy advantage as a nation to really help move the manufacturing back onshore. There’s some of that. We’re highly productive as a result of this tough recession and why would we put a carbon tax up there as a way of reducing competitiveness?”
ExxonMobil

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<tr>
<th>On the price of carbon</th>
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<tr>
<td>ExxonMobil CEO Rex Tillerson in a Bloomberg media report (May 2015): “No thank you, that would not be us,” “We’re not going to be disingenuous about it. We’re not going to fake it. We’re going to express a view that we have been very thoughtful about. We’re going to express solutions and policy ideas that we think have merit.”</td>
<td>Exxon executive Neil A. Chapman is a NAM board member</td>
<td>From NAM’s Website (2013): “Carbon Tax Is Bad Medicine for Recovering Economy: We feel this amendment is necessary because carbon tax proposals that have been studied to date spell trouble for the economy.” [...] “While the Obama Administration has said it has no intention of proposing a carbon tax, it is crucial for manufacturers and other industries to have certainty. “By ensuring that any such proposal goes through Congress, this amendment will give manufacturers the confidence they need to make long-term investments without fear of this devastating regulation being imposed through executive action.”</td>
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InfluenceMap comments:
ExxonMobil appears to emphasize uncertainty around the science of climate change, a position aligned with their corporate membership of the American Legislative Exchange Council (ALEC). It is one of a small group of companies to have sued the US EPA through the opaque group NEDA/CAP over its remit to regulate greenhouse gas emissions. ExxonMobil CEO Rex Tillerson has refused to join its European competitors in calling for a price on carbon, preferring “policy ideas that we think have merit”. Although Mr Tillerson would accept a ‘revenue-neutral’ carbon tax, as Exxon’s preferred policy response this is a policy openly opposed to by both the US National Association of Manufacturers and the US Business Roundtable, groups that Exxon executives hold senior positions with.

Footnotes
25 ExxonMobil corporate website, 2015
26 American Legislative Exchange Council website, 2015
27 Upstream Online quote of ExxonMobil CEO Rex Tillerson, October 2015
28 C-Span video transcript, Business Roundtable President John Engler, May 2012
29 Bloomberg quote of ExxonMobil CEO Rex Tillerson, May 2015
30 National Association of Manufacturers website, press release, August 2013
About InfluenceMap

We are a neutral and independent UK-based non-profit whose remit is to map, analyze and score the extent to which corporations are influencing climate change policy. Our knowledge platform is used by investors, climate engagers and a range of concerned stakeholders globally.

Contact Information

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