CALIFORNIA

Businesses spent millions lobbying before cap-and-trade vote
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Several businesses poised to benefit from California's new cap-and-trade law are lobbying powerhouses that have poured millions of dollars into efforts to influence legislation.

At least seven oil companies and the petroleum trade group Western States Petroleum Association (WSPA) together doled out more than $34 million to persuasion efforts from 2015 through the first quarter of this year. The parent companies of the three biggest investor-owned electric utilities spent a combined $9.1 million. Four agriculture groups bankrolled nearly $1.6 million.

Each of those interests stands to benefit from A.B. 398, which extends cap and trade through 2030. California Gov. Jerry Brown (D) signed the bill yesterday (see related story).

"There are a lot of special interests in the capital, and a lot of them came to play," said Brent Newell, general counsel with the Center on Race, Poverty and the Environment, which pushed for policies to help people who live near sources of pollution, like refineries. "Utilities, agriculture, oil and gas, they all influenced significantly the contours of this bill."

Public disclosure forms outlining lobbying activity from April through July are not yet publicly available, so it's unclear precisely how much the companies spent to influence lawmakers as they raced toward a vote on the bill that passed.

But multiple companies indicated that they were working on the issue for the past two years. In disclosure forms that outline lobbying activities in January through March, several listed "cap and trade" and A.B. 378, a cap-and-trade extension bill that died in an Assembly floor vote. Some said they had worked to influence S.B. 775, another cap-and-trade proposal that never reached a floor vote.

The amount of money spent since 2015 shows the influential arc of the fossil fuel industry, according to others who advocated on climate measures.

"I see it everywhere that I go, the regulation agencies, the governor's office," said Brian Nowicki, California climate policy director with the Center for Biological Diversity. "The oil and businesses interests are there in full force."

WSPA led the companies, and the oil sector, on spending. The trade group spent $20.1 million since 2015 and nearly $1.4 million in the first quarter of this year. The association represents some two dozen oil companies,
Several observers said WSPA won a major plum in the measure that passed, A.B. 398. It contains a provision stating that only the California Air Resources Board (ARB) can regulate carbon emissions at oil and gas facilities, and solely through cap and trade. That means the state's 35 local air districts cannot directly regulate carbon dioxide.

Many familiar with negotiations around the bill say that language was inserted at the behest of WSPA and that Brown consented because he wanted a two-thirds vote approving the legislation. Brown needed allies, not opponents. In the end, eight Republicans voted for it, while three Democrats opposed it.

"This was a response to a direct ask or demand by oil interests," Nowicki said. The Center for Biological Diversity opposed the bill, in part because of the provision. "To that extent, you have to say it was successful."

WSPA would not agree to an interview. In a blog post after the vote, Catherine Reheis-Boyd, WSPA president, said that the measure as written was the best option for meeting the state's 2030 mandate to cut greenhouse gas emissions 40 percent below 1990 levels. Direct regulations from ARB would have been more costly, she said.

"Cap-and-trade's market-based approach provides regulated facilities, like those of our industry, with more flexibility as they work to meet the new standards," Reheis-Boyd wrote. "The bipartisan support of A.B. 398 ensured an improved cap-and-trade program with tax cuts, cost containment measures, and significant bureaucracy reduction that will contain costs for all Californians."

Reheis-Boyd also praised the measure's language that extends a sales tax exemption for purchases of some equipment used in manufacturing. It was expanded to include machinery used for the generation and distribution of renewable electric energy, such as solar, wind and hydropower.

"Important tax cuts were fought for by legislative leaders in both parties that will ease the burden of businesses working to comply with the law," Reheis-Boyd wrote in the blog.

**Campaign contributions, too**

Asked about the trade group's influence efforts, Reheis-Boyd said in an emailed statement that "expenditures for lobbying activities are a direct reflection of the importance of our industry to the state's economy and the enormous number of policy issues confronting us in California."

"In order to ensure the ability of California's oil and gas producers to continue to provide essential fuels, jobs, technology and revenues for the state, it is necessary to engage robustly in the political process," she added. "Total reported spending also includes engagement in research and analysis of the significant regulatory activities of the California Air Resources Board and other state agencies, which is valuable to all engaged in the regulatory process."

In addition to the efforts by WSPA, here are the leading oil companies and their lobbying expenditures since 2015: Chevron, $8.2 million; Tesoro Corp., $1.5 million; Exxon Mobil, $1.1 million; California Resources Corp. and subsidiaries, $1.1 million; and Royal Dutch Shell PLC, $1 million. Valero Energy Corp. and BP Corp. North
Newell with the Center on Race, Poverty and the Environment said he saw oil lobbyists around legislators’ offices, and waiting outside the governor's office, leading up to the unveiling of the A.B. 398 text.

Among them were former Assemblymember Henry Perea (D), who is now senior vice president of policy and strategic affairs for WSPA, and Eloy Garcia, a partner at KP Public Affairs in Sacramento who works as a lobbyist for WSPA, focusing on climate issue, according to Newell. He said he also saw former Sen. Michael Rubio (D), now a Chevron lobbyist.

"The language they proposed directly benefits oil production and oil refining," Newell said. "Who else would insist that that be in there?"

He added that "it's hard for me to say how much of a role their direct lobbying played compared to, say, direct campaign contributions."

E&E News reported earlier this month that a group of 17 California Democrats who helped kill an earlier cap-and-trade extension bill received $1.2 million in campaign contributions from the oil and gas industry and other opponents of the measure (Climatewire, July 5). That defeated bill, A.B. 378, included language that would have allowed ARB to set limits for air emissions at refineries, factories and other locations subject to cap and trade.

Utilities also lobbied

The electricity sector also sought to persuade lawmakers before the vote on cap and trade.

San Francisco-area utility Pacific Gas & Electric Co. and its affiliates spent $2.8 million lobbying since 2015. Edison International and affiliates, including the Los Angeles-area utility Southern California Edison (SCE), bankrolled $2.7 million. Sempra Energy, parent company of San Diego Gas & Electric Co. and Southern California Gas Co., spent $3.6 million. The lobbying was focused on several issues, including cap and trade.

That was money spent on "general lobbying," which includes time spent talking to lawmakers, the governor and agencies, like ARB. It does not include lobbying of the California Public Utilities Commission, which is listed separately.

The utilities said their lobbying expenditures are funded from shareholder dollars and that they follow disclosure rules.

"Public policy engagement is an important and appropriate role for companies," Sempra said in a statement. "We track hundreds of proposed laws, rules, regulations and policies annually and engage at the federal, state, and local levels of government to ensure that the perspectives of our company, our shareholders, our customers, and our employees are represented before lawmakers and regulators."

PG&E said that it "engages at the federal, state and local level of government to ensure that the concerns of our customers, shareholders and employees are represented before lawmakers and regulators. ... Like many individuals and businesses, PG&E participates in the political process."
Utilities throughout the state, including municipal ones, supported A.B. 398 for multiple reasons, according to a joint letter filed with Brown and Legislature leadership.

Those included provisions like a price ceiling for the carbon allowances sold at auction and two price containment points. As well, there is a continued role for offsets, the letter said, where businesses can invest in carbon-reducing projects for part of their compliance. There are also opportunities to link California’s system with other programs.

The utilities said it was the most cost-effective way to get to the state’s emissions reduction goal.

"Cap-and-Trade establishes a firm GHG target and provides flexibility to foster innovative GHG emissions reductions that minimize costs to California consumers and businesses," the letter said.

Some of the utilities also stand to benefit from the language that extends the manufacturing tax credit, Newell noted, as it was expanded to cover some forms of renewable energy.

The utilities confirmed that boost.

"The manufacturing tax credit extension in the Cap and Trade legislation does provide a very small benefit to Southern California Edison on certain eligible renewable energy projects," SCE said in an emailed statement.

"The dollars saved, will be passed on to SCE customers. Independent power producers are also eligible on qualified projects."

SDG&E said that "beginning in 2018, utilities in California would be eligible for the partial sales tax exemption. The partial exemption caps eligible purchases of machinery/equipment at $200 million per year per entity."

PG&E also foresees a benefit.

"Extending the sales tax exemption to utilities and renewable energy companies will result in savings for our customers by reducing our capital spend, as well as the amount we pay for renewable energy," the company said in a statement.

"We estimate the sales tax savings for PG&E at about $8 million annually, which will be passed through to our customers over the life of our electric grid assets," it added.

**Agricultural groups like the bill**

Farm groups also spent on lobbying, and they found plenty to like in A.B. 398.

The California Farm Bureau Federation spent nearly $1.3 million since 2015 through the first half of this year. Unlike the others, it has filed a disclosure for the second quarter of this year as well as the first.
Those four listed cap and trade, or "climate change policy issues," as among those they advocated on in the first quarter of this year. They have worked on several other policies and bills, as well, since 2015.

A coalition of farm and agriculture groups in a letter to Assemblymember Eduardo Garcia (D), the lead sponsor of A.B. 398, said the measure "allows food processors regulated under SB 32 to meet their compliance obligations for reducing GHGs in a cost effective manner."

The agriculture groups said the measure provides a mechanism to establish a price ceiling on allowances. It also has language ranking how the revenues from the program will get spent, the letter said, with a "specific order of projects to prioritize, starting with reducing air pollutants from stationary and mobile sources, sustainable agriculture and short lived climate pollutants."

The bill also sets up a path to creating new offsets in California, including in the agricultural industry. That could help dairies install digesters to burn methane.

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