'Projections don't match aspirational goals'

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A Q&A with the president of the Western States Petroleum Association.

Portland and WSPA are like oil and water: They don't mix. The trade group, which spends millions of dollars lobbying on behalf of Chevron, ExxonMobil, Shell and other petro giants, scored a win last week when an Oregon land use court reversed Portland's decision to ban new fossil fuel terminals. WSPA continues to battle the state's clean fuels standard and supported a recent, industry-led effort to dilute DEQ clean air rules.

WSPA's chief executive Catherine Reheis-Boyd was in town yesterday as part of a media outreach tour. She talked about the enduring reality of a fossil fuel economy, playing an even more active role in Oregon as climate change policy heats up and her tentative support for a market-based
mechanism to limit carbon emissions. [Interview excerpts have been edited and condensed.]

**What's your stake in Oregon?**

We don't have refineries here, but one of our main purposes is to provide fuel for the state. Most of the fuel for Oregon comes from Washington — a little from California. Our emphasis is trying to find the balance on policies that are socially, environmentally and economically responsible.

**What does striking a balance mean to WSPA?**

How do you balance the goal of what the state is trying to do with the economic impact on our business? We try and bring to the table what I call a reality conversation: How do our aspirational goals compare to the infrastructure we actually have? How do you bridge that gap? This tends to come up in context of environmental issues. Right now climate change is the biggest [issue] WSPA faces. Well, maybe not in Arizona and Nevada but definitely California, Oregon and Washington.

**What do you mean by aspirational goals?**

If you look at the Energy Information Administration (EIA) — their job is to look out in the future to project. They say in 2040 we are still going to be 80% coal, gas and oil. When you rack that up against pretty aggressive state environmental timelines, it ain't matching up. You’ve got states calling for 50% emissions reductions, 40% reductions — all before 2040. So there have to be
some real conversations, because it’s going to be a lot longer than these aspirational goals. They are meritorious goals, but we're not going to get there as fast. In the interim we still have to move people from a to b; we still have to have electricity.

**The goal of climate change regulation is to accelerate the market transformation.**

I have no issue with government’s desire to set regulations. But in that conversation, let’s be realistic about where we are and what it’s going to take to get where we are going. For our industry, I think we’re pretty innovative, creative in the climate change space. As you look into alternative or renewable fuels, our companies, Shell, BP, are investing more than the federal government, more than any other private entity in wind and solar. Even on the electricity side, we’ve got major research and investment. People don’t know ExxonMobil has invested electric cars, in lithium batteries, but they are. [*Exxon did invent the lithium battery in 1970s, but recent reports cast doubt on the oil giant’s EV commitment.*]

We hope there is a balance of gas, diesel and jet fuel our companies provide and their vision for the future within a realistic timeline.

**How do fossil fuel terminals fit into that vision?**

I don’t know what Oregon’s plan would be if you don’t have terminals. Because you don’t have refineries; you don't have production. There is no other ability for refineries to get fuel to Oregon such that you can store it or use it; that’s why terminals are so important for the state. You have
four million people that wake up every day and expect to move somewhere: fly, drive, truck. We have to be able to provide that and have to be able to provide that safely environmentally, and affordably. You just can't eliminate infrastructure while you're feeling out what your plan is. So that was a big issue for us.

So is the low carbon fuel standard.

I hate the low carbon fuel standard. A low carbon fuel standard requires you to blend in gasoline a fuel that has a lower carbon intensity. Right now it's ethanol. But as the standard ramps up, the low carbon fuel will be harder and harder to find. Because we haven't cracked the nut. We can't figure out what's less carbon intensive than what we have. The minute you can't get to the next increment — you're going to pay more. The low carbon fuel standard is a regulation, and it's not a regulation you can comply with.
There is a trading component to the standard. You support market mechanisms?

Our organization supports market mechanisms like cap and trade. A cap and trade says you have some flexibility. It's not a single regulation on a single industry.
So you support a cap and trade program to regulate carbon emissions?

We would support discussing a cap and trade. You can have a well-designed cap and trade and a poorly designed cap and trade. It could be designed worse than the low carbon fuel standard. If Oregon goes down the cap and trade route we hope they will take look at low carbon fuels standard. Because otherwise it is duplicative.

What about a carbon tax?

We have members in both camps: cap and trade and carbon tax. We won’t support both.

You lobby for carbon offsets as key to a cap and trade emissions reductions strategy. But California is pulling back on global offsets in favor of local pollution control programs.

Offsets are the most effective cost containment measure. Why would you want to limit them? The only reason is if you consider CO2 a local pollutant, which it is not. If you have an offset protocol that has been approved, why wouldn’t you want to use them? California said we’re going to move offsets from 8% of emissions reductions to 4% and maybe go up to 6%. That’s too low. I think offsets are the most innovative part of cap and trade — it’s getting at places where people can’t make reductions. Isn’t that the point? I hope Oregon takes on offsets and tells California they should do more. Oregon’s going to set the offset standard.

The business community in Oregon is not monolithic. We have a progressive
environmental business community as well as a conservative industry base.

If you want to take a leadership role on climate change, we have to have the business community supporting the plan. We want to change that. We're looking forward to being more engaged in the business voice in Oregon. We've been involved in Oregon since the beginning of time, but we haven't done a great job reaching out. We need to find a collective voice.

Do you feel under siege in Oregon?

No, I don't feel under siege. It's always been a pretty difficult environment for businesses given the state's progressive environmental agenda. Climate change has just put a new emphasis on it. But businesses want to find the balance. They are the best innovators. Yeah, I love Oregon.

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