

Strategic Issue – Climate Change

Issues Raised in Budget Review:

- What near and medium term risk does the climate issue pose to the oil and gas industry?
- What are other groups (NMA, EEI, Autos) doing through the GCC and on their own? Why is API playing a central role in business's efforts on climate policy?
- What is the appropriate level of effort for API's climate program for 2000?

What near and medium term risk does the climate issue pose to the oil and gas industry?

- Climate is at the center of industry's business interests. Policies limiting carbon emissions reduce petroleum product use. That is why it is API's highest priority issue and defined as "strategic." Near term risks are not from treaty ratification, which is not likely, but from a broad, well-funded campaign to galvanize public and opinion leader opinion that the threat is greater than justified by the current state of science and by efforts to use appropriations, executive orders and government reports to advance Administration objectives. This is calculated to create a political climate to disadvantage fossil fuels indirectly in the near term and in the long term through more direct means to control consumption.
- The Clinton/Gore Administration and other OECD governments promote the Kyoto Protocol, in part by funding studies to "document" catastrophes aimed at scaring the public into supporting dramatic action. This effort is clearly an aim of the *U.S. National Assessment on the Consequences of Climate Variability and Change* (with significant EPA involvement) and the IPCC *Third Assessment Report*. These reports are unlikely to be characterized objectively.
- The fate of the Kyoto Protocol is unlikely to be determined soon. However, international negotiations have a strong undercurrent: what policies can be adopted and how given that enough countries will not ratify the Protocol. Much of what is being done domestically by proponents is to change public opinion so that more direct action can be taken quickly if political circumstances change. Credit for early action proposals and the Administration's Climate Change Action Plan and related budget proposals are examples.
- No other policy issue facing the oil and gas industry has a continuous agenda of national and international conferences and negotiations that routinely draw hundreds to thousands of participants. Being an effective part of the debate requires continuing effort and is expensive; the benefits may, however, provide positive spillover impacts to other important industry issues. The largest environmental organizations have made climate change their top priority in the 106th Congress. These groups routinely stage climate events to coincide with the latest weather events or their release of reports and studies – the latest, *The Twenty Kingpins of Carbon*, was released in July by NRDC and the Union of Concerned Scientists. The Pew Center has substantial funding and is developing a series of studies to support aggressive action.

What are other groups (NMA, EEI, Autos) doing on climate change through the GCC and on their own? Why is API playing such a central role in business's efforts on climate policy?

- Almost 40% of carbon emissions from fossil fuels come from coal, and mining interests as well as electric utilities have been quite active in the climate policy effort, supporting groups such as CEED, the Greening Earth Society and the Climate Coalition, in addition to the GCC. The balance of emissions, more than 60%, come from oil and gas use. Unlike coal,

where the bulk of that industry's output is used by a single industry (electric utilities), petroleum users are diverse. No other groups (except NMA and the utilities) see this as a core issue; others are willing to at least partially be 'free riders.'

- Some other industries also have periodically attempted to do what looks good at the expense of doing what is right. The "autos", some utilities and equipment manufacturers are examples.
- Most other associations do not have the expertise or member support to carry out leadership activities. Of 10 current GCC committee chairs or co-chairs, three are from API and one from an API member company. The electric utility industry also accounts for 40% of GCC chairs, but only one is from EEI. The "autos" provide only one co-chair, as does the mining industry.
- Recognizing climate change as our strategic issue, key Congressional leaders look to API for leadership and broad-based advocacy to maintain support for the principles of Senate Resolution 98.

What is the appropriate level of effort for API's climate program for 2000?

- API's 1998 climate program was about \$6 million, the original 1999 program slightly over \$4 million and the proposed 2000 program is \$3.8 million.
- Initially API's 1999 climate budget had over 15 FTEs and \$1.7 million in authorized carry-over funds for external expenditures. API currently has 8.6 FTEs and \$1.5 million in external expenditures.
- The issues facing the climate team are both complex, broad and labor intensive with significant new scientific studies, impact studies, policy studies, policy proposals, legislative proposals, conferences, debates and international negotiations occurring on a continuous basis.

Current Staffing

- The 8.6 FTE in staff resources have the following responsibilities:
 - RASA (0.7 FTE) – Track and evaluate scientific studies, including IPCC material. Review of science component of climate materials. Participate in GCC Science and Technology Committee and related groups. Provide liaison with Federal agencies.
 - Policy Analysis and Statistics (1.7 FTE) – Develop the economic component of advocacy material. Critique Administration and other analyses. Rapid development of communications response material and review economics material in communications. Provide expertise for emissions methodology efforts, emissions trading proposals and development of voluntary actions workshop.
 - Communications (2.0 FTE) – Co-chair GCC-Communications Committee. Develop major communications and advocacy materials, including Internet web-site, voluntary actions papers and brochures, and rapid response to media reports on climate.
 - Federal Government Relations (0.3 FTE) – Interact with the Hill on climate issues, including legislative proposals and education of staff and members. Appropriations, "Early Action Credits" and the Murkowski-Byrd-Hagel bills have been a focus.
 - Strategic Issue Staff (3.9 FTE) – Work with the API Steering Group on keeping the situation analysis, strategy, objectives and programs current. Direct the Climate Team efforts and work with constituency groups. Evaluate legislative proposals,

develop communication strategies, speeches and manage content. Chair the GCC Economics Committee and represent API at climate meetings.

Expanded Staffing

- For 2000, an additional 2 FTEs were proposed: 1.0 FTE to the Climate Team staff, 0.5 to RASA and 0.5 to Federal Relations. The added climate staff (\$380,000) would correct the imbalance between workload and resources to ensure faster turnaround and response and improve contacts with other constituencies. RASA resources would improve the limited ability to respond to new science claims, which are numerous. The Federal Relations resources would more extensively present the industry's case to Capitol Hill, including a longer-term educational strategy that is currently not possible.

2000 Budget Strategic Components

- With a total program of \$3.8 million, the Climate Steering Committee envisioned \$2 million in external expenditures. The climate program has four major strategies. These strategies are specified below for a \$1.5 million expenditure level, per the challenge of the Program and Budget Work Group. In most cases, **potential** grant recipients, consultants and allies have been identified. Plans for the proposed \$0.5 million are discussed later below.
 - **Strategy 1 – Approach and Tenor of the Debate (\$215,000)**
Emphasize industry's positive role and actions. Establish that responsible action is not synonymous with the Kyoto Protocol. Major elements:
 - Develop/deliver positive industry messages; media outreach (\$70,000) [Wirthlin]
 - Industry voluntary programs (\$40,000) [Identification and advocacy of industry voluntary efforts, plus published workshop report]
 - Industry GHG emissions and reporting methodology (\$50,000) [technical analysis for consistent estimation, plus industry aggregation and communications, if appropriate]
 - Communications material, including contract speeches, position statements (printing and distribution) (\$55,000)
 - **Strategy 2 – Outreach to Constituencies, Allies, State and Federal (\$670,000)**
Work with these groups on Capitol Hill, and coordinate actions. Major elements include:
 - Maintain relationship with organized labor (\$75,000) [consultants - Cunningham; Flynn]
 - Work with and support national/state groups (\$75,000) [Seniors Coalition, People for the USA, National Conference of Mayors, Atlas Economic Research Foundation]
 - Strengthen coalitions; grants to constituency and communications oriented foundations and think tanks that address climate issues (\$280,000) [Reason Public Policy Institute, Independence Institute, CEED, Heartland Institute, Frontiers of Freedom, National Center for Policy Analysis, CEI, AEI, Heritage]
 - GCC membership (\$25,000) and communications program (\$100,000)
 - State climate action initiatives and policy resolutions (\$50,000) [Fund State Council efforts]
 - **Strategy 3 – Building the Case (\$485,000)**
Promote industry's positive contribution to a long-term approach as an alternative to near-term targets and timetables. Major elements include:
 - Climate science and science uncertainty research to highlight changing climate science (\$100,000) [National Environmental Policy Institute, CATO Institute]
 - Health research to address "vector-borne" disease claims (\$100,000) [Carnegie-Mellon]

- Expert review of regional impact claims in U.S. National Assessment and IPCC deliberations on "dangerous" concentration levels (\$100,000)
- Policy oriented think tanks and consultant programs to address economic studies and policy impacts (\$160,000) [ACCF, Center for the Study of American Business, Annapolis Center, WEFA, CRA]
- GCC Special Projects (\$25,000)
- **Strategy 4 – Domestic and International Policymakers (\$130,000)**
Participate in domestic and international forums on climate and climate policy as well as domestic and international climate negotiations. Major elements include:
 - FCCC/COP-6 preparation & meetings (\$30,000) [Reinstein Report and consulting]
 - IPCC report review and response (\$25,000)
 - National security and sovereignty issues (\$65,000) [COMPASS, Heritage or academic]

Expanded Program

- For 2000, an additional \$500,000 in external expenditures was proposed to expand the reach of API's program. Under Strategy 1, \$50,000 would have been used for message testing and \$75,000 for Earth Day 2000 communications efforts to respond to the Earth Day theme of reducing fossil fuel use. \$80,000 was slated for Strategy 2 to provide additional outreach to other associations and state coalitions and \$175,000 for Strategy 3 to address extreme weather claims, EPA-funded State GHG limitation plans and economic studies "demonstrating" large scale/low cost emission reductions. In Strategy 4, \$120,000 would be used to document the infeasibility of other nations' meeting their Kyoto targets.