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Top oil and gas lobbying group close to backing a carbon tax

API draft paper calls a tax on greenhouse gases a "primary" tool and an alternative to federal regulation

By

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The American Petroleum Institute, the oil and gas industry's top lobbying arm, is edging closer to endorsing a carbon tax, a tool that would make fossil fuels more expensive, boost prospects for renewable and nuclear energy, and curb pollution that is driving climate change.

But a paper being weighed by an API policy committee would back a carbon tax as an alternative to federal regulation and policies aimed at slowing climate change. And many analysts and lawmakers doubted the sincerity of any such API move because it is highly unlikely Congress would adopt a carbon tax — allowing the trade group to appear to support climate action while risking little.

The draft statement, first reported by The Wall Street Journal, says that "API supports economy-wide carbon pricing as the primary government climate policy instrument to reduce CO2 emissions while helping keep energy affordable, instead of mandates or prescriptive regulatory action."

Coming up with the right language is key for API's nearly 600 members at a time when President Biden wants urgent action in the fight against climate change. His administration is looking at measures that would slash fuel consumption, clamp down on methane emissions, make buildings more efficient, and limit drilling on federal lands.

API's president Mike Sommers is eager to be part of those discussions, especially to prevent limits on drilling, moderate regulations on methane emissions and influence the terms of the climate plans required by all signatories to the Paris climate accord, which the United States just rejoined.

Environment and climate groups doubt that the draft endorsement was significant. Maya Golden-Krasner, deputy director of the Center for Biological Diversity's Climate Law Institute, said "the API's move would be little more than a public relations ploy, and the Biden administration shouldn't be taking policy cues from the standard polluters' playbook."

Golden-Krasner said that a "instead of letting producers buy their way out of climate accountability, we need strong regulations to keep fossil fuels in the ground."
Some members of API favor bolder movement on climate change.

"It's encouraging that API is moving in this direction," said one member of the group, who spoke on the condition of anonymity to protect business relationships. "But the rubber hits the road when there's policy. It's the right direction if you want to see API engage in the right way with the administration and be part of these discussions. The question is how will this be applied to actual policy proposals."

API can resolve the internal rift between its members by exerting bolder leadership, said Jason Bordoff, director of Columbia University's Center on Global Energy Policy. "With several large oil companies supporting a carbon price but many others still badly lagging on the climate issue, API needs to step up its support more broadly for climate action or risk breaking apart," Bordoff said in an email.

A carbon tax would provide a financial incentive for industries to reduce the amount of carbon dioxide, methane and other greenhouse gases they emit. Its advantage is that it is predictable; the disadvantage is that the price might not be high enough to act as a disincentive.

A tax of $40 a ton, advocated by many policymakers, would translate into 36 cents a gallon.

The Biden administration has decided to use a figure of $51 a ton to guide its internal decisions, a rate more than seven times as high as that used by the Trump administration. The price, known as the social cost of carbon, will be incorporated into decisions across the federal government, affecting everything from new coal leasing on federal land to what sort of steel is used in taxpayer-funded infrastructure projects. But that's a planning tool, not a tax on consumers. A real tax would generate hundreds of billions of dollars in revenue, and add to the cost of many items.

"Carbon pricing regimes don't simply fall out of the sky. If you want to see carbon tax it has to be your number one legislative priority and you need to wake up every day determined to work nonstop to make it happen," Sarah Ladislaw, director of the energy security and climate change program at the Center for Strategic and International Studies, said. "It is also very hard to believe a carbon tax could replace other policies. Most supporters of climate policy would not go for that deal. Carbon taxes also do not replace regulation or tax incentives in other countries so I don't know why it would do that in the United States."

As top House Democrats unveiled a comprehensive climate package Tuesday, they made it clear there is little political appetite on Capitol Hill for adopting a carbon tax. The $565 billion dollar package would establish a nationwide clean electricity standard that would phase out fossil fuels by 2035.

“There’s no explicit price on carbon in our bill. We don’t have a carbon tax,” said House Energy and Commerce Committee Chairman Frank Pallone Jr. (D-N.J.). “The votes are just not there for a price on carbon.”

Rep. Paul Tonko (D-N.Y.), who chairs the Energy and Commerce subcommittee on environment and climate change, said lawmakers were focused on fashioning a plan that could pass the House.

“It’s no secret that I lean toward a carbon price,” he said. “But this is a plan, a blueprint that moves us forward.”

Many supporters of wind, solar and nuclear power support carbon taxes.

“I think if we could get to a true cost of carbon, some sort of a carbon tax would be great,” said George Hershman, president of Swinerton Renewable Energy and board chair of the Solar Energy Industries Association. “If you really want to talk about what is a big way to address climate, I think true carbon policy and a true tax on carbon, that’s big and broad.”

API’s biggest members have long been betting on carbon pricing and the likelihood that climate regulation would one day be adopted. In 2009, when Congress was weighing a complicated cap-and-trade approach to limiting emissions, Rex Tillerson, then chief executive of ExxonMobil, said he would support a tax “somewhere north” of $20 a ton on carbon emissions. Later Shell Oil president Marvin Odum said that his company was already using an internal price of $40 a ton when planning future projects. Other companies made similar statements about their own financial planning.

Recently the French oil giant Total, which has vowed to combat climate change, quit API, saying it no longer represented Total’s positions or interests.

But API’s membership includes many oil executives still opposed to any climate action. And they fear that a carbon tax will drive up the cost of oil and gas for consumers.
One leading group advocating a carbon tax was formed by former secretary of state George P. Shultz and former treasury secretary James A. Baker III. In addition to drawing in leading GOP economists, the group also got support from stalwart Democrats, including current Treasury Secretary Janet Yellen and former treasury secretary Lawrence Summers.

They backed a $40 a ton carbon tax that would be refunded to taxpayers through dividend checks.

For now the API issued a statement. “For the better part of a year, API has convened top industry officials throughout the supply chain to incubate a host of policy solutions and industry actions to shape a lower carbon future,” API senior vice president of communications Megan Bloomgren said. “The millions of scientists, engineers, geologists, and problem solvers in our industry are evolving, innovating, scaling technology and solving complex challenges every day to meet the world’s energy demands and drive down U.S. emissions, and our efforts are focused on supporting a new U.S. contribution to the global Paris agreement.”

Juliet Eilperin contributed to this report.