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Unmasked: The Oil Industry Campaign to Undermine California's Clean Energy Future

Millions Spent on Front Groups, Lobbying, and Scare Tactics to Keep Californians Dependent on Oil

California's climate and clean energy policies reduce dependence on oil. By 2030, they will enable Californians to save more than $2,000 per household on gasoline and avoid the need to drive 14 billion miles each year.[1] With the petroleum fuels sector scheduled to begin paying for its portion of climate pollution in January 2015, oil companies have intensified their campaign to undermine the clean energy policies that will reduce their market share.

As *Bloomberg Businessweek* reported in September 2014, the highly profitable oil industry is propping up front groups that "appear to be grassroots organizations started by ordinary people" opposed to these policies, but are in fact supported by the oil industry.[2] Although the publication explicitly named only the California Drivers Alliance and Fed Up at the Pump, in California alone there are at least eight front groups with ties to oil companies such as Chevron, Shell, ExxonMobil, and ConocoPhillips. Most often they work through the industry's trade association, the Western States Petroleum Association (WSPA).

The oil companies' campaign to maintain their profits and continue California's dependence on petroleum-based fuels has been supported by more than $70 million in oil money spent on lobbying in California since 2009.[3] Rather than investing in cleaner sources of energy, more efficient production and refining processes, and less-polluting products that would reduce climate pollution and improve air quality for California's residents, the oil industry has invested in a front group-led marketing campaign to avoid being held accountable for its pollution.

CALIFORNIA'S CLIMATE POLICIES REDUCE DEPENDENCE ON OIL

Thanks to a variety of climate and clean energy measures that are part of California's landmark Global Warming Solutions Act of 2006 (AB 32), which requires the state to reduce harmful carbon pollution to 1990 levels by 2020, California is well on its way to reaching its emissions reduction goals.[4] The primary AB 32 programs include a cap-and-trade system that puts a declining limit on carbon pollution from the state's largest emitters, the Low Carbon Fuel Standard to promote cleaner fuels, the Renewable Portfolio Standard to increase the amount of renewable energy in the resource mix for generating electricity, and the Advanced Clean Cars program to encourage the adoption of fuel efficient and low-emission vehicles.[5] Collectively, **these policies are reducing California's oil dependence, transportation costs, and pollution-related health bills.** Notably, California's economy has grown faster than the U.S. national average while AB 32 has been in place, demonstrating that the state does not have to choose between a healthy economy and the wellbeing of its residents.[6]

California's **transportation fuel providers, which account for nearly 40 percent of California's climate pollution**, are slated in January 2015 to join the state's other major polluting industries (such as power plants and cement factories) already under the cap-and-trade emissions limits.[7] Including the emissions from transportation fuels like gasoline under the statewide cap has been in the works for almost a decade. The cap-and-trade system places an upper limit on greenhouse gas emissions (cap) and requires polluters to either reduce their pollution or buy or trade a diminishing number of pollution allowances (trade). The proceeds from selling pollution allowances to large emitters fund projects that further reduce emissions in California, and at least one-quarter of the funds must benefit disadvantaged communities, which are disproportionately affected by climate pollution.

By 2030, AB 32's clean energy policies will enable California to:

- Save more than $2,000 per household on gasoline each year due to more efficient cars that go farther on a gallon, greater fuel competition, cheaper fuels like clean electricity, and better access to transit;[8]
- Reduce carbon pollution by 150 million tons every year compared with business as usual, which is equal to halving the emissions of all cars and trucks on the road in California;[9]
- Eliminate 14 billion miles driven annually, thanks to more sustainable communities with walkable neighborhoods and expanded public transit;[10] and
- Save well over $8 billion on health care costs due to fewer asthma attacks, cardiac hospitalizations, and premature deaths from poor air quality.[11]

Reducing pollution from the transportation sector is critical to achieving California's climate goals and air quality standards. Four out of ten Californians, more than in any other state, live close enough to a freeway or busy road that they may face an increased risk of asthma, cancer, and other health hazards from vehicle pollution.[12] As a result, **twice as many Californians die early deaths from the health impacts of vehicular pollution than from motor vehicle accidents every year.**[13] These harmful impacts disproportionately burden low-income communities and communities of color, which are often located in regions with poorer air quality and closer to pollution sources. Addressing pollution from the transportation sector is both an environmental imperative and an equity issue.

THE OIL INDUSTRY'S (RENEWED) CAMPAIGN AGAINST AB 32

While these climate policies benefit California residents, they directly threaten the oil industry's bottom line. In 2010, the oil industry bankrolled a ballot measure (Proposition 23) to suspend AB 32 indefinitely, spending millions to influence public opinion and relying on fake grassroots organizations such as the Koch Industries-funded Americans for Prosperity California.[14] Fortunately, voters weren't fooled. They resoundingly defeated the measure by a margin of more than two to one, and with a bipartisan vote in most counties in the state. But as the January 2015 start date approaches for the inclusion of transportation fuels in the state's cap-and-trade program, the oil industry is at it again.

Now, as then, instead of innovating to reduce pollution or developing new clean energy products and services, the oil industry is spending millions on front groups and lobbying to stymie implementation of California's clean energy laws. A 2013 study from Tetra Tech and NRDC shows a number of ways for the oil industry to shrink its carbon footprint in California, which could at a minimum reduce emissions equal to removing nearly 5 million passenger vehicles from the road.[15] Despite these opportunities, less than one-half of 1 percent of the oil industry's trillion-dollar investments worldwide has historically gone toward developing renewable fuels.[16]

> ***Of the oil industry's trillion-dollar investments worldwide, less than one-half of 1 percent has historically gone toward developing renewable fuels.***

One reason the oil industry is targeting California in its campaign is that state policymakers are succeeding in their efforts to reduce Californians' oil dependency and vulnerability to gasoline prices. Through the deployment of clean energy, energy efficiency, and climate policies like AB 32, California ranks among the top 5 states in terms of lowest energy bills per person, and among the top 14 states in lowest gasoline bills per person, according to NRDC's state ranking report.[17]

But like most Americans, Californians continue to be greatly dependent on gasoline to get to work, school, and elsewhere. This dependence on gasoline comes at a significant cost to human health and the environment, and it also imposes a significant financial hardship. California drivers spend more than $55 billion every year on gasoline, or nearly $4,500 per household.[18] The oil industry's campaign plays on Californians' vulnerability to gasoline prices by falsely claiming that the costs of complying with AB 32's pollution reduction standards will make pump prices skyrocket.

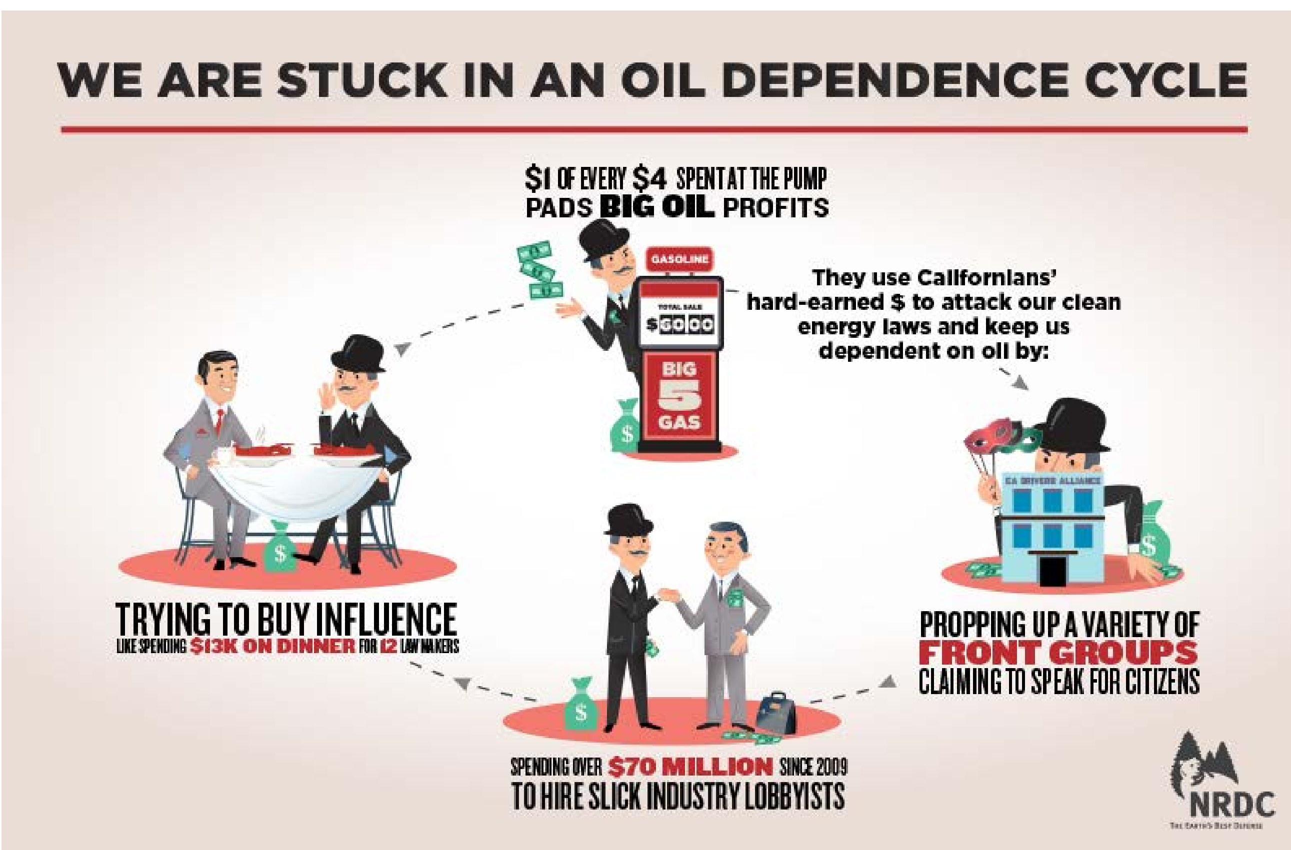
Dependence on gasoline comes at a significant cost to human health and the environment, and it also imposes a significant financial hardship.

When gasoline prices spike, this dependence means that Californians—like their fellow drivers across the nation—feel the pinch, even as the oil industry rakes in profits. A 2012 analysis of the industry's public financial reports found that approximately **one of every four dollars spent at the pump adds to the profit of big oil companies**.[19] In 2013, a "down year" compared with the previous 12 months for the oil industry, the big five (BP, Chevron, ConocoPhillips, ExxonMobil, and Shell) earned more than **$93 billion, or $177,000 a minute, in profit**.[20] A July 2014 report also found that 20 of the largest oil companies paid less than 12 percent in federal taxes by exploiting tax loopholes between 2009 and 2013, which increased their profits further.[21]

Oil Front Groups Claim to Speak for Citizens

A review of publicly available information on the Web and in news outlets reveals explicit oil industry connections to a number of groups that often appear to speak for a California grassroots constituent base much broader than what actually constitutes the groups' organizers, funders, and members. **Fueling California**, for example, describes itself as a "united voice on behalf of major fuel consumers," when in fact, as a Fueling California spokeswoman told the *San Jose Mercury News*, "the majority of our funding comes from Chevron."[22]

Likewise, the California Drivers Alliance describes itself as a "nonpartisan movement of motorists, small businesses, fuel providers and consumers who are concerned about new government-imposed regulations that could increase the cost of gasoline."[23] However, the **Western States Petroleum Association** (WSPA)—the oil industry trade association working in California—is the California Drivers Alliance lead organizer and funder. As reported in the *San Jose Mercury News*, the Alliance "claims to represent tens of thousands of consumers, although it is funded by the Western States Petroleum Association, according to an email from a group spokesman."[24] In addition, the small print on the Alliance website states the site is "owned and operated by Western States Petroleum Association" and questions about the site's Terms of Use are referred to WSPA's legal department.[25] WSPA's members include all the major oil companies, such



as ExxonMobil, Chevron, Shell, ConocoPhillips, and BP.

The California Drivers Alliance is leading an aggressive petition campaign to "Stop the Hidden Gas Tax"—a reference to the approaching inclusion of transportation fuels under AB 32's emissions cap—with widespread newspaper ads, radio spots, and even a series of online videos featuring a child warning of impending gas price spikes and a young mother expressing concern over growing costs. A *Bloomberg Businessweek* article describes the group's advertising campaign as "mirroring an oil industry claim" that regulations will "increase the cost of gas between 16¢ and 76¢ per gallon."[26] However, that claim has been refuted as inaccurate and misleading both by the California Air Resources Board—the state agency implementing California's cap-and-trade program—and by energy market experts.[27]

Fed Up at the Pump is another group that casts itself as a "grassroots coalition of consumers, businesses and advocates" but is, in fact, organized by the California Independent Oil Marketers Association.[28,29] According to its website, Fed Up at the Pump is concerned about the "disproportionate impact on low income families,"[30] but the face of the organization is the California Independent Oil Marketers Association vice president, Jay McKeeman, who in a Los Angeles CBS television station interview also mentions that "our margins are very, very thin in the petroleum industry,"[31] implying another set of concerns that motivates this group. In addition, as the *Bloomberg Businessweek* article notes, Fed Up at the Pump "stresses the prospect of gas price hikes using the same numbers and wording" as those used by the California Drivers Alliance.

Meanwhile, **CARE** (Californians for Affordable and Reliable Energy), of which WSPA is a member, has helped to organize forums highlighting research it co-funded that attacks AB 32.[32] KP Public Affairs, a lobbying firm whose largest client is WSPA, is under contract with CARE to provide services that include email communications.[33,34] WSPA also runs a consumer-facing website that features what it terms the "Hidden Gas Tax Californians Know Nothing About," along with the same misleading gas price statistics cited by Fed Up at the Pump and the California Drivers Alliance.[35] In addition, WSPA is a member of Californians Against Higher Taxes and Californians for Energy Independence, also purporting to speak for independent consumers.

The table below lists groups opposing California's clean fuel policies that have direct ties to the oil industry. There may be others. The oil industry's deceptive communications strategy also extends beyond front groups. As the *Los Angeles Times* revealed, the Richmond Standard, which appears to be a community news website covering local events in Richmond, California, "isn't just another site for 'community-driven news,' as it declares on its banner. It's entirely a creation of Chevron Corp., which operates a huge and controversial refinery in, yes, Richmond."[36]

The same talking points, including the "hidden gas tax" language and identical misleading statistics about how much gas prices will supposedly increase due to the oil industry's inclusion under AB 32's emissions cap, have been repeated by many of these groups.[37] But this is not a new tactic, nor a new message, nor even a new behind-the-scenes

A Fueling California spokeswoman reported that "the majority of our funding comes from Chevron."

Front Group	Oil Industry Supporters
California Drivers Alliance www.californiadriversalliance.org	Organized and funded by the Western States Petroleum Association (WSPA)
Fed Up at the Pump www.fedupatthepump.org	Organized and funded by the California Independent Oil Marketers Association (CIOMA)
Fueling California www.fuelingcalifornia.org	Funded primarily by Chevron
Californians for Affordable and Reliable Energy (CARE) www.careaboutenergy.org	Members include WSPA, CIOMA, and the California Business Roundtable (of which Chevron is a member)
Californians for Energy Independence aka "Californians for a Safe, Secure Energy Future" www.energyindependenceca.com	Initial coalition members include WSPA, California Independent Petroleum Association (CIPA), and the Independent Oil Producers' Agency
CA Fuel Facts www.cafuelfacts.com	A consumer-facing website run by WSPA
Californians Against Higher Taxes www.morejobsnottaxes.com	Members include WSPA
Californians Against Higher Oil Taxes www.stoptheoiltax.com	Members include the California Business Roundtable (of which Chevron is a member)

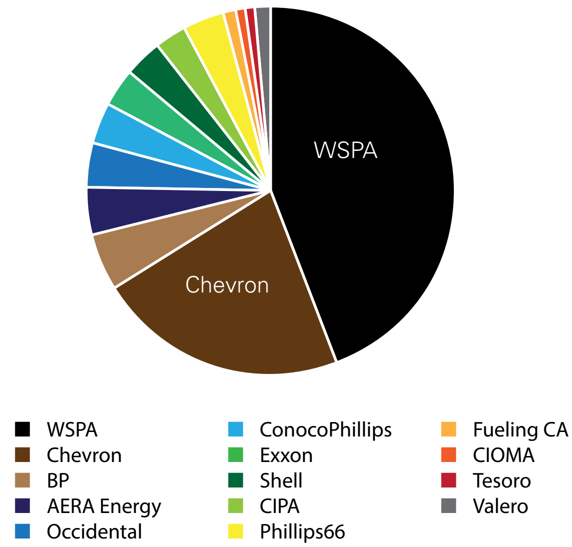
messenger. As described in a *Sacramento News and Review* article about opposition to electric vehicle (EV) policies written back in 1995:

> You might have thought grassroots political campaigns were supposed to spring up from the concerned masses. Not anymore. The rise of these so-called 'AstroTurf' groups—cultivated by public relations firms using money, misinformation and phone banks—has been well-documented. Industry's attempt to kill the EV mandate using such groups was reported as least as far back as April 1994 by the *Los Angeles Times* and San Francisco's legal newspaper, *The Recorder*. One such group, electric car advocates say, is **Californians Against Hidden Taxes**, headed by Anita Mangels…[who] is upfront about where her paycheck comes from: the oil companies' lobbying group, **Western States Petroleum Association**.[38] [emphasis added]

WSPA's playbook for opposing clean energy and climate policy today is very much the same as it was 20 years ago.

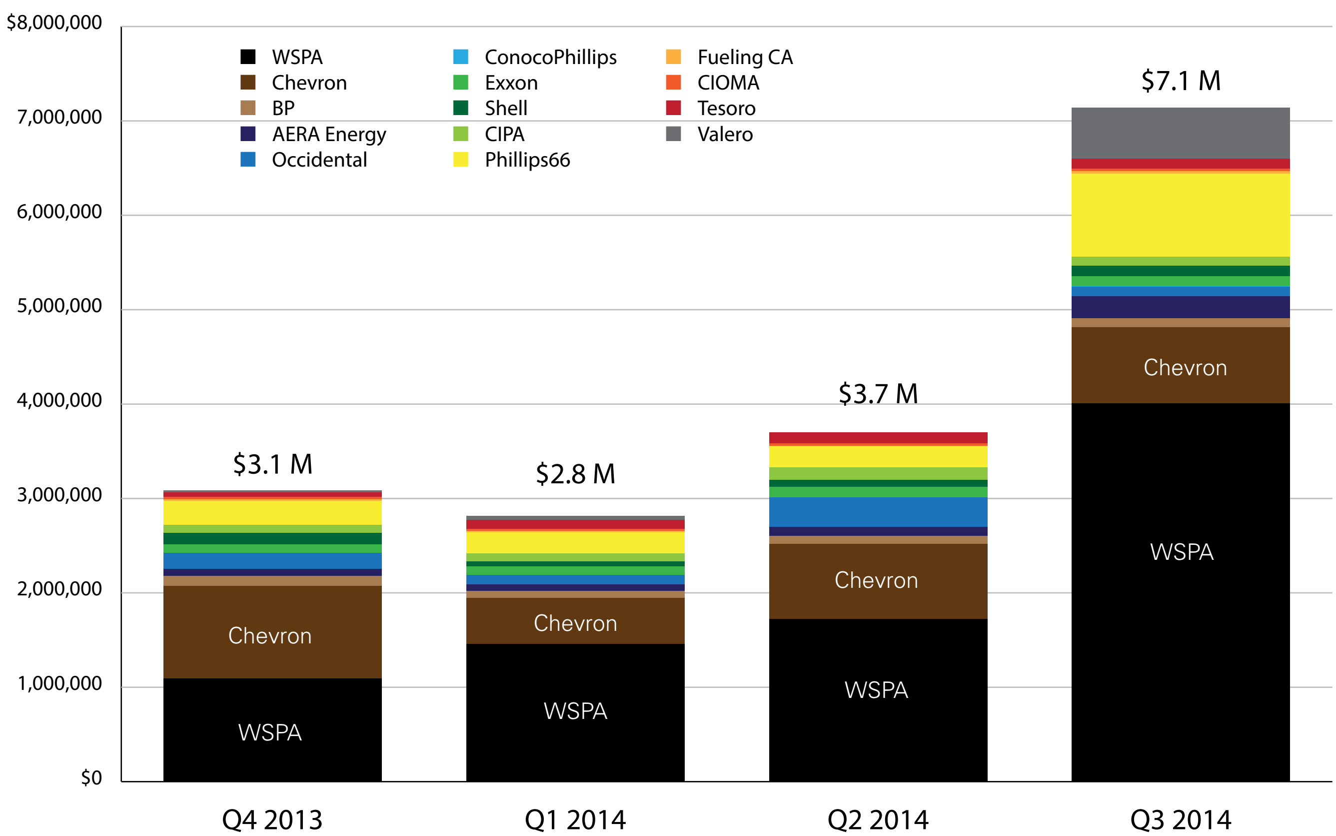
Figure 1: Oil Industry Lobbying Spending in California: Over $70 million

Cumulative from 2009 to Sept. 30, 2014



Source: California Secretary of State's Cal-Access Lobbying Reports Database

Figure 2: Oil Industry Lobbying Spending in California Over the Last 12 Months



Oil Industry Spent More Than $70 Million in the Past Five Years on Lobbying in California

Another measure of the oil industry's attempt to gain influence in California is its publicly reported state lobbying expenses. Research in 2013 by the American Lung Association of California revealed that the oil industry was spending record amounts in California.[39] This trend has continued into 2014. **All told, since 2009, the oil industry has spent more than $70 million lobbying in the state.**[40] Figure 1 breaks out the total by contributor, with WSPA and Chevron contributing more than half of the total.

While the oil industry lobbies on many issues, pressuring lawmakers to delay or dismantle the state's popular clean energy laws to maintain California's dependence on petroleum-based fuels is a priority of its lobbying agenda.

The oil industry almost doubled its spending on lobbyists in the third quarter of 2014, over the previous quarter, paying a total of $7.1 million from July to September—**the equivalent of more than $3,000 per hour**—to advance the oil industry's agenda in Sacramento as the California legislative session was winding down, as shown in Figure 2. WSPA and Chevron are among the largest spenders on lobbyists in California. In just the first nine months of 2014, WSPA spent $7 million of the $13.6 million in oil industry lobbying in California,[41] and Chevron separately spent over $2 million.[42] These figures do not include donations to political campaigns or financial support for front groups.

The oil industry uses its financial resources to influence lawmakers in a variety of ways. As one example, lobbying reports show that WSPA hosted a $13,000 private dinner in September 2013 for just 12 state lawmakers and 2 staff members, both Republicans and Democrats, who were considering changes to a bill that would establish new regulatory standards for fossil fuel production in California.[43]

A BETTER FUTURE IS POSSIBLE

Despite the oil industry's opposition, Californians and their elected leaders are engaged in building a better future, with clean and affordable solutions that reduce dependence on oil. Examples include:

- **Saving money at the pump through more efficient cars and trucks.** Vehicles are going farther than ever on a gallon of fuel. In 2008, automakers offered only 12 car models that could achieve 30 miles per gallon or more. In 2013 more than 70 such models were available for sale.[44] California has launched programs that will put 1.5 million zero-emission vehicles—such as electric cars, trucks, and buses running on the equivalent of $1 a gallon gas—on the road over the next 10 years.[45] In September 2014, Governor Jerry Brown signed into law the Charge Ahead California Initiative (SB 1275), which supports this effort and also provides generous incentives for lower- and moderate-income families to trade in their old, polluting vehicles for new or used electric cars.[46]
- **Reducing the need to drive with more walkable, transit-friendly communities.** Through California's sustainable communities strategy, each metropolitan region is implementing plans to make it easier to walk, bike, and take public transportation. One notable example is the plan unanimously adopted by the Southern California Association of Governments, allocating $246 billion for public transportation, increasing opportunities to live near transit by 60 percent, and nearly quadrupling funds for biking and pedestrian improvements in the region. The plan is expected to reduce traffic congestion despite the addition of 4 million residents and to create 4 million jobs in the region.[47,48]

- **Introducing cleaner fuels into the market, resulting in increased competition and fuel supply.** As a result of California's clean fuel policies, the amount of cleaner alternative fuels will grow significantly over the next five years. A study released in March 2014 found that $837 million in benefits will accrue by 2020 as a result of increasing energy diversification and market competition.[49]

Reversing or delaying the scheduled January 2015 inclusion of transportation fuels under California's carbon pollution cap, as the oil industry and its front groups advocate, would undermine this progress, keeping Californians more dependent on oil and more vulnerable to roller-coaster gas prices. Rather than spending transportation dollars to further enrich the oil industry, AB 32 invests the proceeds from pollution permit sales in programs that will cut carbon pollution and reduce Californians' fuel costs even more, with an emphasis on projects that deliver benefits to the state's most disadvantaged communities.[50]

Californians and their elected leaders are engaged in building a better future, with clean and affordable solutions that reduce dependence on oil.

Like the millions of California residents who voted against delaying climate action in 2010, lawmakers should see the oil industry's latest campaign attacking AB 32 for what it is: a thinly veiled attempt to maintain market share and avoid responsibility for the fuel sector's climate pollution. The oil industry has a long history of inflating the costs of meeting standards to clean up its products.[51] Its latest attempt to sound a false alarm must not impede California's progress toward a cleaner future.

ENDNOTES

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