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**THE WHITE HOUSE**

**Office of the Press Secretary**

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**For Immediate Release**

**September 18, 1998**

**STATEMENT BY THE PRESIDENT**

I applaud the leadership demonstrated today by British Petroleum with its plan to dramatically reduce emissions contributing to global warming.

By committing to reduce its greenhouse gas emissions 10 percent below 1990 levels by the year 2010, British Petroleum is setting a new standard in corporate responsibility. The company plans to meet its ambitious target through a cost-effective strategy that combines innovative market-based approaches with the latest in energy-efficiency technologies. British Petroleum's bold strategy is further proof that we need not choose between a healthy economy and a healthy environment.

I urge other businesses to follow British Petroleum's lead and help meet the challenge of global warming. And I again call on Congress to help speed this effort by funding my proposals for new tax incentives and research investment to spur energy efficiency and clean energy technologies.

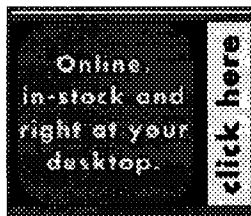
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If you could reduce your fund expenses 40 - 70%

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## British Petroleum Sets Goal of 10% Cut in 'Greenhouse' Gases

By Martha M. Hamilton  
Washington Post Staff Writer  
Friday, September 18, 1998; Page A06

The group chief executive of British Petroleum Co. will pledge today to reduce the global oil company's "greenhouse gas" emissions by 10 percent below 1990 levels -- a commitment that far exceeds goals set for the United States and other industrial nations last year in a controversial treaty in Kyoto, Japan.

Sir E. John P. Browne, who in May 1997 became the first oil industry official to acknowledge the role of fossil fuels in the buildup of pollutants that have been blamed for global warming, said in an interview yesterday he believes BP can deliver on its promise without compromising either growth or profits.

BP -- the world's third-largest publicly traded oil and gas company -- produced an estimated 40 million tons of carbon dioxide and other greenhouse gases worldwide in 1990, according to the company. It said it will reduce emissions by 4 million tons 12 years from now.

Browne said that BP will call on its 90 business units worldwide to reduce emissions, using strategies that include improving energy efficiency, using new technology and trading emissions. The company set up an internal system for trading emissions with help from the Environmental Defense Fund and by drawing on the expertise of the company's oil traders.

Emissions trading, which has been used in the United States to reduce pollution, sets targets for emissions reductions for companies (or business units). But the reduction doesn't have to be produced on site. For instance, one business unit might meet its target by paying another unit that can reduce emissions more cheaply to double its reductions.

In the text of a speech to be delivered today at Yale University's School of Management, Browne said that the company has used technology that enhances oil flow to eliminate a number of pumping stations on the Trans Alaska Pipeline, resulting in the elimination of 236,000 tons per year of carbon dioxide emissions.

Opponents of the Kyoto treaty have argued that science on the issue

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isn't clear enough to warrant setting ambitious goals, that achieving those goals would be too costly and that the treaty doesn't require developing nations to do their part. The treaty, the details of which will be worked out further in November in Buenos Aires, set target reductions for the United States at 7 percent and for the world's industrialized nations at 5 percent.

"This exceeds any of the goals," said Fred Krupp, executive director of the Environmental Defense Fund, which has worked with BP on emissions reductions but receives no funds from the company, according to Krupp.

Robert N. Stavins, an environmental economist at the John F. Kennedy School of Government at Harvard University, said that the goals set by BP are "significant relative to the Kyoto targets." But he said that the emissions from the products that the oil company produces -- such as gasoline -- are more important than the emissions resulting from the company's production and refining operations.

"They're of much greater magnitude than the emissions that come from production," he said.

Kenneth E. Blower, BP America's director of health, safety and environment, said that society and BP will have to tackle those emissions, too, in part by developing new energy resources for transportation. "This is our internal step," he said.

"We can't solve the whole problem, and corporate sector activity can't replace the public process which is going on through the conferences in Kyoto and Buenos Aires," Browne said in the text of his speech, which was made available yesterday.

"But I hope we can show -- in a small way -- what can be done. And I hope we can help the process forward."

Since Browne broke with the industry more than a year ago, calling for action on global warming, executives from other oil companies, including Royal Dutch/Shell Group of Cos. and Texaco Inc., have adopted similar positions and others have softened their rhetoric.

"A number of companies are already doing things to control their carbon dioxide emissions, but I don't know if any companies will set their own targets and announce it," said William F. O'Keefe, executive vice president for the American Petroleum Institute.

Spokesmen for Texaco and Fairfax-based Mobil Corp. said yesterday their companies are taking steps to reduce emissions and to find ways to measure what emissions were in 1990 and what they are now.

"We're concerned about the impact of man-made gases, and because of that we're doing a number of things," said Mobil spokesman David

J. Dickson.

O'Keefe said the API and the U.S. industry remain opposed to the Kyoto treaty "because it won't work and without the involvement of developing countries it will be a tremendous waste of resources."

Energy demand is expected to grow fastest in the developing world, where approximately 2 billion people live without access to commercial energy sources. Developing nations have expressed concern that demands to curb energy consumption because of global warming might slow their economic development, leaving them at a permanent disadvantage to the already industrialized world. The Kyoto treaty set no targets for curbing emissions by developing countries.

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# British Petroleum Planning 'Firm' Cuts in Emissions

By ALAN COWELL

B2

LONDON, Sept. 18 — Setting a figure for the first time on its planned reduction of greenhouse gas emissions, the British Petroleum Company announced today a "firm overall target" to cut emissions by 10 percent of their 1990 levels by 2010.

A spokesman for the company in London, Roddy Kennedy, said the 1990 level of emissions was 40 million tons — a figure that would have risen by 18 million tons over the next 12 years if no measures were taken to reduce them.

The target reduction was announced in a speech to the Yale School of Management in New Haven by Sir John Browne, British Petroleum's chief executive, who said the promised cuts went deeper than those promised by industrialized countries last year. Greenhouse gases include carbon dioxide and other pollutants that many think cause global warming.

Last December, 160 countries agreed in Kyoto, Japan, to reduce greenhouse gas emissions in industrialized countries by 5 percent between 2008 and 2012. But, according to environmentalists, the agreement has met with strong resistance from oil and other companies and has not been ratified. Many people in the United States energy sector argue that global warming is unproved. Breaking ranks with other oil producers, however, Sir John first called for action to limit greenhouse gases last year, pledging to set a target for reductions. He said today that the company would undertake the cuts "in transparent ways so the reduction can be measured and verified by outside observers."

"For the oil and gas industry, the dominant issue of public policy is climate change," Sir John said, according to a text of his address provided here. "Of course, the science of climate change is not proven. The science is provisional and perhaps always will be. But there is mounting evidence that the concentration of carbon dioxide in the atmosphere is rising and the temperature of the

earth's surface is increasing."

Accordingly, he said, B.P. has initiated an internal program enabling units within the company to trade emission rights — a system developed with the Environmental Defense Fund, a nonprofit advocacy group in the United States, and also urged by the Kyoto conference. Trading in emission rights lets companies or countries reduce greenhouse gas emissions either by outright cuts or by trading in excess reductions made by others. In a separate statement, B.P. said a pilot trading program would link 12 of its 90 internal units accounting for about a quarter of the company's emissions.

In London, Mr. Kennedy, the spokesman, declined to comment on how today's pledge would affect B.P.'s planned merger with Amoco, announced in August and still awaiting regulatory approval. Amoco has differed with B.P. on global warming, but Sir John said today that "as our business grows, we will incorporate new activities into the base line of our calculation and into the target."

One way B.P. has begun to reduce emissions, he said, is by cutting the number of pumping stations on the Trans-Alaska pipeline and by reducing flaring — the burning-off of waste gas — by two-thirds. He said future reductions would come from technological advances, more efficient energy use and less flaring.

Fred Krupp, the executive director of the Environmental Defense Fund, which cooperated with B.P. in setting up its emission-trading system, called today's announcement "a really magnificent example of a corporation acting responsibly."

While B.P.'s emissions represented a small percentage of global emissions, he said, B.P. had "set up a whole new level of expectations for other corporations within the oil and gas industry" and had committed itself to "do more than the Kyoto protocol requires independently of whether it ever goes into effect."

"It's small in percentage terms," Mr. Krupp said in a telephone interview. "It's more significant because of its signal. I believe this changes the whole ball game."



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## Oil Firm Plans To Go Beyond Emissions Pact

British Petroleum's Target: 10% Cut in 'Greenhouse' Gases

By *Martha M. Hamilton*  
 Washington Post Staff Writer  
 Friday, September 18, 1998; Page F01

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FYI

**BP Amoco**



**MOBILITY & CHOICE**

**By**

**SIR JOHN BROWNE  
CHIEF EXECUTIVE OFFICER  
BP AMOCO p.l.c.**

**At**

**The Economic Club of Detroit  
Detroit, Michigan  
January 25, 1999**

Ladies and Gentlemen, good morning.

It is a great privilege and pleasure to be here today and to be invited to speak to you.

It is a particular pleasure to come to a city which has sustained a great industry over the last 100 years .

The automobile industry has shaped the life of this century. It has created the suburbs and recreated the cities in this country and many others. And it will continue to do so.

And, of course, the auto industry has helped to create the shape and the success of our industry. You're our largest customers.

We have a degree of mutual dependence which is undeniable, even if sometimes it is uncomfortable.

We haven't always agreed on everything but we've been an inseparable couple - and again I think that will continue to be the case.

Now we both face the same complex and challenging world.

- A world of volatility - where despite successive years of economic progress in this country and elsewhere, there is great uncertainty and rapid swings of mood and confidence.
- A world which is much more intimately interlinked than ever before - so that events in one area can affect all of us ... almost instantaneously.
- A world subject over the last 18 months to a dramatic deflation of asset values - with world commodity prices falling by more than 30 per cent over the last year and with the oil price in particular falling by more than 45 per cent.

And beyond those immediate issues there are some longer term trends - which are creating change on a different wavelength.

- population growth which is giving the world 10,000 extra citizens every hour.
- prosperity which has lifted more people out of poverty in last 50 years than in the last 500 and which has extended the average human life span by almost 20 years since the century began.
- and then - on another wavelength again - the spread of economic democracy. If there is any factor which has changed in the last 100 years it is the capacity of ordinary people to make choices.
- At the start of this century Henry Ford wasn't the only person who told people they could have any colour so long as it was black.
- Choice was a rare, exceptional luxury. Now it is taken for granted .. and no one can take it away.
- and that in turn has helped to create the new agenda of public debate - in this country and elsewhere - about the quality of life - or what Vice President Gore has called "liveability".
- prosperity... and extended lifespans and choice are all to the good but with them have come the complications and the problems of abundance.
- I think that is most obvious in terms of the environment. In 1899 the world supported 1.5 bn people. Now it supports almost 6 bn and in a decade that will rise to nearly 7 bn.
- In 1899 no more than a third of that 1.5 bn lived in cities. By 2010 the estimate is that the urban population of the world will be almost 4 bn..

How do companies respond to all that ? How should we respond to the immediate pressures ... to the pace of change .... and to the longer term concern with the quality of human life. ?

The fundamental test for any company, of course, is performance. That is the imperative and the only solid ground in uncertain times.

Of course, some people use uncertainty and volatility as an excuse for underperformance, and for failing to deliver what they have promised.

That is never acceptable. Uncertain times are the moments when you see who can really perform.

Now, of course, in a period of change and volatility one of the ways to sustain and improve performance is to restructure.

Last year saw the completion of more than a hundred mergers and take-overs of over \$ 4 bn just in this country alone. And there are many more underway.

Since one of those mergers was the marriage of BP and Amoco I have to be in favour of the process as a way forward.

As well as the economies which go with scale mergers bring together experience and ideas.

To give you just one example. BP Amoco spends over \$ 2 bn a year drilling holes in the ground.

If we can apply best practice from our most efficient operation to all the rest - the benefit would be substantial. A saving of just 5 per cent would mean \$ 100 million of extra profits.

So the process of change in corporate structures will, and should be, continuous.

But we shouldn't think that the benefits are automatic. On their own mergers and take-overs are only an enabling mechanism.

The completion of a transaction is really only the beginning. The real benefits depend on what you make of the potential which a merger creates.

Realising the potential starts from being absolutely realistic.

Size doesn't make you immune to market conditions. Size can't turn underperforming businesses into success stories.

So you have to be acutely aware of the world as it is.

It would be wonderful if oil prices were back at \$ 20 at barrel . But they aren't.

It would be wonderful if Asia didn't have economic problems. But it does.

We and many others have been through phases of trying to ignore the present reality and trying to second guess the economic cycle.

That never works.

The only way is to be coldly realistic about the world in which you are operating ... and about your own strengths and weaknesses.

And you have to act on that realism. To maintain performance you have to accept that even if particular activities have worked in the past, there's no guarantee that they'll keep working in changed circumstances.

Paranoia is a good guide, as Andy Grove has said, particularly if you can couple it with the capacity for improvisation and creativity.

That's why in any merger the people are so important. You need their positive energy and engagement.

The challenge is both to minimise the uncertainty that inevitably follows restructuring ...and at the same time to inspire people to embrace change as a moment of opportunity.

If you can do that you have begun to create a truly progressive company.

But, of course, mergers and take-overs also generate serious public concern.

I'm struck by the evidence of opinion surveys which show that a substantial proportion of the public distrust big business in general .. and mergers in particular.

The reason for the public concern seems to be that mergers and take-overs are thought to represent an unaccountable accumulation of power - at the expense of the consumer.

The roots of that concern go very deep, and a long way back in history. Anyone who wants to understand why big business is unpopular should read Ron Chernow's wonderful biography of Rockefeller.

To be successful, and to be acceptable, we have to take account of the fact that people have acquired the ability to make personal choices.

Companies have to be seen to be adding to the competitive choice available to consumers - not taking it away.

That is a lesson we are trying to learn as we merge BP and Amoco .

Our customers want us to use our combined skills and know-how to give them a better choice.

So success is not just about changing structures and cornering market power by putting two companies together.

It is about understanding your customers' needs and adapting what you provide to match those needs.

In BP Amoco we're only at the beginning of that process and it is one of our greatest challenges.

Of course, for the oil and the auto industry - the expectations of performance are wider - because of the debate about the quality of life.

I don't believe that companies can use their sheer size to pretend that the arguments aren't serious or that there is no issue.

That would be a very arrogant position at a time when the nature of the relationship between the customer and the company has changed.

Equally, it would be wrong to say that just because there is economic instability in the world we have to sacrifice everything to achieve financial performance.

That assertion assumes there is a direct trade off between financial performance and attention to the natural environment .

I don't believe there is - and indeed I think there is a positive correlation between the two which comes through the mechanism of consumer choice.

I don't believe it is satisfactory to give customers a choice which consists of no more than two stark alternatives - you can have a powerful car, which is great to drive ... or you can have a car which doesn't damage the environment.

I think drivers want both.. and I think the challenge for both our industries is to give them another choice - a choice which transcends the harsh trade off.

I believe it is possible to explore for, produce, refine, distribute ...and use hydrocarbons in ways which don't damage the environment.

Now, as you will know we've taken one small step - on climate change.

We began by recognising that though the science is unproven and provisional, the evidence is too serious to ignore, and that there is therefore a powerful case for sensible precautionary action.

Last year we went further. We set ourselves a target to reduce our own emissions - from our refineries and oil fields and petrochemical plants - by at least 10 per cent by the year 2010 from a 1990 baseline.

That's a firm figure, which has now been extended to cover Amoco's activities .. and built into the year by year performance contracts of all our managers - because we see performance as indivisible.

There is no trade off for any manager, at any level, between our environment targets and our financial targets.

We're already taking a wide range of specific steps to meet our 10 per cent target, and we very much welcome the US Government's support for legislation which will give credit to companies who take early action.

That is an important incentive to start making progress immediately.

One of the steps we've taken is to set up a trading system within the company to ensure that we cut emissions in the most cost effective way possible.

A number of trades have already taken place. Over the next 18 months we'll expand that system to include all the activities of BP Amoco.

But the environment debate isn't just about long term issues such as climate change.

The quality of the air we breathe is a more immediate challenge.

The problem lies in the cities and that is where we must begin.

Last year there were ozone exceedances in cities as diverse as Atlanta, New York, Philadelphia Phoenix and Washington. In 1997

129 metropolitan areas exceeded the standard level on at least one pollutant - and that affected more than 50 per cent of the US population.

And, of course, the problems are not limited to the US. In Paris there were 11 days last year when motorists faced restrictions on bringing their cars into the city because of air quality.

This is a challenge we can't ignore. In many different parts of the world, governments are imposing new and tighter standards on fuel quality and vehicle emissions, and at the same time tightening standards on air quality.

All the evidence of public opinion is that such moves will continue.

The choice is between an active and a passive response.

We could delay and resist and wait for the standards or taxes to be imposed. Or we can accept the challenge - and start to provide the answer in a creative progressive way.

What can we, in the oil and auto industries, do about this?

I believe the right approach is to view the vehicle and its fuel as a single system, which can be optimised.

Vehicle technology has advanced, and continues to do so. Fuels must change to keep pace with this new technology - to enable motorists to get the best possible emissions performance from their vehicles.

The short term destination for gasoline is clear: Unleaded, low benzene, low sulphur or no sulphur. For diesel, low sulphur is also a priority. BP Amoco is committed to providing these fuels.

This poses a challenge, because the conversion of refineries to produce clean fuels requires both time and investment.

Today, though, many modern refineries can already produce limited quantities of fuels that meet even the toughest specifications required for advanced vehicle technology.

Our intention is to use and build on this existing potential to make a new clean fuels offer to customers in a range of cities around the world. Within two years our intention is to take this new offer into more than 40 cities world-wide.

To do that we will put together BP's experience in this area with Amoco's unique technology.

For instance we can produce gasoline with an uniquely low sulphur content.

Amoco Ultimate already has a sulphur specification, voluntarily accepted, of only 200 parts per million, and we are preparing for moves to much lower levels.

In Europe, we will also make dramatic reductions in the sulphur levels of diesel fuel as well.

Sulphur content is one example of the way in which we can move away from the idea that all fuel is the same. It isn't and it doesn't have to be.

Of course the specific air quality issues are different in different parts of the world. Climate change is a global issue which needs a global solution. Air quality is a local issue which needs local answers.

In cities such as Johannesburg and Istanbul the issue is taking the lead out of petrol. The priority in those areas is the growth of unleaded fuel.

In Western Europe and the US, the issue is sulphur and the priority is to move to very low sulphur fuels.

Of course we can't do everything at once, but we can do something

Over the coming months we will make announcements in each of the individual cities. We'll learn as we go, and we'll set ourselves progressive higher targets.

I believe that we can show, year by year, that the products we supply contribute to a progressive improvement in air quality - here in the US and elsewhere - without denying people the fundamental freedom of mobility.

That combination - the combination of mobility and choice - is our new green agenda.

But there is only so much we can do alone.

We need the help of the automobile sector. We need to work together to create vehicles which can use these new fuels in the most efficient way.

I was very struck by reading of Bill Ford's intention to make Ford a green company.

We've been very encouraged by the help and support we've had in a range of initiatives in this area from General Motors.

This morning I talked to Harry Pearce .. and I'm delighted to see that he is recovering well - and continuing to make a tremendous and inspiring contribution on all these issues.

And I also pleased to say, as a member of their advisory Board, that Daimler Chrysler are doing great work in this area.

None of this is a matter of proprietary knowledge - limited to one company.

Nor is a matter of one industry taking advantage of another.

Success is in the common interest of both industries .. because it is in the interests of our consumers.

As President Clinton said when he spoke here three weeks ago economic growth and a clean environment do not have to be incompatible objectives.

Ladies and Gentlemen,

People often ask me why BP took the stance it did on climate change.

Why did I argue that there was a case for precautionary action ? Why didn't I simply say that the science wasn't yet proved .. and that until it was proved ... there was nothing to be done.

The answer is very straightforward. I simply got tired of being on the defensive - and so did our staff.

I got tired of being told that it was all so complicated that there was nothing we could do. So did our staff.

It isn't just a matter of science or technology. It is an emotional issue too. It can't be enough when you're confronted with a fundamental question about your business to say - I'm sorry, there is nothing I can do.

That's hardly the way to give people the sense that they are working for a great organisation. It isn't the way to convince investors and customers that the business is in tune with the market.

There are things that can be done... on climate change and on clean air.... And with your help, we're determined to do them.

Through this last century the oil and auto industries have provided mobility to people who 100 years ago rarely travelled outside a single community.

There is no sign that people want to give up that mobility, and no moral case for denying that same mobility to those people around the world now earning prosperity for the first time.

To achieve that success we need both clean fuels and vehicles which can use them.

- In the US and Europe, we hear exciting reports about gasoline direct injection, and the impact this could have on fuel economy. Bring this technology to market and we will be there with the low sulphur fuel it requires.
- In this country and elsewhere I believe there is an opportunity to create a new business by bringing LPG or CNG fuelled vehicles to the market and by providing the necessary infrastructure to fuel them.
- In those countries still moving to unleaded fuel the need is for vehicles which are properly equipped. We will supply the unleaded octane. Indeed our goal is to be a completely unleaded company world-wide within three years.
- And there are longer term issues. There is much talk and a considerable investment in fuel cell powered vehicles. I believe that sort of technical breakthrough will come sooner, and at a lower cost, if we work together.

And even then... even working together, we can't do it all alone.

We need supportive regulation which works through targets and incentives rather than through prescriptive regulation and imposed costs.

That regulation should, for instance, encourage trading - which I believe may have a major role to play in driving down fuel sulphur levels.

We should welcome the moves in the direction of incentives and co-operation which have been made by Governments both in this country and in Europe. And we should recognise that those moves offer us both a challenge and an opportunity.

But they want a clean environment as well, and our challenge is to give them that choice.

Henry Ford famously said that history was bunk. But the quote doesn't end there. He went onto say:

" We want to live in the present ... and the only history which that is worth a tinker's damn is the history we make today".

I think that is a great attitude with which to start the next 100 years.

Thank you very much.

THE WHITE HOUSE  
Office of the Vice President

For Immediate Release

January 25, 1999

STATEMENT BY THE VICE PRESIDENT

I applaud British Petroleum's continued leadership on the issue of climate change.

Today's announcement that ~~they~~ <sup>the co.</sup> will ~~expand~~ <sup>include</sup> their pledge to dramatically reduce ~~the~~ <sup>its</sup> emissions that contribute to global warming to their new partner Amoco, demonstrates British Petroleum's serious commitment to ~~addressing climate change~~. Last year, the company announced that they would reduce greenhouse gas emissions by 10% by the year 2010 by combining innovative market-based approaches with the latest in energy-efficiency technologies.

British Petroleum is proving that we need not choose between a healthy economy and a healthy environment and I urge other businesses to follow their lead ~~and help meet the challenge of global warming~~.

*also* *addressing the threat of global warming.*

~~T? y? BP demonstrated the kind of leadership~~  
~~+ vision~~

*By extending their commitment to me. Amoco, BP is showing the kind of leadership, vision + det. ~~we~~ we will need to meet one of the greatest env. challenges of the 21st cent.*

Detroit Economic Club.

Mobility and Choice.

EMBAK GOED  
(But we can't  
to get ready)  
- DF

Ladies and Gentlemen, good morning.

It is a great privilege and pleasure to be here today and to be invited to speak to you.

It is a particular pleasure to come to a city which has sustained a great industry over the last 100 years .

The automobile industry has shaped the life of this century. It has created the suburbs and recreated the cities in this country and many others. And it will continue to do so.

And, of course, the auto industry has helped to create the shape and the success of our industry. You're our largest customers.

We have a degree of mutual dependence which is undeniable, even if sometimes it is uncomfortable.

We haven't always agreed on everything but we've been an inseparable couple - and again I think that will continue to be the case.

Now we both face the same complex and challenging world.

- A world of volatility - where despite successive years of economic progress in this country and elsewhere, there is great uncertainty and rapid swings of mood and confidence.
- A world which is much more intimately interlinked than ever before - so that events in one area can affect all of us ... almost instantaneously.

- A world subject over the last 18 months to a dramatic deflation of asset values - with world commodity prices falling by more than 15 per cent over the last year and with the oil price in particular falling by almost 40 per cent.

... pause...

And beyond those immediate issues there are some longer term trends - which are creating change on a different wavelength.

- population growth which is giving the world 10,000 extra citizens every hour.
- prosperity which has lifted more people out of poverty in last 50 years than in the last 500 and which has extended the average human life span by almost 20 years since the century began.
- and then - on another wavelength again - the spread of economic democracy. If there is any factor which has changed in the last 100 years it is the capacity of ordinary people to make choices.
- At the start of this century Henry Ford wasn't the only person who told people they could have any colour so long as it was black.
- Choice was a rare, exceptional luxury. Now it is taken for granted .. and no one can take it away.
- and that in turn has helped to create the new agenda of public debate - in this country and elsewhere - about the quality of life - or what Vice President Gore has called "liveability".
- prosperity... and extended lifespans and choice are all to the good but with them have come the complications and the problems of abundance.
- I think that is most obvious in terms of the environment. In 1899 the world supported 1.5 bn people. Now it supports almost 6 bn and in a decade that will rise to nearly.

- In 1899 no more than a third of those people lived in cities. By 2010 the estimate is that the urban population of the world will be over 4 bn..

... pause...

How do companies respond to all that ? How should we respond to the immediate pressures ... to the pace of change .... and to the longer term concern with the quality of human life. ?

The fundamental test for any company, of course, is performance. That is the imperative and the only solid ground in uncertain times.

Of course, some people use uncertainty and volatility as an excuse for underperformance, and for failing to deliver what they have promised.

That is never acceptable. Uncertain times are the moments when you see who can really perform.

Now, of course, in a period of change and volatility one of the ways to sustain and improve performance is to restructure.

Last year saw the completion of more than a hundred mergers and take-overs of over \$ 4 bn just in this country alone. And there are many more underway.

Since one of those mergers was the marriage of BP and Amoco I have to be in favour of the process as a way forward.

As well as the economies which go with scale mergers bring together experience and ideas.

To give you just one example. BP Amoco spends over \$ 2 bn a year drilling holes in the ground.

If we can apply best practice from our most efficient operation to all the rest - the benefit would be substantial. A saving of just 5 per cent would mean \$ 100 million of extra profits.

So the process of change in corporate structures will, and should be, continuous.

But we shouldn't think that the benefits are automatic. On their own mergers and take-overs are only an enabling mechanism.

The completion of a transaction is really only the beginning. The real benefits depend on what you make of the potential which a merger creates.

... pause...

Realising the potential starts from being absolutely realistic.

Size doesn't make you immune to market conditions. Size can't turn underperforming businesses into success stories.

So you have to be acutely aware of the world is as it is.

It would be wonderful if oil prices were back at \$ 20 at barrel . But they aren't.

It would be wonderful if Asia didn't have economic problems. But it does.

We and many others have been through phases of trying to ignore the present reality and trying to second guess the economic cycle.

That never works.

The only way is to be coldly realistic about the world in which you are operating ... and about your own strengths and weaknesses.

And you have to act on that realism. To maintain performance you have to accept that even if particular activities have worked in the past, there's no guarantee that they'll keep working in changed circumstances.

Paranoia is a good guide, as Andy Grove has said, particularly if you can couple it with the capacity for improvisation and creativity.

That's why in any merger the people are so important. You need their positive energy and engagement.

The challenge is both to minimise the uncertainty that inevitably follows restructuring ...and at the same time to inspire people to embrace change as a moment of opportunity.

If you can do that you have begun to create a truly progressive company.

..

But, of course, mergers and take-overs also generate serious public concern.

I'm struck by the evidence of opinion surveys which show that a substantial proportion of the public distrust big business in general .. and mergers in particular.

The reason for the public concern seems to be that mergers and take-overs are thought to represent an unaccountable accumulation of power - at the expense of the consumer.

The roots of that concern go very deep, and a long way back in history. Anyone who wants to understand why big business is unpopular should read Ron Chernow's wonderful biography of Rockefeller.

To be successful, and to be acceptable, we have to take account of the fact that people have acquired the ability to make personal choices.

Companies have to be seen to be adding to the competitive choice available to consumers - not taking it away.

That is a lesson we are trying to learn as we merge BP and Amoco .

Our customers want us to use our combined skills and know-how to give them a better choice.

So success is not just about changing structures and cornering market power by putting two companies together.

It is about understanding your customers' needs and adapting what you provide to match those needs.

In BP Amoco we're only at the beginning of that process and it is one of our greatest challenges.

... pause ...

Of course, for the oil and the auto industry - the expectations of performance are wider - because of the debate about the quality of life.

I don't believe that companies can use their sheer size to pretend that the arguments aren't serious or that there is no issue.

That would be a very arrogant position at a time when the nature of the relationship between the customer and the company has changed.

Equally, it would be wrong to say that just because there is economic instability in the world we have to sacrifice everything to achieve financial performance.

That assertion assumes there is a direct trade off between financial performance and attention to the natural environment .

I don't believe there is - and indeed I think there is a positive correlation between the two which comes through the mechanism of consumer choice.

I don't believe it is satisfactory to give customers a choice which consists of no more than two stark alternatives - you can have a powerful car, which is great to drive ... or you can have a car which doesn't damage the environment.

I think drivers want both.. and I think the challenge for both our industries is to give them another choice - a choice which transcends the harsh trade off.

I believe it is possible to explore for, produce, refine, distribute ...and use hydrocarbons in ways which don't damage the environment.

Now, as you will know we've taken one small step - on climate change.

We began by recognising that though the science is unproven and provisional, the evidence is too serious to ignore, and that there is therefore a powerful case for sensible precautionary action.

Last year we went further. We set ourselves a target to reduce our own emissions - from our refineries and oil fields and petrochemical plants - by at least 10 per cent by the year 2010 from a 1990 baseline.

That's a firm figure, which has now been extended to cover Amoco's activities .. and built into the year by year performance contracts of all our managers - because we see performance as indivisible.

There is no trade off for any manager, at any level, between our environment targets and our financial targets.

... pause ..

We're already taking a wide range of specific steps to meet our 10 per cent target, and we very much welcome the US Government's support for legislation which will give credit to companies who take early action.

That is an important incentive to start making progress immediately.

One of the steps we've taken is to set up a trading system within the company to ensure that we cut emissions in the most cost effective way possible.

A number of trades have already taken place. Over the next 18 months we'll expand that system to include all the activities of BP Amoco.

... pause...

But the environment debate isn't just about long term issues such as climate change.

The quality of the air we breathe is a more immediate challenge.

The problem lies in the cities and that is where we must begin.

Last year there were ozone exceedances in cities as diverse as Atlanta, New York, Philadelphia Phoenix and Washington. In 1997 129 metropolitan areas exceeded the standard level on at least one pollutant - and that affected more than 50 per cent of the US population.

And, of course, the problems are not limited to the US. In Paris there were 11 days last year when motorists faced restrictions on bringing their cars into the city because of air quality.

This is a challenge we can't ignore. In many different parts of the world, governments are imposing new and tighter standards on fuel quality and vehicle emissions, and at the same time tightening standards on air quality.

All the evidence of public opinion is that such moves will continue.

The choice is between an active and a passive response.

We could delay and resist and wait for the standards or taxes to be imposed. Or we can accept the challenge - and start to provide the answer in a creative progressive way.

What can we, in the oil and auto industries, do about this?

I believe the right approach is to view the vehicle and its fuel as a single system, which can be optimised.

Vehicle technology has advanced, and continues to do so. Fuels must change to keep pace with this new technology - to enable motorists to get the best possible emissions performance from their vehicles.

The short term destination for gasoline is clear: Unleaded, low benzene, low sulphur or no sulphur. For diesel, low sulphur is also a priority. BP Amoco is committed to providing these fuels.

This poses a challenge, because the conversion of refineries to produce clean fuels requires both time and investment.

Today, though, many modern refineries can already produce limited quantities of fuels that meet even the toughest specifications required for advanced vehicle technology.

Our intention is to use and build on this existing potential to make a new clean fuels offer to customers in a range of cities around the world. Within two years our intention is to take this new offer into more than 40 cities world-wide.

To do that we will put together BP's experience in this area with Amoco's unique technology.

For instance we can produce gasoline with an uniquely low sulphur content.

Amoco Ultimate already has a sulphur specification, voluntarily accepted, of only 200 parts per million, and we are preparing for moves to much lower levels.

In Europe, we will also make dramatic reductions in the sulphur levels of diesel fuel as well.

Sulphur content is one example of the way in which we can move away from the idea that all fuel is the same. It isn't and it doesn't have to be.

Of course the specific air quality issues are different in different parts of the world. Climate change is a global issue which needs

a global solution. Air quality is a local issue which needs local answers.

In cities such as Johannesburg and Istanbul the issue is taking the lead out of petrol. The priority in those areas is the growth of unleaded fuel.

In Western Europe and the US, the issue is sulphur and the priority is to move to very low sulphur fuels.

Of course we can't do everything at once, but we can do something

Over the coming months we will make announcements in each of the individual cities. We'll learn as we go, and we'll set ourselves progressive higher targets.

I believe that we can show, year by year, that the products we supply contribute to a progressive improvement in air quality - here in the US and elsewhere - without denying people the fundamental freedom of mobility.

That combination - the combination of mobility and choice - is our new green agenda.

... pause...

But there is only so much we can do alone.

We need the help of the automobile sector. We need to work together to create vehicles which can use these new fuels in the most efficient way.

I was very struck by reading of Bill Ford's intention to make Ford a green company.

We've been very encouraged by the help and support we've had in a range of initiatives in this area from General Motors.

This morning I talked to Harry Pearce .. and I'm delighted to see that he is recovering well - and continuing to make a tremendous and inspiring contribution on all these issues.

And I also pleased to say, as a member of their advisory Board, that Daimler Chrysler are doing great work in this area.

...

None of this is a matter of proprietary knowledge - limited to one company.

Nor is a matter of one industry taking advantage of another.

Success is in the common interest of both industries .. because it is in the interests of our consumers.

To achieve that success we need both clean fuels and vehicles which can use them.

- In the US and Europe, we hear exciting reports about new technologies such as gasoline direct injection, and the impact this could have on fuel economy. Bring this technology to market and we will to be there with the low sulphur fuel it requires.
- In this country and elsewhere I believe there is an opportunity to create a new business by bringing LPG or CNG fuelled vehicles to the market and by providing the necessary infrastructure to fuel them.
- In those countries still moving to unleaded fuel the need is for vehicles which are properly equipped. We will supply the unleaded octane. Indeed our goal is to be a completely unleaded company world-wide within three years.
- And there are longer term issues. There is much talk and a considerable investment in fuel cell powered vehicles. I believe that sort of technical breakthrough will come sooner, and at a lower cost, if we work together.

And even then... even working together, we can't do it all alone.

We need supportive regulation which works through targets and incentives rather than through prescriptive regulation and imposed costs.

That regulation should, for instance, encourage trading - which I believe may have a major role to play in driving down fuel sulphur levels.

We should welcome the moves in the direction of incentives and co-operation which have been made by Governments both in this country and in Europe. And we should recognise that those moves offer us both a challenge and an opportunity.

As President Clinton said when he spoke here three weeks ago economic growth and a clean environment do not have to be incompatible objectives.

...

Ladies and Gentlemen,

People often ask me why BP took the stance it did on climate change.

Why did I argue that there was a case for precautionary action ? Why didn't I simply say that the science wasn't yet proved .. and that until it was proved ... there was nothing to be done.

The answer is very straightforward. I simply got tired of being on the defensive - and so did our staff.

I got tired of being told that it was all so complicated that there was nothing we could do. So did our staff.

It isn't just a matter of science or technology. It is an emotional issue too. It can't be enough when you're confronted with a fundamental question about your business to say - I'm sorry, there is nothing I can do.

That's hardly the way to give people the sense that they are working for a great organisation. It isn't the way to convince investors and customers that the business is in tune with the market.

There are things that can be done... on climate change and on clean air.... And with your help, we're determined to do them.

...

Through this last century the oil and auto industries have provided mobility to people who 100 years ago rarely travelled outside a single community.

There is no sign that people want to give up that mobility, and no moral case for denying that same mobility to those people around the world now earning prosperity for the first time.

But they want a clean environment as well, and our challenge is to give them that choice.

Henry Ford famously said that history was bunk. But the quote doesn't end there. He went onto say:

**" We want to live in the present ... and the only history which that is worth a tinker's damn is the history we make today".**

**I think that is a great attitude with which to start the next 100 years.**

**Thank you very much.**

O'Keefe said the API and the U.S. industry remain opposed to the Kyoto treaty "because it won't work and without the involvement of developing countries it will be a tremendous waste of resources."

Energy demand is expected to grow fastest in the developing world, where approximately 2 billion people live without access to commercial energy sources. Developing nations have expressed concern that demands to curb energy consumption because of global warming might slow their economic development, leaving them at a permanent disadvantage to the already industrialized world. The Kyoto treaty set no targets for curbing emissions by developing countries.

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# NEWS

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## **BP SETS 10 PERCENT TARGET FOR GREENHOUSE GAS EMISSION REDUCTIONS**

*Corporate Goal Is Double That of Kyoto Accord*

NEW HAVEN, Conn., Sept. 18, 1998 --- British Petroleum today announced that it intends to voluntarily implement substantial reductions in its global greenhouse gas (GHG) emissions with a two-pronged program that will keep emissions, on an aggregated basis, constant while pursuing business growth, and by further reducing net emissions from existing facilities by 10 percent by the year 2010 against a 1990 baseline.

Speaking to graduate students at the Yale School of Management's Leaders Forum, hosted by Dean Jeffrey E. Garten, BP Group Chief Executive John Browne explained that the reductions will be achieved across all BP businesses worldwide. The target exceeds the 5 percent average reduction committed to by the world's industrialized nations at the Climate Change Summit held in Kyoto, Japan.

"We have set bold growth targets for ourselves over the next decade, including an increase in oil and gas production. But we intend to provide our customers with the products and services they want while not threatening the sustainability of the natural environment." Browne said. "Without taking any action, conducting business as usual would lead to an increase of about 18 million tons of greenhouse gas emissions

above our base. That is unacceptable. We intend to offset this increase and go beyond that to achieve a net reduction in our emissions. We will do that progressively, year by year, and we'll do it in transparent ways, so that the reduction can be measured and verified by external observers.

“That target will now sit alongside our financial targets. That means it is a promise and my colleagues in BP already have an established track record in delivering on such promises. We set bold targets and use them as a lever to deliver long-term business results,” Browne said. “While we may not know fully how we will achieve our goals, bold targets inspire the innovation necessary to meet them. In this context, reducing greenhouse gas emissions is no different than delivering strong financial returns.”

BP has established the following targets for reducing GHG emissions:

- Growing all business sectors without a net increase in GHG emissions.
- Reducing GHG emissions by 10 percent, collectively, from existing facilities.
- Setting a goal for each facility to be in the top quartile in their industry sector with regard to GHG emissions.
- Meeting these targets by 2010.

BP currently is one of the world's largest energy companies. As such, its operations produce significant GHG emissions. The company estimates its annual emissions to be 40 million tons of carbon dioxide and 30,000 tons of methane.

Reduction of GHG emissions from BP operations will come from application of new technology, more efficient use of energy, elimination of flaring, and the increased use of renewable energy sources. BP also will increase emphasis on flexible mechanisms such as emissions trading, joint implementation, technology transfer

and carbon sequestration. Credit for early action will be an important dimension of any voluntary reduction program.

“We will not achieve our goal if we only focus on the easy targets. Reducing greenhouse gas emissions requires that we develop and implement programs that reflect the realities of a global company,” Browne said. “We have worked with Battelle Memorial Institute to develop a technology strategy and with the Environmental Defense Fund on a pilot trading program in which twelve of our business units will participate. These innovative programs will provide the learning necessary to allow us to achieve our goals.”

###  
###

Notes to Editors:

Attached is background information on the emissions targets and emissions trading program BP has developed in conjunction with the Environmental Defense Fund.



Where We Stand

## BP's Pilot Emissions Trading Program

### BP To Reduce Emissions Using A Pilot Trading Program

- In May 1997, BP established a joint partnership with the Environmental Defense Fund (EDF) to gain from their experience in solving environmental problems using market incentives.
- Achieving emissions reductions within a business-focused trading structure has many advantages.
  - Identifying emissions reduction opportunities are part of the business planning cycle for our more than 90 business units around the world.
  - Overall costs should be lowered as reductions can be made where costs are lowest.
  - The challenge of reducing emissions stimulates innovation and challenges the creative flair of all our people.
- Initial twelve units selected to reflect the spread of businesses geographically, by business type, and to maximize learning. Included in this pilot program are refineries, chemical plants, oil production facilities, and a pipeline.



- Initially twelve business units will participate in the pilot trading program and two units from developing countries are acting as observers.

- Twelve units comprise about 25% of BP's global emissions and over time additional units can be added.
- A 3% emissions reduction will be made by 2003, against a 1995 baseline.
- Experience gained in the pilot trading program will be utilized in meeting BP's Group target which applies to BP's total global emissions.

"What we propose to do is substantial, real and measurable."

—John Browne  
BP Group Chief Executive

- Some practical aspects of trading.

- Each of the 12 business units have received a basic allocation of emission rights through 2003.
- Allocations are consistent with overall Group target.
- Trades denominated in carbon dioxide equivalent units.
- Trades registered and conducted through the broker.
- Performance externally audited with results reported annually.

- Experience will be gained and lessons learned to be shared widely, including:

- Protocol utilized to report emissions and reduction levels.
- The use of procedures to verify reductions resulting from trading.
- Making emissions trades within countries and across national boundaries.



For more information contact BP at 212.421.5010 or visit our home page at <http://www.bp.com>



Where We Stand

## Emissions Targets

### We Will Develop A Set Of Firm, Realistic Targets

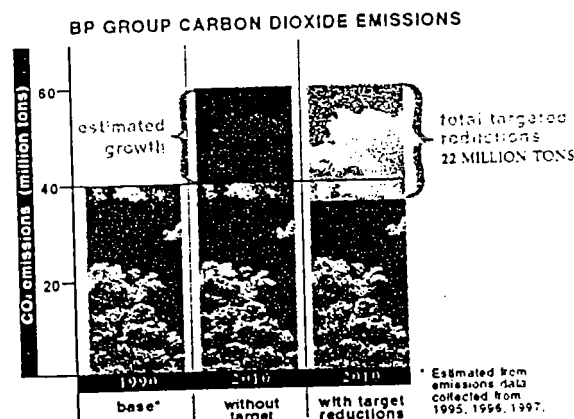
- In May of 1997, BP announces precautionary action to reduce carbon dioxide emissions and other greenhouse gas (GHG) emissions is needed.
- In September of 1997, BP commits to the development of a set of firm, realistic targets for greenhouse gas reductions and a pilot emissions trading system.
- In September of 1998, BP reports progress on those commitments:

- BP will reduce its global GHG emissions by 10% below 1990 baseline levels by 2010. This is twice the target agreed for developed countries in Kyoto.
- In meeting these goals, BP will achieve business growth without growth in emissions, and will make further net reductions to meet our global target.
- BP will grow its solar business by ten fold by 2010.
- BP's pilot emissions trading system, a key element of our emissions reduction strategy, is inaugurated among 12 of our business units representing 25% of global GHG emissions.

"We, ourselves can make a constructive contribution to the solution."

—John Browne  
BP Group Chief Executive

- Setting realistic targets requires BP to define its baseline emissions, achieve growth without emissions increases and define a path forward to meet our target reductions by 2010.



- Our global baseline begins with an estimate of 40 million tons of carbon dioxide in 1990. Growth in emissions above this 1990 unadjusted base could be about 18 million tons by 2010, in the absence of new reduction targets.

With BP's targets for 2010, we will offset this kind of growth and make an additional 10% reduction (4 million tons) to meet our GHG reduction commitment.

- Actions required to offset GHG emissions growth and to meet BP's reduction target include broad-based efficiency gains, development and application of new technology, and reduction of flaring.
- Most importantly, BP is relying upon market-based incentives and the creative talents of our employees to seek innovative and cost-effective solutions.



For more information contact BP at 212.421.5010 or visit our home page at <http://www.bp.com>



Where we stand

## A BP Perspective On Climate Change

### International agreements

- The solution to Climate Change requires a global long term framework that encompasses industrialized nations and draws in developing nations.
- The agreement reached in Kyoto is a useful framework to begin the journey. Kyoto is a first step in the journey.
- Targets and timetables for greenhouse gases should be realistic and achievable for all nations. Kyoto has addressed targets for the developed countries, however involvement of the whole world is necessary for success in the longer term.
- BP believes precautionary action is needed and has set its own internal target and time frame for making GHG emissions reductions. BP's target exceeds the Kyoto average.

### Binding commitments

- We all have a responsibility to take constructive, precautionary action.
- Nations should recognize that finding solutions is a lengthy journey, with success defined by numerous decisions taken over a series of international conferences.
- The flexible mechanisms outlined in the Kyoto agreement are welcome, as they provide the framework to enable efficient implementation.

### Targets and timetables

- Targets and timetables are useful tools to help business deliver long-term results and should provide time to allow for effective turnover of capital stock.

### Monitoring and reporting

- An international measurement protocol is required.
- Greenhouse gas emissions levels should be openly reported.

"The people who work in BP are people with beliefs and convictions."

—John Browne  
BP Group Chief Executive



## Flexible mechanisms

- Flexibility is necessary to allow for innovation and creative solutions; to maintain competitiveness; to handle new and changing information; and to allow approaches to remain relevant over time. Kyoto endorsed the need for flexibility but definition is yet to be developed.
- Better and more efficient solutions, employing both technology and sequestration, flow from responsible behavior and the marketplace. Emissions trading, joint implementation, and the Clean Development Mechanism are three such flexible international mechanisms that should be advanced in the post-Kyoto period.
- Voluntary actions can be integrated into business plans and substantially reduce emissions. Rewards and incentives can enhance delivery. Ultimately, they may not be enough, with some mandatory steps required.
- Any mandatory national approaches should be performance-based with governments setting broad objectives and businesses delivering creative, cost effective results that continually improve, while ensuring accountability.

## Early action and credit

- Although managing emissions levels is a long term process, near term reductions will have a positive contribution and should be encouraged.
- Governments should give incentives for near term reductions and provide credit against future obligations that may arise.

## Technology development and deployment

- Moving the world toward less carbon intensive emissions requires technology that should become available for broad application.
- A comprehensive international strategy is needed to effectively develop and deploy technology that can transform the world to a low-carbon emission structure. Present solutions involve substantial cost premium. A concerted effort is required to find and apply cost effective technology.
- A strategy developed through international collaboration and public/private partnership can lead to better resource allocation for finding climate change solutions. BP is involved in partnerships directed toward the identification of strategies needed for development of low carbon energy sources.

## Inclusive decision-making

- All parts of society should have the opportunity to have their needs and priorities taken into account.
- BP will continue to be available to contribute to the debate.

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## Browne Commits BP To 10 Percent CO2 Cut By 2010

Sir John Browne, group chief executive of BP, committed the oil giant Friday to a 10 percent reduction in its greenhouse gas emissions from 1990 levels by 2010, fulfilling a pledge he made a year ago and ensuring that his company will remain at the leading edge of the intense global warming debate.

Browne, in a speech delivered at Yale University, pledged that the company's reductions would be transparent, enabling outsiders to measure and verify the company's results.

The company's target, Browne pointed out, "exceeds the reduction agreed [to] by the world's industrialized nations in Kyoto last year."

Browne also said this is not a one-shot deal, stressing that "as our business grows we will incorporate new activities into the baseline of the calculation and into the target.

"In our terms," he continued, "that [emissions reduction] target will now sit alongside our financial targets. That means it is a promise and, as with our financial targets, a promise is a personal commitment.

"Of course it is not enough just to set a target. We need to put some substance behind the target. We need...to deliver on the promises...."

There is no easy, universal solution for BP, said Browne, explaining that the company will look for ways to cut emissions at all of its business units and, within those, at every producing oil field, every refinery and every chemical plant.

As examples of the incremental nature of BP's response, Browne cited corporate efforts to reduce the amount of drag on oil shipments through the Trans Alaska pipeline, which has allowed the company to cut out a number of pumping stations. The result? An annual reduction of 236,000 tons in carbon dioxide emissions. (Continued on page 4)

## DOE Site Re-Use Program Putting New Tenants At Risk, Review Finds

BY GEORGE LOBSENZ

Top Energy Department officials have failed to set clear safety policies for commercial leasing of surplus DOE facilities, potentially endangering employees of private businesses operating at still contaminated sites, according to an internal DOE safety assessment obtained by *The Energy Daily*.

The lack of direction from DOE headquarters has resulted in leasing policies at the Mound site in Ohio that appear contrary to DOE safety regulations as well as preliminary recommendations made by DOE's Office of Environment, Safety and Health (ES&H), the study concludes.

"While DOE-Mound has an effective process for eliminating hazards within facilities before the facilities are turned over for commercial use, leases were granted without a full analysis of potential radiation doses and risks to lessee workers from DOE activities..." said the report by DOE's Office of ES&H Oversight, which said commercialization is just one of a host of safety issues at Mound, a former nuclear weapons production site.

Officials at DOE's Ohio Field Office "authorized leasing of Mound (Continued on page 2)

## Oil And Gas Industry Ready For 2000, Survey Concludes

BY JENNIFER BARSKY

The oil and gas industries are well on their way to Year 2000 readiness, according to an industry survey released Friday at the Federal Energy Regulatory Commission. But there still is much work to be done before the industries can rest easy.

The American Petroleum Institute and the Natural Gas Council surveyed more than 800 companies and found only 14 percent are still planning their response while more than a third are fixing their software. Nineteen percent have reached the final stage of the process, dubbed validation by the software experts, in which systems are first individually tested, then tested as a unit. Three-quarters of the respondents expect to be ready by June 1999 and all say they will meet the December 1999 deadline.

Similar results have been cited throughout the energy sector. For example, the North American Reliability Council released a similar Year 2000 report earlier last week, concluding that most organizations are on track to meet their target dates while only a small number are lagging behind. (Continued on page 3)

## DOE Program Putting New Tenants At Risk... (From one)

facilities prior to clearly identifying hazards and controls, fully assessing the potential impact of accidental releases of radioactivity on these lessees, or developing an effective emergency management program involving lessees....

"Commercialization of facilities is proceeding without either DOE headquarters guidance or full understanding of the risks to tenants created by DOE-sponsored activities or of the potential impact of tenant activities on DOE facilities."

Potentially at risk are more than 260 employees working for 29 private businesses that had leased space in 18 Mound buildings as of May 1998. Those businesses are operating close to extensive DOE soil and groundwater cleanup activities, building decontamination and decommissioning projects and ongoing production of plutonium-238 electric generators for NASA deep space missions.

### DOE-Wide Significance

The concerns raised by the report have DOE-wide significance in that Congress and the department are urging all nuclear weapons sites to consider "reindustrialization" of surplus facilities to provide jobs and economic activity for nearby communities hard hit by post-Cold War cutbacks at DOE.

But while there is broad support for commercial reuse, DOE worker unions and others have raised red flags that private sector businesses are being brought into buildings or weapons production areas that still contain substantial contamination. Additionally, there are questions about whether private sector workers are aware of radiation risks or whether they have received proper safety training.

Those issues were raised forcefully last year in an ES&H study of reindustrialization at DOE's Oak Ridge site in Tennessee, where businesses were found to be operating in buildings with residual contamination risks.

To address those concerns, DOE and the Environmental Protection Agency in June issued a joint policy statement calling for DOE to notify and consult with EPA prior to leasing properties. However, that policy does not set specific safety requirements for private sector employees working at DOE sites.

### Policy Vacuum, Relaxed Standards

As a result of that policy vacuum, the ES&H report said, the Mound site went ahead and set possibly inappropriate leasing policies regarding commercial worker protection.

Of particular concern, the report said, is a 1996 Mound decision to classify commercial workers as "co-located workers," as opposed to members of the public. That decision, made in conjunction with headquarters officials in DOE's Office of Environmental Management and Office of Community and Worker Transition, was done to meet security requirements for allowing commercial workers access to Mound, which has plutonium and other sensitive nuclear materials on site. However, the

report noted the classification decision also meant "less restrictive (i.e., higher) radiation exposure limits" for commercial workers, compared to DOE limits established for members of the public.

"Although at the time of this decision, [DOE-Mound] intended to provide general employee radiological training to tenants and require this training as a condition of leases, some tenants have not received the training and this condition has not been included in leases," the report added.

"The decision to classify tenants as employees appears to be contrary to the intent of applicable regulations and inconsistent with a preliminary analysis distributed by [the ES&H office] for review and comment in February 1998. However, regulations are not clear on this point, and no definitive policy or guidance has been provided by DOE headquarters." At the same time, the report said Mound officials were unable to provide ES&H investigators with a "documented rationale" for classifying commercial workers as co-located employees.

### Broader Safety Concerns At Mound

The concerns about commercialization take on added seriousness in light of broader findings in the ES&H report about major deficiencies in safety practices for cleanup workers at Mound, which is operated for DOE by Babcock & Wilcox (B&W). Among other problems, the report said:

- DOE's Ohio Field Office gave B&W conditional approval for interim operation of sensitive nuclear facilities on the basis of draft safety documents that were not technically sound.

- "Despite numerous secretary of Energy directives and lessons learned associated with the emergency response to the...chemical explosion [at DOE's Hanford site] over one year ago, DOE and Babcock & Wilcox have not corrected longstanding and significant weaknesses in emergency management and response." The ES&H auditors said they were the ones to identify the emergency management problems, not site officials.

- While lower-level B&W managers have taken steps to improve safety management, senior management still does not appear to have accepted "ownership" of the problem.

- DOE Mound officials are not providing effective safety oversight because senior DOE managers at the site have "emphasized teamwork with the contractor to the extent that some DOE-Mound staff believe that critical evaluation of contractor performance is not expected. As a result, significant deficiencies in B&W's safety performance have gone undetected...."

- Many DOE workers have lost confidence in site management because of longstanding problems with Mound's bioassay program—such as slow testing of urine samples—to determine if workers have received excessive radiation doses. All radiological operations at the site were shut down for months earlier this year due to long delays in processing urine samples—a problem that has occurred repeatedly at the site.

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