BP—Back to Petroleum

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For two years, the world’s second largest hydrocarbons producer spent beaucoup dollars on a clever public relations and advertising campaign to convince consumers that BP no longer stands for British Petroleum, but for Beyond Petroleum.

One advert proclaimed, ‘We’re one of the largest producers of natural gas … and are investing in the new energy sources of the future—hydrogen and wind. It’s a start’. Another tried to get this line past the guffaw test: ‘We believe in alternative energy. Like solar cappuccino’.

Many people expressed surprise that a huge oil company was so committed to alternative energy technologies. They needn’t have.

BP’s total six-year investment in renewable technologies was $200 million—the same amount it spent on the ‘Beyond Petroleum’ advertising campaign. That’s certainly an impressive tab for image enhancement. But it’s a drop in the barrel for futuristic technologies that were the centerpiece for the slick marketing effort.

Indeed, all its greenwashing and puffery notwithstanding, BP’s actual investment in renewable energy was a whopping 0.05 per cent of the $91 billion it spent to buy oil giants Arco and Amoco back in the 1990s. Moreover, just as the advertising campaign was winding down, BP announced it was spending $6.75 billion for a 50 per cent controlling interest in a rich Russian oil prospect—and will be spending another $20 billion over the next five years exploring this and other newer fields around the world.

In other words, the advertising campaign was little more than ‘greenwashing’—disinformation intended to present an environmentally responsible public image. BP wanted people to perceive it as a ‘socially responsible’ leader and reward it accordingly. Few did.

Green activists denounced BP for ‘hypocrisy’ and blasted the company for continuing to ‘exploit some of the world’s most sensitive ecological areas’. A major business magazine said simply, ‘Well, please: If the world’s second largest oil company is beyond petroleum, Fortune is beyond words’.

Meanwhile, BP’s total wind and solar electrical output last year was barely enough to keep the lights burning in Regina, Saskatchewan—and thoughtful observers are beginning to realize that wind and solar aren’t quite as eco-friendly as activists claim.

A single new 555-MW gas-fired generating plant in California produces more electricity than do all the state’s 13,000 wind turbines. The gas-fired plant occupies about ten acres; the giant 200-foot-tall windmills dominate thousands of once-scenic acres, and kill thousands of raptors and other birds every year. Current photovoltaic technology is just as habitat-hungry.

Worse, chief executive Lord John Browne was forced to lower BP’s production estimates three times last year, and the company’s 11 per cent return on average capital was well below that of arch-rivals ExxonMobil (13.7 per cent) and Royal Dutch/Shell (14.8 per cent). BP share prices reflected investors’ displeasure with its poor performance and the fact that the company’s profit margins would not improve for a decade or more if the company remained focused on renewable energy and old oil fields.

Thus, if BP ever really was Beyond Petroleum, going Back to Petroleum (and Bigger Profits) was a sound business decision.

However, the ‘Great Beyondo’ ad campaign involves more than mere greenwashing and disingenuous but theoretically harmless puffery. It also reflects the desire of many multinational companies to appease critics and gain a public relations advantage over competitors, by adopting the language of ideological environmentalism.

This radical school of thought increasingly uses ethical buzz-words and dogmas to justify its demands. Chief among them are sustainable development and the precautionary principle, the foundations of so-called ‘corporate social responsibility’ (CSR) and ‘socially responsible investing’ (SRI) doctrines.

Eco-activists from affluent Western countries developed the doctrines to promote their agendas and oppose energy and economic development. BP has long been at the forefront of these efforts, as a charter member of the World Business Council for Sustainable Development, through frequent meetings with activist groups, and by funding many radical groups.

The activists define what is ‘responsible,’ focusing debate on conjectural problems and theoretical needs of future generations of wealthy elites—and ignoring real, immediate, life-and-death needs of people who struggle daily just to survive. The stakes are huge.

More than 1.5 billion people in developing countries still do not have access to electricity. Half a billion women and children spend their days collecting firewood, or squatting in mud and animal faeces to collect and dry manure for fuel. Millions die every year from lung diseases caused by indoor air pollution from cooking fires, and dysentery due to contaminated drinking water.

Hydroelectric or fossil fuel projects could provide electricity for families, water purification plants and economic development. But radical activists op-
pose these projects and say that the world’s rural poor should be content with solar panels on huts.

Investors are also at risk, particularly retirees whose futures depend on pension and mutual funds that own nearly $8 trillion in market share—50 per cent of the total stock market. Many of these funds are managed less to safeguard or benefit the investor than to promote radical principles under the disguise of so-called ethical funds.

These funds claim to provide professional, unbiased analytical and advisory services. But in reality, they support political agendas based on often-questionable analyses and on ‘stakeholder’ (activist) input to justify how they grade companies in client portfolios. They regularly excoriate companies such as ExxonMobil, claiming its refusal to back the Kyoto climate treaty will destroy shareholder value. Meanwhile, they praise companies such as BP and promote global governance, and solar panels on huts.

Australia’s energy consumers will become yet another example of ‘collateral damage’, if the radicals have their way over global warming. Once again, some of the culprits are right in the BP boardroom.

In 1997, BP chief Browne endorsed the global warming theory and said tough measures should be imposed quickly, even in the absence of scientific proof. A Clinton-era Energy Information Administration report concluded that the climate treaty would drain $340 billion a year from the US economy. The Australian economy would also get hammered. And all this pain, even assuming perfect compliance with the treaty, would reduce average global temperatures in 2050 by only 0.2°C below what they would be without the treaty, according to the USA’s National Center for Atmospheric Research.

But BP Australasia President Greg Bourne is undaunted. He’s stamping the country from Melbourne to Brisbane, and Darwin to Perth, importuning businesses to pressure the PM to ratify Kyoto. Could it be pure altruism? Or might the old profit motive be at work?

A 1997 memo to Enron president Ken Lay described BP as Enron’s ‘international equivalent’. Indeed, BP is striving mightily to replace Enron as the world’s premier broker in the new business of buying and selling permits to emit greenhouse gases. The expectation is that playing the climate change game could earn BP billions of dollars via traditional petroleum operations—and billions more via emission trading schemes. The company is already trading credits among its units, as part of a training regimen for the anticipated emission Olympics.

One cannot help but suspect that this huge EU oil giant might also be motivated by Europe’s obvious desire to protect its industries from US and other foreign competition. They clearly see the Kyoto Protocol, not merely as an environmental programme, but also as a way to pressure the United States, Australia and other countries to reduce energy use and economic productivity.

EU Environment Commissioner Margot Wallstrom put it bluntly when President Bush abandoned the Kyoto climate treaty. ‘This is not a simple environmental issue,’ she railed. ‘This is about international relations, this is about economy, about trying to create a level playing field for big businesses throughout the world.’ Several EU officials echoed her sentiments, suggesting that America’s lower energy taxes constitute an unfair trade advantage that could justify trade sanctions against the US.

In short, what we are witnessing is a profound and disturbing convergence of ideology, activism, marketing, politics and financial gain—all in the service of radical policy agendas, and all beautifully attired in the lavish raiment of corporate ethics and responsibility.

This is proof positive that social responsibility can be a wondrous thing in the dexterous hands of craftsmen who really know how to display and utilize it.

How can we stop the charade? For starters, demand that corporate social responsibility puts people first, puts development back into sustainable development, and ensures that precautionary guidelines safeguard people and communities from the havoc wreaked by radical green policies. Insist that all decisions be based on sound, peer-reviewed science and solid evidence—not on hysterical claims and shrill rhetoric by activists, regulators and journalists, who reward pseudo-scientific soul-mates and pillory any scientists who dare disagree with them.

Next, urge principled regulators and journalists to investigate these companies and investor firms for self-serving arrangements and breech of fiduciary duty. Demand that the companies, firms and activist groups open their books and provide full disclosure of their meetings, contacts, and monetary and other relationships.

Last, in this era of high-minded reform, prevail upon legislators to change the law, to make these groups subject to the same false advertising laws, and the same standards of transparency and accountability, that activists insist should govern for-profit corporations. Unbelievably, right now, these ideologies are mostly exempt.

The world will thank you. For it will be a better, safer, more ethical place—especially for energy consumers, retirees and the world’s poor.

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