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E&E News PM

January 8, 2009 Thursday

## CLIMATE: Exxon Mobil CEO makes a pitch for U.S. carbon tax

SECTION: THIS AFTERNOON'S STORIES Vol. 10 No. 9

LENGTH: 704 words

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Exxon Mobil Corp. Chairman and CEO Rex **Tillerson** said today that the United States should tax greenhouse gas emissions rather than implement a cap-and-trade program favored by President-elect Barack Obama and powerful congressional Democrats.

"As a businessman, it's hard to speak favorably about any new tax," **Tillerson** said at the Woodrow Wilson Center in Washington, "but a **carbon tax** strikes me as a more direct, transparent and effective approach."

A **carbon tax** would avoid the cost and complexity of having to build a massive trading market and a bureaucracy of regulators to ensure its transparency and effectiveness, said **Tillerson**, who runs the world's largest private oil and gas company (NYSE: XOM).

**Tillerson** declined in an interview to say how high the tax should be, nor would he say who should pay, but he said the levy could be imposed under the existing tax code. Further, he said, the federal government should make the **carbon tax** "revenue-neutral" by lowering income, excise and payroll taxes.

"Right now, any talk of imposing new taxes would rattle the markets and individuals," **Tillerson** added. "But I don't think it has to be put off that long."

On the campaign trail last year, Obama called for a mandatory, economywide emissions cap to cut carbon dioxide and other heat-trapping gases 80 percent by 2050. The policy would auction tradable pollution credits to energy companies and other major emitters to meet the cap.

House and Senate officials have vowed to move this year on a climate bill with the Obama administration's input, but the U.S. Chamber of Commerce and other powerful business groups want the government to delay climate legislation until the economy recovers from its recession. The 3-million-member chamber projected yesterday that the U.S. economy will bottom out in mid-2009 and the unemployment rate could reach 9 percent (E&ENews PM, Jan. 7).

Exxon's fellow oil majors BP PLC, Royal Dutch Shell PLC and ConocoPhillips and several major electric utilities and automakers are members of the U.S. Climate Action Partnership. The 32-member coalition isn't publicly backing a specific bill on Capitol Hill, but generally supports a cap-and-trade system phased in over several decades, with offsets that would allow industries to meet their requirements by funding projects that avoid or soak up CO2.

Exxon's **Tillerson** questions whether such a system would lead to actual reductions of carbon dioxide and other heat-trapping gases. He cited the difficulties Kyoto Protocol-bound members of the European Union are

having in meeting their emissions-reduction targets.

"It is important to remember that a cap-and-trade system requires a new market infrastructure for traders to trade emissions allowances," Tillerson said. "This new Wall Street of emissions brokers will take the emphasis away from the goal of reducing carbon emissions and focus its attention on trading from price volatility."

Tillerson also charged that such a market would have "inherent problems with verification and accountability."

The London-based market analytics firm New Energy Finance projects that the global carbon-trading market could reach \$3 trillion annually by 2020 if the United States -- the world's largest per capita CO2 emitter -- adopts an emissions cap-and-trade scheme. The market, which is now dominated by European trading, reached \$118 billion last year (Greenwire, Jan. 8). Democratic gains cited

Tillerson said he is pressing for a **carbon tax** now because of recent gains by congressional Democrats who support climate regulation. Rep. Ed Markey (D-Mass.), a strong cap-and-trade advocate, wants to be chairman of the House Energy and Environment Subcommittee. The panel is expected to play a major role in crafting global warming legislation (E&E Daily, Jan. 8).

"If we're going to take a position, we need to do it now," Tillerson said of his Irving, Texas-based company. "That debate is going to get under way again."

"I don't think it's going to happen immediately, because they have so many other urgent issues to deal with," he added. "But probably later this year, I think they're going to get around to want to further investigate what their alternatives are."

**LANGUAGE:** ENGLISH

**PUBLICATION-TYPE:** Newswire

**SUBJECT:** TAXES & TAXATION (91%); EMISSIONS (90%); EMISSIONS CREDITS (90%); OIL & GAS INDUSTRY (89%); NATURAL GAS & ELECTRIC UTILITIES (89%); ECONOMIC NEWS (87%); LEGISLATIVE BODIES (78%); CLIMATE CHANGE (78%); US FEDERAL GOVERNMENT (78%); US DEMOCRATIC PARTY (78%); AIR QUALITY REGULATION (78%); TAX LAW (78%); EXCISE TAX (78%); INTERVIEWS (78%); CAMPAIGNS & ELECTIONS (77%); TRADE DEVELOPMENT (77%); ELECTRIC POWER INDUSTRY (75%); UTILITIES INDUSTRY (73%); RECESSION (73%); ENVIRONMENTAL TREATIES & AGREEMENTS (73%); LEGISLATION (72%); AUTOMAKERS (71%); ELECTRIC POWER PLANTS (69%); ECONOMIC RECOVERY (67%); CORPORATE TAX (66%); UNEMPLOYMENT RATES (62%); AUTOMOBILE MFG (50%)

**COMPANY:** EXXON MOBIL CORP (95%); BP PLC (84%); CONOCOPHILLIPS (84%); ROYAL DUTCH SHELL PLC (81%)

**TICKER:** XOM (NYSE) (95%); BPLC (PAR) (84%); BP (NYSE) (84%); BP (LSE) (84%); COP (NYSE) (84%); RDSA (LSE) (81%); RDSA (AMS) (81%); RDS (NYSE) (81%)

**INDUSTRY:** NAICS324110 PETROLEUM REFINERIES (97%); NAICS211111 CRUDE PETROLEUM & NATURAL GAS EXTRACTION (97%); NAICS325110 PETROCHEMICAL MANUFACTURING (97%); NAICS447110 GASOLINE STATIONS WITH CONVENIENCE STORES (84%)

**PERSON:** REX W TILLERSON (94%); BARACK OBAMA (92%)

**COUNTRY:** UNITED STATES (96%); EUROPEAN UNION (79%)

**LOAD-DATE:** January 8, 2009