

Phillips 66: Climate Policy Engagement Overview

An investor briefing to inform voting on Proposal 6 at Phillips 66's 2021 AGM

April 2021

Executive Summary

- On May 12th 2021, Phillips 66 investors will vote on a shareholder resolution requesting that the company reports on how its “lobbying activities (direct and through trade associations) align with the [...] Paris Climate Agreement” (see page 70 of Phillips 66’s *2021 Proxy Statement*). This briefing provides an overview of Phillips 66’s direct and indirect climate-related policy engagement. The briefing contains data from InfluenceMap’s online platform which tracks, assesses and scores over 300 companies and 150 industry associations on their engagement with climate change policy against Paris-aligned benchmarks.
- InfluenceMap analysis indicates that Phillips 66’s direct climate policy engagement is strongly misaligned with the goals of the Paris Agreement. The company has not supported climate policies including a carbon tax, fuel economy standards, and renewable fuel mandates, and continues to promote a continued role for fossil fuels in the energy mix. A summary of the company’s direct climate policy engagement, including access to the underlying data, is on [page 4](#).
- Phillips 66 does not transparently disclose on its use of industry associations to influence climate change policy. InfluenceMap’s analysis of Phillips 66’s indirect climate policy engagement via industry associations is on [page 5](#).
- For example, Phillips 66 is a member of several US industry associations displaying highly strategic and negative engagement with climate legislation and regulation, including the *American Petroleum Institute*, *National Association of Manufacturers*, *American Fuel and Petrochemical Manufacturers* and the *US Chamber of Commerce*. A detailed overview of these industry associations’ climate policy engagement is available on [page 5](#).

Background: Proposal 6 on corporate climate lobbying

Engagement with companies over their climate policy engagement is now firmly on the investor agenda on climate change. It is an integral part of the *Climate Action 100+* (CA100+) investor-engagement process, which now has over 545 investor signatories with a total of \$52 trillion in assets under management.

As a research partner to CA100+, InfluenceMap maintains a global system for tracking, assessing and scoring companies on their engagement with climate change against Paris-aligned benchmarks, currently covering around 300 companies along with 150 of their key industry associations.

InfluenceMap refers to the UN's *Guide for Responsible Corporate Engagement in Climate Policy* as a guide for what constitutes engagement. This can include advertising, social media, public relations, sponsoring research, direct contact with regulators and elected officials, funding of campaigns and political parties and participation in policy advisory committees.

This briefing provides an overview of Phillips 66's direct and indirect climate policy engagement, to inform shareholder voting decisions on the shareholder resolution summarized in Table 1 below. This resolution will be voted on at Phillips 66's Annual General Meeting (AGM) on May 12th 2021.

Table 1: Key Information for Proposal 6 at Phillips 66's 2021 AGM

Proposal 6: Report on corporate climate lobbying in line with the Paris Agreement			
Lead Filer:	CalSTRS (USA)	AGM Date:	May 12 th 2021
Proposal Summary: <i>The full resolution text is available here.</i>	"Shareholders request that the Board of Directors conduct an evaluation and issue a report within the next year (at reasonable cost, omitting proprietary information) describing if, and how, Phillips 66's lobbying activities (direct and through trade associations) align with the goal of limiting average global warming to well below 2 degrees Celsius (the Paris Climate Agreement's goal). The report should also address the risks presented by any misaligned lobbying and the company's plans, if any, to mitigate these risks."		

Following growing investor scrutiny on corporate lobbying behavior, companies are increasingly facing shareholder resolutions on climate policy engagement. The number of resolutions filed in this category has significantly increased in the last three years, becoming the most popular among the climate-relevant resolution universe *monitored by InfluenceMap*: 17 in 2020 compared with 8 in 2018 and 13 in 2019.

This trend appears to be continuing in 2021, with investors filing record numbers of resolutions specifically calling for Paris-aligned policy engagement. InfluenceMap is producing a series of investor briefings on companies facing these resolutions in 2021, with more information available [here](#).

Summary of Phillips 66’s climate policy engagement

Overview

InfluenceMap’s methodology, available [on our website](#), uses seven publicly available data sources to gather evidence of company and industry association engagement on a range of climate-related policy streams. Each item of evidence is scored against benchmarks based on the advice of [IPCC science](#) or the stated intentions of governments looking to implement the Paris Agreement. This process can result in hundreds of scored evidence items, providing a robust basis to assess the extent to which a company’s climate policy engagement, and that of its industry associations, is Paris-aligned.

InfluenceMap’s online profile of Phillips 66, including access to the underlying data which forms this assessment, can be found [here](#). The analysis of Phillips 66’s industry association relationships, including detailed profiles for each association, can be explored via the "Details of Relationship Score" tab. An overview of this assessment is provided in Table 2 below. Further analysis of how these metrics compare to other oil and gas companies in InfluenceMap’s system can be found in the Appendix of this document.

Table 2: Overview of InfluenceMap’s assessment of Phillips 66

Phillips 66		
Performance Band	E-	Performance Band (A+ to F) is a full measure of a company’s climate policy engagement, accounting for both its own engagement and that of its industry associations. A+ indicates full support for Paris-aligned climate policy, with grades from D to F indicating increasingly obstructive climate policy engagement.
Organization Score	25%	Organization Score (0 to 100) expresses how supportive or obstructive the company is towards climate policy aligned with the Paris Agreement, with scores under 50 indicating “internal” misalignment between the Paris Agreement and the company’s detailed climate policy engagement.
Relationship Score	32%	Relationship Score (0 to 100) expresses how supportive or obstructive the company’s industry associations are towards climate policy aligned with the Paris Agreement, with scores under 50 indicating “external” misalignment between the Paris Agreement and the detailed climate policy engagement of the company’s industry associations.
Engagement Intensity	14%	Engagement Intensity (0 to 100) is a measure of the level of policy engagement by the company, with scores above 12 indicating active engagement, and scores above 25 indicating highly active or strategic engagement.

Summary of direct climate policy engagement

InfluenceMap's analysis of Phillips 66's direct climate policy engagement is based on 56 independent data points, 22 of which have been logged since 2020. This section contains embedded links to our online platform where over 30,000 pieces of assessed evidence are archived. Registration may be required for some parts of the site.

- **No clear support for climate action:** Phillips 66 has not explicitly supported the *Paris Agreement* in its direct corporate disclosures since its adoption in 2015. The company also does not appear to explicitly support the need to reduce emissions to net-zero by 2050, or to limit global temperature increase to 1.5°C. In comparison, peer companies *BP* and *Royal Dutch Shell* have both voiced their support for achieving net-zero emissions by 2050. However, Phillips 66 has supported some GHG targets in regions where it operates, such as the *United Kingdom* in 2019 and *California* in 2020, as reported by media outlets Business Live and Energy Live News, respectively.
- **Not supporting carbon tax or fuel economy standards:** In July 2020, on a Phillips 66 earnings call, CEO Greg Garland stated that Phillips 66 did not currently have an official position on any future *carbon tax*, but could potentially support one if certain broad conditions were met. However, PDC lobbying records appear to show that Phillips 66 made political contributions totaling *over \$7 million* in 2018 to the 'No on 1631 campaign', which opposed the introduction of a *carbon tax in Washington state*. In December 2018, Phillips 66 was also linked by the New York Times to an *advertising campaign* supporting the rollback of US fuel economy standards.
- **Opposing renewable fuel mandates:** Phillips 66 appears to have opposed stricter renewable fuel mandates that would require a certain percentage of biofuels to be blended with conventional fuel by refiners. In August 2019, a senior Phillips 66 executive *made a submission* to the US Environmental Protection Agency (EPA) on the Renewable Fuel Standard (RFS) stating: "2020 proposed volumes remain too high and should be further reduced." Previously, in August 2018, a separate senior Phillips 66 executive commented on the EPA's RFS and *objected* to the proposed increase in biofuel volumes for 2019 on similar grounds.
- **Not supporting the energy transition:** Evidence suggests Phillips 66 does not support a transition toward a low-carbon economy. *Phillips 66 stated* in its 2020 sustainability report that regulations designed to aid the transition to a low-carbon economy must recognize that all forms of affordable energy, including fossil fuels, will be required. In a January 2020 earnings call, CEO Greg Garland *stated* that "fossil fuels are going to be a majority part of the energy mix" for the next two to three decades. In an October 2020 earnings call, Garland also did not appear to support a *proposed ban on ICE vehicles* in California. In May 2019, an article from The Intercept reported that Phillips 66 expressed support for *proposed legislation* that would criminalize protests against fossil fuel infrastructure projects.

Summary of indirect climate policy engagement via industry associations

InfluenceMap's platform tracks and analyzes the climate policy engagement of over 150 industry associations using the same benchmarks and scoring process applied to companies. This gives an assessment of each association's engagement against Paris-aligned benchmarks. This section details InfluenceMap's analysis of key industry associations of which Phillips 66 is a member.

- **There is a lack of transparency concerning Phillips 66's use of industry associations to influence climate change policy.** Phillips 66 has not provided a dedicated disclosure of its membership to industry associations, beyond a list of groups to which it has given funding above a certain threshold. It therefore has not disclosed any information on the extent to which it is aligned with these associations on climate change policy, nor how the company exerts its influence within these groups.
- InfluenceMap analysis indicates that Phillips 66 likely **holds ten memberships** to industry associations with misaligned climate policy engagement (ranked as a D or below by InfluenceMap's system), including **three memberships** to industry associations with strongly misaligned climate policy engagement (ranked as an F or below). These include the *American Petroleum Institute (API)*, *The National Association of Manufacturers*, *American Fuel and Petrochemical Manufacturers* and the *US Chamber of Commerce*. Additionally, **Phillips 66 CEO Greg Garland is the Chairman of the API.**

Table 3 below gives an overview of four key industry associations with examples of recent obstructive climate policy engagement. Detailed profiles for all Phillips 66's industry associations can be explored via the "Details of Relationship Score" tab on InfluenceMap's *company profile*.

Table 3: Evidence of recent climate policy engagement by Phillips 66's key industry associations



Industry Association	Performance Band	Examples of recent climate policy engagement
<i>American Fuel and Petrochemical Manufacturers (AFPM)</i>	E-	<ul style="list-style-type: none"> ● February 2021: A post on AFPM's blog appeared to <i>support</i> an effort by State Governors of Louisiana, Texas, Oklahoma, Utah, Wyoming, and Pennsylvania for refineries to receive general waivers from the Renewable Fuel Standard from the EPA. ● January 2021: In a press release, AFPM <i>opposed a decision</i> by the 10th Circuit court that would reduce the number of parties able to apply small refinery exemptions (SREs). ● May 2020: AFPM <i>attempted legal action</i> against California's CARB regulations that aimed to cut GHG emissions from vehicles by 20% by 2030.

<p><i>American Petroleum Institute (API)</i></p>	<p>F</p>	<ul style="list-style-type: none"> • January 2021: In a keynote speech, API CEO Mike Sommers appeared to argue <i>against</i> a ban on fracking. In its State of American Energy report, API appeared to <i>oppose</i> restrictions on federal waters and land for oil and gas production and the <i>renewal</i> of the Nationwide Permit 12 program while supporting the <i>weakening</i> of the National Environmental Policy Act – both of which serve to make permitting approval processes for oil and gas infrastructure quicker and easier. • November 2020: The API reportedly <i>supported the removal</i> of restrictions on oil and gas production in the Arctic National Wildlife Refuge, as well as suggesting punitive measures, such as preventing access to COVID-19 relief funding for banks that have chosen not to fund Arctic-drilling projects. • November 2020: CEO Mike Sommers reportedly <i>stated</i> that API would use “every tool at its disposal” including legal action to block a proposed ban on fracking on federal land and water. • September 2020: API reportedly <i>opposed</i> an expanded moratorium on offshore oil and gas development off the coast of Florida. • April 2020: API on Twitter appeared to <i>heavily criticize</i> the Renewable Fuel Standard, <i>tweeting</i> that “it is time to get rid of this broken mandate.”
<p><i>US Chamber of Commerce (The Chamber)</i></p>	<p>F</p>	<ul style="list-style-type: none"> • January 2021: In a press release, the Chamber appeared to strongly oppose Biden’s executive orders to revoke the permit for the <i>Keystone XL pipeline</i> and pause <i>oil and gas leases</i> on federal lands. • 2017 to 2020: The Chamber lobbied policymakers heavily to weaken and roll back national fuel economy standards. In August 2019, it <i>wrote a letter</i> to the US Secretary of Transport seeking to lower the fuel economy standards. In September 2020, the Chamber took <i>legal action</i> to support the revocation of California’s right to enact its own, stronger fuel economy standards. • February 2019: The Chamber took legal action to <i>support</i> the Atlantic Coast Pipeline.
<p><i>National Association of Manufacturers (NAM)</i></p>	<p>F</p>	<ul style="list-style-type: none"> • January 2021: In a press release, NAM CEO Jay Timmons <i>opposed</i> President Biden’s decision to revoke the permits for the Keystone XL Pipeline. • January 2020: According to media sources, the NAM <i>supported</i> the overhaul of the National Environmental Policy Act, noting it had lobbied the administration to make the exact changes that were successfully enacted. • June 2019: The NAM advocated for wide-ranging <i>regulatory rollback</i>, including the Clean Power Plan, in a letter to the Trump administration. • February 2019: The NAM filed an amicus curiae supporting the <i>Atlantic Coast Pipeline</i>, among other amicus briefs highlighting the national economic value of <i>oil and natural gas infrastructure</i>.

Appendix: Sector Comparison

Table 4 below shows how Phillips 66's corporate climate policy engagement compares to other energy companies assessed in InfluenceMap's database. Details of our metrics can be found [on our website](#).

Table 4: Sector comparison of InfluenceMap's Phillips 66 assessment

Metric		Sector Average (Global)	Sector Leader ¹ Royal Dutch Shell 	Comment
Performance Band	E-	D-	C-	Bottom 15% of sector
Organization Score	25%	42%	69%	Bottom 15% of sector
Relationship Score	32%	34%	45%	Bottom 40% of sector
Engagement Intensity	14%	18%	56%	Below sector average

¹Sector leader determined by overall Performance Band.