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# Has the dirty oil business gone green?

The role of Multinational Oil Companies as a Political Actor  
on the issue of Climate Change

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# 1 Introduction

The Kyoto Protocol was a milestone both in global governmental cooperation and on the issue of climate change illustrating a global effort to take our need to reduce our carbon dioxide emissions seriously. When the first commitment stage ends on December 31, 2012 it will leave a large gap into how we should move forward into a post 2012 framework. Discussion has already begun about what form the “Post Kyoto Protocol” should look like. The most well known being the United Nations Climate Change Conference in Bali in December of 2007 which culminated in the adoption of the Bali Road Map which consisted of ways to move forward in order to ensure a secure climate for the future. Yvo de Boer, who headed the Climate Change Convention, said that he felt the convention delivered what it needed to deliver. The resulting decisions reflect on the science from the Intergovernmental Panel on Climate Change, it brought together partners from business and the United Nations System and action between developed and developing countries (Shepard, 2007:1).

The shape in which the next phase following the Kyoto Protocol is still unclear but what is of key interest is the role businesses will play in these dynamics. Specifically the multinational oil companies who are the so-called dirty big polluters of business and whose businesses are directly impacted by an international climate change agreement like the Kyoto Protocol.

This study looks into their influences and responsibilities of businesses as a political actor on the issue of climate change. What is of interest is not only what role they play but how they use their position and influence to protect their business and at the same time adapt to the looming reality of the problem with our carbon dependency.

## 1.1 The Purpose of the Study

The purpose of the paper is to look at what role businesses play in the next stage of the Kyoto Protocol. More specifically I look at the role of the oil and gas industry in the politics of climate change. I present a counter-intuitive argument. Conventional wisdom says that one would assume that the largest polluters are actually the ones who are resisting climate change regulations but I want to refute that idea. I am basing my thesis on the assumption that multinational oil companies put pressure on governments to come out with clear “playing rules” about how to go about designing and implementing successor to the Kyoto Protocol. I want to first test if that assumption is correct and secondly find out why companies behave this way and find out what is in it for them.

In order to test my assumptions I have carried out a crucial case study of the least likely kind. I have selected three of the largest multinational companies in the oil and gas industry and conducted a qualitative study of their attitudes and strategies towards climate change since the late 1990s as well as having conducted interviews with them.

## 1.2 Method

I will first outline and motivate the design of my study before going on to explain my choice of doing a crucial case study using qualitative empirical data.

### 1.2.1 The design of the study

The choice of industry is key in the design of my study. The oil and gas industry is known for being big emitters and polluters while at the same time they are forced to deal with the looming issue of climate change. This creates a situation where there seems to be an obvious clash of interest. Since their business is driven by a carbon dependent society, the assumption is that they do not want to implement or support the Kyoto Protocol because it would directly affect how they do business. The paradox is that I believe these multinationals actually advocate and actively participate in discussions about how to implement policies to move us towards a fossil free future. This creates an interesting research design since the irony is found within the very commodity that the industry is based on.

Companies know what they want and how to achieve it. They want clear guidelines from their governments before making investment decisions so that they can calculate their profit and advance their returns on investment. These companies have strong incentives to have clear playing rules about how to deal with the issue of climate change. I will use Susan Strange's work as a basis for my theory in order to understand the relationship between governments and businesses.

I will use the empirical data collected in my study to test my assumption that multinational oil companies put pressure on governments to come out with clear playing rules about how to combat climate change.

Even though the oil and gas industry are the big polluters they are also the ones who have the most at stake and therefore they have a vested interest in taking an active role in the discussion of how to lower carbon emissions.

The question is what role do multinational oil companies play in the issue of climate change when it comes to implementing and discussing the next stage of an agreement like the Kyoto protocol? I would like to create a puzzle. The large companies in the oil industry are seen as environmentally unfriendly and thus it is assumed that they would not support an agreement like the Kyoto protocol. My hypothesis is that I think the picture is more complicated than that. In my study I

want to test if my hypothesis is true, and if it is what types gains does it create for the multinational (MNC) oil company.

By looking at how a MNC approaches the issue of climate change it will shed light on their role as a political actor as well as in the bigger picture the relationship between businesses and governments. I will study this by first by carrying out a crucial case study of the least likely kind based on my assumption. In the case study I will look at the actions and rhetoric of three MNCs: BP, Shell and Exxon Mobil. I will also collect data and conduct interviews to strengthen my empirical case study.

### 1.2.2 Crucial Case Study of the Least Likely Kind

Harry Eckstein famously presented the crucial case study method. Eckstein makes the case that single case study can have powerful, and even conclusive theoretical results. He claims they are even most valuable at the stage of theory building where one usually attributes the case study as having the least value (Eckstein 1992: 118-119).

The objection against using a case study for theory building is that it is based on the study of individuals, as opposed to a quantitative study with a larger sample group. The ambiguity about what constitutes an individual, says Eckstein “can only be dispelled by not looking at the concrete entities but at the measures made of them”. Based on that Eckstein defines a case as “a phenomenon for which we report and interpret only a single measure on any pertinent variable” (Eckstein 1992: 124).

In order to understand how a case study can lead to theory building we must understand the teleological conception of a theory. That is to say the belief that purpose and design are a part of nature. This element can be better understood by understanding what Eckstein states as the goals of a theory: regularity, reliability, validity, foreknowledge and parsimony. (Eckstein 1992: 127-129).

In achieving these goals one can better understand and view theory as a set of goals rather than statements that have a specific form (Eckstein 1992: 130). But it is also important for one to satisfy these goals in the minimal sense. If they are not satisfied, says Eckstein, the statements can still be useful but they cannot be equated with theory. What Eckstein refers to as minimal sense is that the theory “must state a presumed regularity in observations that is susceptible to reliability and validity tests, permits the deduction of some of the unknowns, and is parsimonious enough to prevent the deduction of so many that virtually any occurrences be held to bear it out” (Eckstein 1992: 130). The pivotal point, according to Eckstein, is that regarding foreknowledge: validity is held to be depend on it, parsimony is mainly required of the sake of establishing validity, and regularity statements are not an end unless valid.

In my study I follow Eckstein’s process of theory building, beginning first with questions that are then restated as problems or puzzles, which are then formulated into a hypothesis. In Eckstein’s work a hypothesis is “a candidate-solution of the puzzle that is testable in principle and sufficiently plausible to

warrant the bother and costs of testing” (Eckstein 1992: 131). The last step and end of the theory-building process is to carry out an appropriate test. (Eckstein 1992: 130-131).

Those who see case studies as a weak basis in which to build valid theory usually base their argument on the belief that these types of studies are based on the inductive fallacy. In other words believing that theories can be derived from observation or sophisticated data processing. This is not the case.

Eckstein defines a crucial case study as a case “that must closely fit a theory if one is to have confidence in the theory’s validity, or, conversely, must not fit equally well any rule contrary to that proposed” (Eckstein, 1992: 152). The essential characteristic of the crucial case can be derived from its function as a test of theory.

According to John Gerring the key insight into Eckstein’s argument and its limitations is “that the crucialness of a case rests not only on the empirical properties of the case but also on the formal properties of the theory being tested” (Gerring, 2007: 233).

It can take the shape of two forms of inquiry a “most likely” or a “least likely” case. A least likely case, like the one used in my study, is one that “on all dimensions except the dimension of theoretical interest, is predicted not to achieve a certain outcome and yet does so, thus it is confirmatory” (Gerring, 2007: 232). On the flip side a “most likely case” is especially tailored to invalidation.

The confirmatory (the least likely) case is based on the logic that given a set of facts we are asked to contemplate the probability that a give theory is true. To clarify this a bit more Gerring does his own analysis of Eckstein’s methodology. In his article he quotes Colin Howson and Peter Urbach saying that “confirmation is correlated with how much more probable the evidence is if the hypothesis is true than if it is false”. Thus, says Gerring, the stranger the prediction offered by a theory-relative to what we would normally expect- the greater degree of confirmation that will be afforded by the evidence (Gerring, 2007: 234).

Gerring emphasizes the importance of the risky prediction in the crucial case study which he defines as “one that is highly precise and determinate and therefore unlikely to be achieved by the product of other casual factors” (Gerring, 2007: 234). He also emphasises the research design is highly deductive and depends on the quality of the theory under investigation. Thus the deductive logic of the risky prediction is central to the case study according to Gerring. The case study will only be convincing based on the reader’s evaluation n of how strong the evidence for the argument might be. The strength of the least likely case lies in the fact that the case must be carefully chosen to eliminate rival explanations, thus leaving a limited room for other credible factors to considered as an explanation. (Gerring, 2007: 235-236)

Issues that pertain to macro-politics are favourable for crucial case studies due to the scale of macro-political questions. An advantage to the crucial case studies is that it is an economical way to carry out a study since only requires a single case. It is also easier to go more in depth into the study of a single case and thus makes up for loss of range that is found in a more quantitative study. (Eckstein, 1992: 162).

The design of my study supports the premises for a crucial case study of the least likely kind. It is the most appropriate method considering the paradox of the relationship between MNC oil companies and climate change. This method also suits the broadness of the topic at hand as well as the time and economic constraints. The crucial case is also the most methodologically defensible approach to single case analysis (Gerring, 2007: 232), which makes it appropriate for my study that looks the role of multinational oil companies in the case of climate change politics.

### 1.2.3 Qualitative Approach

I have chosen to take a qualitative approach to my crucial case study both when collecting my primary and in analysing my secondary resources as data for my empirical study.

When conducting my interviews with the MNCs I adopted the qualitative interviewing method since I was interested in finding out the interviewee's point of view (Bryman 2004: 319). Since I was beginning my investigation with a clear focus I chose to carry out a semi-structured interview in order to cover the more specific issue of the role of businesses as a political actor specifically on the issue of climate change. I prepared my interview guide with the goal in mind that the questioning must allow the research participants to present their social world and that there would be a conduct of flexibility during the interviews (Bryman 2004: 325).

The difficulty that often arises with qualitative interviewing is establishing how large the study sample should be (Bryman 2004: 334). I chose to limit my sample to only three interviews because I felt that the views of interviewees were sufficient based on my research design. Considering the content of the questions the role of the interviewees as representatives of the view of the individual multinationals I did not feel the need to conduct more interviews. According to Bryman the chief virtue of theoretical sampling is the emphasis on theoretical reflection on data as a guide to whether more data is needed. I was able to get all the answers I needed from the interviews I conducted and therefore did not see the need to conduct more interviews. I do not think having interviewed another representative from the company would have resulted in new information. This point of view is quite unique to my case study since I the roles of the interviewees is the represent the views and perspectives of their companies.

In carrying out my empirical study I was aware of danger of qualitative researchers being affected by their own perspectives when collecting data (Bryman 2004: 337). I have kept that in mind under the research process and have consciously tried to avoid any bias in my study.

I felt that this research method was appropriate for the research questions being addressed in my study. It would have been very hard to test my assumptions without the inclusion of a qualitative interview since the hypothesis had much to do with the individual perspectives of the individual MNCs.

## 1.3 Material

The material I use in the study is a combination of both primary and secondary resources from a collection of political science, environmental and economic literature.

The theoretical material comes primarily for the work of the British academic Susan Strange whose work has been influential in the study of the international political economy. I use her books “Rival States Rival Firms” and “States and Markets” as the basis in which I will later analyse the relationship between governments and businesses on the issue of climate change. Strange does examine the issue climate change in her work.

The environmental literature is limited to looking at the history of climate change and the different actors involved in its politics. The Kyoto Protocol is a legislation discussed in my study but what is of more interest are the discussions that have taken place regarding the next step after the first commitment period of the protocol expires.

The secondary empirical data on the multinational companies role in climate change comes from of similar studies on the topic. From my experience I was surprised to have found few studies that look at this intimate relationship between MNC oil companies and governments. Most of secondary material I found look at the different types of strategies that the MNCs employed as well as how they implemented them. But what was lacking was the link between MNCs and the government when it came to the topic of climate change.

I succeed in collecting some of my own data pertaining to this part of my research. I was able to conduct interviews with three representatives from the three oil companies BP, Shell, and Exxon Mobil, which I examined in my case study. For information about the individual MNCs I referred to their company websites as key sources of information.

### 1.3.1 Primary resources

In order to fill the missing link in my study I had to contact the MNCs directly. This did not prove to be an easy task at first.

My first step was to contact the individual MNCs directly through the email addresses listed on their websites. This proved to be a bit of a tricky task as it was hard to know which office or department to contact.

When I started my study I had chosen to study BP, Shell and StatoilHydro. I emailed each of the three companies in mid April 2008 asking them if they could put me in touch with someone who could discuss the role and the perspective that they had on the Kyoto Protocol. They quickly responded telling me that they could not assist me and to refer to their websites.

BP said that they “were unable to support my request due to the volume of requests they received throughout the year” and gave me a link to their website. Shell forwarded my email to someone in Media Relations who then sent it to their

customer service centre in Sweden. I then received a personal response from Jonas Olsson saying that unfortunately there was no one within Shell's Swedish organization that could answer my questions about Shell and the Kyoto Protocol but that there was lots of information on their website and that I could search internally on the website using "Kyoto Protocol" as a search item. StatoilHydro responded to my email saying that in order to consider my request they would need more information about my thesis and about me. They asked for my CV and transcript and asked me to then send my application to their career email address.

After further research I chose to change my initial choice of StatoilHydro to ExxonMobil because firstly there was more information available on Exxon Mobil and Exxon Mobil has had a unique stance and approach to the issue of climate change in comparison with BP and Shell. Not to mention in the earlier studies I did find about the oil industry and climate change, most researchers chose to study these three MNCs together.

Since these attempts to get in touch with the MNCs through their websites led to no avail I contacted a researcher, Eva Lovbrand, from Lund University's Political Science Department who had been at the Bali Conference as an observer. She was able to give me pamphlet that she had kept from the conference with a schedule of the side events. There I was able to find the names of a representative from BP and Shell. I then emailed Mark Proegler from BP and David Hone from Shell. After a few months I surprisingly got a response from Mark Proegler, Director of Environmental Policy for BP Australia, in the end of June and he was very friendly and cooperative and apologized greatly for not replying sooner. We were able to arrange a telephone interview between Sweden and his Dallas, Texas.

Proegler then gave me names and email addresses to people at Exxon Mobil, StatoilHydro and Shell that I could try contacting. He even offered to give me an introduction if I needed. I emailed those three names and everyone responded quickly and I was able to arrange and carry out interviews with David Hone, group Climate Change Advisor at Shell International B.V and Alan Jeffers, Media Relations Advisor at Exxon Mobil Corporation.

I used the same set of ten questions for each interview and each lasted between half an hour to an hour.

## 2 Theory

Susan Strange's studies on the international political economy have contributed to a new way of looking at the relationship between the state and the multinational enterprise. This new relationship is a result of global structural changes in finance, technology and knowledge. According to Strange, governments have come to realise that their increased dependence on the scarce resources that are controlled by firms has led to an intensified competition among states for world market shares (Strange 1991: 204). This competition is what creates the new bargaining relationship between the government and the foreign firm (Frieden 2004: 63). This growing interdependency between the two enterprises takes the form of a new type of diplomacy where there is a particular interest in state-firm diplomacy.

In my study I am testing the assumption that multinational oil companies put pressure on the government to come about with clear playing rules about how to go about designing the succession to the Kyoto Protocol. I will test this assumption through my crucial case study which is presented in the empirical part of this paper and I will use Strange's theories to try and understand why companies behave the way they do.

I will use the first section of the theory (3.1 Structural Change that has led to a New Diplomacy) as the theoretical basis to understand the relationship between states and firms. I have adopted and accepted her perspective that structural changes have reshaped the international political economy.

Next I will then use the remainder of the theory section, parts two (3.2 Three Basic Premises) and three (3.3 States and Markets), as the basis for analyzing why governments behave the way they do. It is with these last two sections that I will create the analytical framework in which to carry out the analysis of my empirical data collected in the crucial case study.

### 2.1 Structural Change has led to the New Diplomacy

Three common driving forces drive the structural change seen in the structure of production in our world economy. The driving forces of change *in technology* due to the high costs and innovations of technological change has led to the internationalization of production; *in finance* it has made it easier to finance investments all over the world due to the increased flows of capital across borders; and *in knowledge* which has resulted in cheaper and faster communication, it has improved people's understanding of the market economy. (Frieden 2004: 61-62)

These structural changes have altered the relationship between states and multinational corporations and given rise to a new diplomacy. This new diplomacy is presented by four new propositions. The first is that states now compete for wealth as a means to power. The second is the emergence of new types of global competition among firms affects how states compete for wealth. This means that firms concentrate their activity in territories that offer the greatest potential for the firms to receive the highest returns on their investment.

Structural changes have added two new dimensions to diplomacy creating an interaction called “triangular diplomacy”. Negotiations are no longer limited to states negotiating amongst themselves but also between state-to-firm and from firm-to-firms. These new dimensions also influence the way firms behave, making their actions more statesmanlike.

Lastly these new dimensions have increased the number of possible policy options for both governments and firms. This leads to the complication for both actors of having to manage multiple agendas. (Strange 1991: 1-3)

These four propositions illustrate why policy must be more outward looking if states are to maintain their influential bargaining position. Thus how they implement policy is a crucial determinant in their success. (Strange 1991: 2).

In this new diplomacy growing interdependence takes on a special meaning. Strange scuffs the misuse of the word interdependence in the vocabulary and defines growing interdependence as the rivalry between states and firms for a secure place in a world economy that has become much fiercer and more intense. This results in a situation where firms have become more involved with governments (Strange 1991: 1).

## 2.2 Three Basic Premises

Strange’s work in her book *Rival states, rival firms* cumulates with three basic premises. I present them here using Strange’s own words: “The first is that the primary influences on the behaviour of firms and states are found within the international political economy. The second is that most states have become more directly engaged in the competition for shares in the world’s wealth, and not solely concerned in their foreign policy with power. The third concerns the means to achieving the desired ends, meaning that there are growing interactions between national strategies designed to achieve rising levels of social and economic aspiration and the global strategy of firms. This creates a climate of competition within the state a way to manage these interactions and thus making them an important agenda item.” (Strange 1991: 204)

These three premises will be fundamental in the analysis and conclusions that I will draw from my crucial case study in trying to understand why multinationals behave the way they do when it comes climate change. Since these premises will be used in the analysis it is important to examine them closer.

### 2.2.1 Global Shifts

The crucial structural changes in the international political economy have been both political and economical. The results of these changes being linked to both politics and economics have led people to assume that it is evidence of “interdependence”. But it would be careless to base dependency on that assumption since each change has its own impact which in itself has ripple effects. According to Strange no political change is confined to a single state and growing economic interdependence creates limits to other national options. Over the years the economies are becoming more and more affected by external influences.

These global shifts that on their own right have ripple effects, have joined together agendas that were previously kept separate. The problem that can arise is that a government’s policy agenda can affect each dimension of the firm in contradictory ways. (Strange 1991: 207-.208)

The vital lesson in this section is that global trends for change set the context in which national changes are attempted. Thus these changes have highlighted and emphasised the importance of the two new dimensions of diplomacy explained above: bargaining between governments and firms, and bargaining among firms. (Strange 1991: 209) The importance not only lies in the rise of triangular diplomacy but in the importance of bargaining as well.

### 2.2.2 The Pursuit of Wealth

Not only do governments now have multiple goals and agendas to keep track of but they also place higher priority on the accumulation of wealth creating resources (Strange 1991: 209). Due to the fact that wealth is equated with power it is important for governments to make sure they have a large source of investments. This can take the form of multinational companies investing in their countries in the form of foreign direct investment.

This pursuit of wealth is more important for the state maintenance of power internally rather than externally. Governments have to answer to the needs and voices of their citizens in order to maintain their own influence. Thus the wealth of the state is more important to its own citizen’s rather than external security threats. Wealth can be used as a form of political stability. With the wealth the governments can invest in education and help improve the quality of life of their citizens that they are responsible for.

### 2.2.3 Partners of a Kind

The third and last premise stated by Strange is that politicians are aware of the high stakes for which the game is being played. Politicians know that once they have convinced multinationals to invest in their territories the firms will demand

than just a simple accommodation within an existing policy framework (Strange 1991: 211). This framework usually means major adjustments if the benefits of the investments are to have good returns.

Thus Strange can conclude that multinationals do not take a back seat role and one must accept them as indispensable allies. Like states, firms, are competing for world market shares as a means to accumulate wealth and ensure their survival. The difference lies in that states need the production of the world markets to be located on its territory while firms need production to be under its control irrelevant to where it is located (Strange 1991: 211-212). These conditions can lead to situations of either cooperation or conflict depending on the interests of the two actors.

Irrelevant to what the interest of the two actors are once cannot deny the accumulation evidence that multinationals have had an increasing role in shaping internal policy due to their increased bargaining position and influence in the international political economy. This role has become a central issue in understanding the dynamics of the interaction between states and firms. (Strange 1991: 212).

#### 2.2.4 Who has Gained Power and the Nationality of the Firm

To round off Strange's three basic premises we can conclude that governments as a group have lost bargaining power to the multinationals because of the nature of the competition for world market shares (Strange 1991: 215). That competition is of two kinds: the first is for access to the factors of production and the other is for command of the profits from selling the product of the service on the world market. States control land and the labour living on that land, whereas firms control (or have better access to) capital and technology (Strange 1991: 215). In today's international political economy, land as a competitive asset has decreased in value while capital and technology has increased. This does not necessarily mean that the competitiveness of the individual firm has increased. Though multinationals as a group can be successful in influencing government choices. Another element of importance is the firms' influence in some sectors over transnational advertising and marketing networks. In other sectors access to data and networks of communications can help make firms independent of governments. (Strange 1991: 215-216)

No matter how large the multinational company its national and corporate identity does always tend to belong to its home base. Strange thinks this has something to do with the relation being symbiotic. Thus in return for state support the firm is more willing to adapt its strategies to accommodate national and policies goals. (Strange 1991: 234).

## 2.3 States and Markets

The role of markets is also of interest when looking into the relationship between states and multinationals. In international political economy the market is a driving force relationship between states and markets and is thus also of key interest in my study.

In Strange's book *States and Markets* she discusses how that the foundations of modern economics is based on two more factors than just labor, land and capital. These two factors are technology and energy. She discusses how important the politics and economics of energy is in when analyzing the states actions when it comes to markets that deal with the various sources of energy. These include the alternative energy markets. She of course does not mention the emissions trading market but I think I can link her discussion to the emergence of these markets that we see today (such as carbon trading, carbon offsetting and the pros and cons of the flexible mechanisms). Strange says that governments, companies and markets are the three key players in the oil business game.

## 3 Crucial Case Study

In this section of the paper I will present the data I collected for my crucial case study. I have carried out three case studies on three of the largest and most influential multinational oil companies: BP, Shell and Exxon Mobil. The studies comprise of research from the company's websites, results from similar studies, and the interviews I carried out with a representative from each of the MNCs involved in the study. Together this makes up the empirical information that I will use to test my assumption that multinational oil companies put pressure on governments in order to establish clear playing rules when it comes to the issue of climate change.

There was limited literature discussing the perspectives and activities of multinational companies when it came to the issue of climate change. The key study in my empirical data comes from The Fridtjof Nansen Institute in Norway.

### 3.1 BP

BP is one of the largest energy companies active in 29 countries with a turnover of 284 billion dollars a year ([www.bp.com](http://www.bp.com)). BP was the first of the three multinational oil companies in my study to re-brand itself as being "green". After Lord Browne was appointed group chief executive in 1995, BP resigned from the Global Climate Coalition (Frey 2002: 1). The Global Climate Coalition was a group of businesses that opposed the call for immediate action to reduce greenhouse gas emissions. Lord Browne gave a speech at Stanford University in May 1997 that famously shocked other oil companies and surprised environmentalists. "The time to consider the policy dimensions of climate change is not when the link between greenhouse gases and climate change is conclusively proven," Browne said, "but when the possibility cannot be discounted and is taken seriously by the society of which we are part. We in BP have reached that point," (Brown 2000:1).

This pivotal point set BP apart from the rest of the oil companies as the pack leader in taking a proactive stance on climate change. In 2000 BP launched a massive 200 million dollar public relations and advertising campaign to introduce their new slogan "Beyond Petroleum" (Nocera 2006:2) thus trying to reposition itself to be seen as an energy company instead of an oil company. The campaign itself received sceptical reviews but the advertisements are proof that BP was the first oil company to publicly recognize the risks of global climate change, the first to take a stance as the first to set an internal target (Frey 2002: 1,3).

BP was not surprised by the scepticism because they were betting on the hope that the campaign would gain them a competitive advantage in the marketplace. They wanted to convince consumers that they were a company that went above and beyond what you normally expect from an oil company (Frey 2002: 2).

Since 1998 BP has maintained a proactive direction since it adopted its own internal GHG reduction targets to reduce its greenhouse gas emissions by 10% (relative to 1990 levels) by 2010. Up until 2005, the period studied by Saeverud and Skjaereth, BP had continued to formulate proactive strategies and in its 2004 Sustainability Report BP acknowledged “climate change as one of the greatest challenges in the 21<sup>st</sup> century”. BP also stated “as a major supplier of energy, they had a responsibility to take a lead in implementing solutions to climate change”. In its 2000 report BP even referred to the importance of global agreements like the Kyoto Protocol when it came to combating climate change (Saeverud 2007: 14-15).

### 3.1.1 Interview with Mark Proegler

When asked what role BP played in the next stage of the Kyoto Protocol Mark Proegler, Director of Environmental Policy for BP Australia, said “Externally we started paying attention to the issue about what can we do while letting the governments set the rules.” (Proegler 2008). “Simply put governments should set the objectives, X% reductions per year but they should not tell us how to meet those objectives. Just tell us what the goal is and let the market work”, he added.

In my discussion with Proegler, he talked a relationship between business and governments in which governments are left with the task of setting the rules while businesses are left with finding the best way to adapt their businesses to meet those rules.

Proegler gave the example the events that took place in Australia prior to the new government ratifying the Kyoto Protocol. The Australian government was not doing anything about trading at a national level so the individual Australian states got together and organized round table discussions about setting their own carbon targets. Businesses like BP were invited to participate in these discussions to give their input on questions such as how to allocate permits and what impact would it have on your industry. BP acted as a sort of consultant in advising the states on how to go about setting up a trading system. Basically this got the ball rolling in Australia and it also illustrates what Proegler believes is the ideal role for businesses to play when it comes to influencing new governmental policy decisions. Businesses know how to do the businesses side of things best so they should be left free to find the best way of working out the details of how to meet the rules set by governments.

“If you accept that carbon is constrained in the future you have to ask yourself how do you adjust your business to recognize that and what does that create in terms of opportunity” he said (Proegler 2008). In accepting the facts that are presented businesses can start making changes now for the future. In the oil industry bio fuels are key, said Proegler, so is investing in wind and solar energy.

He believes that carbon capture and storage (CCS) is a necessity for ensuring the use of coal more cleanly. The disadvantage of CCS is that it will affect businesses since it is a new cost. On the flip side the advantage is that it creates a new technology campaign. The sooner we move towards these alternatives the better is for business. The longer we wait to incorporate these new technologies the worst it is for business.

Proegler believes the U.N, U.S Major Economies Meetings Process will play a positive role in shaping the post Kyoto framework. The meetings consist of 16 countries that account for 80 percent of world greenhouse gas emissions, topped by the United States and China that sit together and discuss a post-2012 framework to improve energy security and reducing greenhouse gas emissions. It brings the worlds top emitters to the table to discuss these issues.

The technology transfers and flows of capital have to increase in the post 2012 framework because things are not happening fast enough, said Proegler. He sees the new technologies as an opportunity if businesses in the developed adapt new technologies rather than continuing to industrialize like the developed countries did in the past.

## 3.2 Shell

Shell followed a similar path to BP and withdrew from the Global Climate Coalition in 1998. That same year it stated that it supported the Kyoto Protocol, and adopted a reduction target to try and reduce emissions by 10% (relative to 1990 levels) by 2002. Shell also advocates that it has a proactive strategy when it comes to climate change strategy formulations. (Saeverud 2007: 14-15)

### 3.2.1 Interview with David Hone

David Hone, Group Climate Change Advisor, thinks that Shell plays two roles in the next stage of the Kyoto Protocol. The first is positioning themselves as an energy advisor helping people to understand the energy system. The advisor role is not to any one person in particular but the ideal is that people go to Shell seeking their views because they value Shell's advice and energy scenarios. The second role Shell plays is an advocacy role in stating what they think is important in a post 2012 framework. "The principle area here is incorporating carbon capture sequence (CCS) and ensuring that a clearly recognized certification process will give rise to a tradable commodity and a clear path for development," said Hone (Hone 2008).

Hone believes that Shell's responsibilities as a political actor are partly advising on energy issues and having people value the companies' perspective on these issues. Another responsibility is showing that CCS is part of the real

solution. "The need to reduce emissions is disruptive for the oil industry," Hone said. "It needs to happen and efforts have to be made. Whether the efforts are sufficient enough will remain to be seen."

According to Hone, Shell as a company does not give contributions to political parties. Although they do actively lobby and advocate for certain issues. He described a situation in Brussels where Shell has been trying to get the EU to recognize a funding framework for CCS in Europe. We expect the carbon price to support CCS, said Hone. But in the beginning he believes it is the role of government to pay for the start up cost and infrastructure when starting a new industry like CCS from scratch. Since it is in the national and global interest, Hone thinks that public funding should kick start the process.

When I asked Hone how not having a post Kyoto policy in place would affect Shell's business he said that he did not think it would have an immediate downside. Hone said businesses would not feel the affect until 10 to 15 years down the line.

"The pressure to reduce emissions increases over time and options that do not include CCS become more disruptive for the fossil fuel industry," he said. "The longer you wait to do something the more adverse the consequences and the harder they become to adapt to." (Hone, 2008)

When it comes to governmental policy, the policy at the home nation is where all the action happens said Hone. The national policy is the glue that holds together the international policy. At the mirco level, businesses do have a bit of influence because governments have to listen to their stakeholders otherwise stakeholders will not vote for them or invest in their economies leading to a lose of economic backing.

To sum up his perspective on the relationship between MNCs and governments Hone said, "Multinationals typically look at rules and try to take advantage of them and create markets, and it is what businesses do. Like it or not that is the system we are living in so governments have to be thoughtful about how they write their rules."

Sometime governments incorporate silly things into rules so it is important to have a good engagement between businesses and governments to balance one another's behaviour.

### 3.3 Exxon Mobil

In contrast to its competitors, BP and Shell, Exxon Mobil opposed mandatory greenhouse gas regulations between 1998-2005, the period studied by Saeverud and Skjaereth in their study. Though when it came to implementation Exxon Mobil has had some significant investments in cogeneration, research and development and minor investments on power generation based on coal. (Saeverud 2007: 16-18)

### 3.3.1 Interview with Alan Jeffers

“As a business we want predictability and stability as public policy parameters. If it comes in the form of a carbon tax or cap and trade we leave that part up to governments,” said Alan Jeffers, Media Relations Advisor for Exxon Mobil Corporation (Jeffers 2008).

Jeffers thinks that the cost of carbon should be uniform and predictable and not disadvantage one sector over another. This leads to his point of view that market forces should be maximized in public policy, the less governmental intervention the better so that market forces can drive the economy. Policy options should promote global participation so that the priorities of the developing world are considered.

As much as possible we should try to avoid the complexity and bureaucracy of administrations because firstly it is not an efficient approach and the more complex it is the more costly it will be. Although these are his opinions about the form policy should take, Jeffers thinks that policy is an issue for governments to handle. Exxon Mobil, as MNCs, would like to be a constructive participant in the policy process.

One thing that Exxon Mobil thinks is very important to participate in is research. Exxon Mobil has undertaken climate change research for the past 25 years with their own scientists having published 40 papers and articles.

## 4 Discussion and Concluding Statements

From the results of my empirical data I can draw the conclusion that the study supports my hypothesis that multinational oil companies put pressure on the government to come about with clear playing rules about how to go about designing the succession to the Kyoto Protocol. I tested this hypothesis by looking at whether there was consistency in how the three multinationals, BP, Shell and Exxon Mobil, formed and implemented their strategies when it came to the political issue of climate change. I used data from a study conducted in 2007 by the Fridtjof Nansen Institute in Norway. I then supplemented this data with my own research where I carried out interviews with a representative of each of the multinational companies in my case study. Together the combination of secondary and primary resources I think I have drawn together enough evidence to illustrate that oil companies do both directly and indirectly put pressure on governments on how they should go about shaping their climate change policies.

All three of the multinationals interviewed said that they played some sort of consulting, advocacy or advisory role when it came to governments shaping policy on the national level. In some cases like the example with the Australian government, MNCs, in this case BP, was invited by the government to participate in discussing how the governments should set rules and objectives.

The pressure placed on the government can be interpreted as rather minimal since all companies stated that the job of forming policy should be left in the hands of the governments. But at the same time all three companies also gave examples of how they directly or indirectly influenced policy.

BP influenced policy by using its position and expertise in the area to help influence change and kick start discussions about creating a national cap and trade system in Australia. Shell expressed its role as an energy advisor who used its position to lobby and advocate for the EU to fund a carbon capture sequence in Europe. Exxon Mobil is probably the only company where one might be able to argue that there is not very strong evidence showing how they put pressure on the government when it came to the issue of climate change. Alan Jeffers from Exxon Mobil did say that they advocated for policies that ensured predictability and stability when it came to climate policy formation. Exxon Mobil said that they acted as constructive participant when it came to policy formation but that they too an active role in climate change research.

### 4.1 Strange's Rival States, Rival Firms

In order to understand why multinationals behave the way they do I will analyse my empirical data with the help of Susan Stranges three basic premises.

The global shifts have highlighted two new dimensions of diplomacy. One of which can be clearly seen in my empirical data- that of the bargaining relationship between governments and firms. All three multinationals use their influence to let governments know what shape and forms they wanted climate policy to take. Shell even said that at the national level they could execute influence over how national governments formed policy. As a result of political change not being confined to a single state and economies being affected by external factors, multinational companies who have businesses in many countries are particularly interested in taking advantage of their bargaining power and executing it when they can.

The pursuit of wealth important for governments to maintain their power. Multinationals like BP, Shell and Exxon Mobil contribute to governments wealth by investing in countries. Thus that explains why governments like Australia in the case of creating a national cap and trade system listen when key players like BP express their voice.

In her study of States and Markets, Strange says that governments, companies and markets are the three key players in the oil business game. I think the empirical study illustrated that clearly showing how the bargaining and negotiation that went on between states and multinationals and the firms call to let market forces come into play when it came to forming climate change policy.

My investigation supports Stranges conclusion that governments have lost some bargaining power to multinationals. To summarize using a crucial case study of the least likely kind I was able to test the assumption that that multinational oil companies put pressure on the governments and then clarify why they behave the way they do using Susan Stranges theories of the relationship between states and firms.

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