

## The Green-Industrial Complex

*Big Government + Big Business = Big Environmentalism*

By Amanda Carey

**Summary:** *In his farewell address in 1961, President Dwight D. Eisenhower warned the country against an emerging “military-industrial complex” in which the allocation of government grants and contracts from the federal government to the private sector would create an undue influence over national defense policy and the agenda of scientific research. Today, another dangerous industrial complex looms on the horizon. But rather than warning us about it, President Obama encourages its growth. It is the “Green-Industrial Complex,” or what climate warrior Bjorn Lomborg has called the “Climate-Industrial Complex.” A web of players that includes corporations and environmental non-profits, business executives, lobbyists, and government officials, is promoting a renewable energy agenda and targeting coal producers and the oil industry as public enemy number one. We should ask, “Who benefits and who loses?” as green groups, companies and the government work together to create new energy and environmental policies. The Green-Industrial Complex is likely to reap huge profits, but consumers, workers and taxpayers will pay the price in the end.*

President Barack Obama has not hidden his desire to wage war on fossil fuels. In a speech last June following the Gulf oil spill, he said, “I will continue to make the case for a clean energy future wherever and whenever I can.” He warned that fossil fuels “will jeopardize our national security, it will smother our planet and will continue to put our economy and our environment at risk.”



By coupling the importance of renewable energy to reducing America’s dependency on oil, Obama has set out an aggressive energy agenda. In his first State of the Union address he noted: “But – but here’s the thing. Even if you doubt the evidence, providing incentives for energy efficiency and clean energy are the right thing to do for our future because the nation that leads the clean-energy economy will be the nation that leads the global economy, and America must be that nation.”

Despite the President’s urging, Congress has resisted invitations to pass sweeping climate change and energy legislation. And that has forced the Administration to seek new ways to force Americans to use

renewable energy. Even before he took office, Obama announced an ambitious “New Energy for America” plan, laying out six objectives to get the country on track:

- “Help create five million new jobs by strategically investing \$150 billion over the next ten years to catalyze private efforts to build a clean energy future.”

**February 2011**

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- “Within 10 years save more oil than we currently import from the Middle East and Venezuela combined.”
- “Put 1 million Plug-In Hybrid cars that can get up to 150 miles per gallon – on the road by 2015, cars that we will work to make sure are built here in America.”
- “Ensure 10 percent of electricity comes from renewable sources by 2012, and 25 percent by 2025.”
- “Implement an economy-wide cap-and-trade program to reduce greenhouse gas emissions 80 percent by 2050.”
- “Provide short-term relief to American families facing pain at the pump.”

So far the Obama Administration has suffered defeat on the last two items on its agenda. It fought a major policy battle for a cap-and-trade program during the summer of 2009. The Waxman-Markey bill narrowly passed the U.S. House of Representatives in June, but a comparable bill failed in the Senate and the legislative effort was declared dead last year. As for the proposal to provide short-term relief at the pump, it also failed. It would have imposed a windfall tax on the purportedly “record” profits of oil and gas companies

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**Green Watch** is published by Capital Research Center, a non-partisan education and research organization classified by the IRS as a 501(c)(3) public charity. Reprints are available for \$2.50 prepaid to Capital Research Center.

and redistributed the proceeds to families as an “emergency energy rebate.” Obama proposed that every individual receive a \$500 rebate check from the government and households receive \$1,000. The plan went nowhere.

The other components of the six-point Obama agenda represent in essence a single objective: to increase the use of renewable energy by reducing American reliance on fossil fuels, primarily coal and oil. Since taking office, the Obama Administration has undertaken a medley of actions to achieve this end, including an executive order committing the federal government to reducing its greenhouse gas emissions 28 percent by 2020. According to the White House website, the Administration has established both stricter appliance efficiency standards and fuel and greenhouse gas emissions standards for cars and trucks.

However, the most notable testament to Obama’s commitment to renewable energy is the American Recovery and Reinvestment Act of 2009—also known as the “Stimulus” bill. That law doled out \$787 billion in funding, included \$86 billion in Energy Department earmarks for “green initiatives.” Since the law’s enactment in February 2009, it has become apparent that the \$86 billion is more like a slush fund for environmental groups and “green energy” investors, and a spur to crony capitalism and corporate corruption.

### **The Apollo Alliance: Green Groups, Labor Unions and Venture Capital**

One of the first noteworthy organizations that emerged to take advantage of the Obama energy agenda was the Apollo Alliance. Created in 2001, its stated goal is to “catalyze a clean energy revolution” and reduce carbon emissions by developing alternative energy. But after a decade, the Apollo Alliance’s biggest public

achievement has been to help influence the drafting of the stimulus bill so that taxpayer money is directed to benefit “clean energy” projects.

President Obama asked Van Jones, then an Apollo Alliance board member, to serve as a “special adviser” to the White House Council on Environmental Quality (CEQ). His job as the Administration’s “green jobs czar” was to facilitate nonprofit and corporate involvement in Obama’s renewable energy agenda. He lasted from March to September 2009. Jones got into trouble when the news media reported his past controversial statements avowing his identity as a self-described “communist” and raising the suggestion that President George W. Bush had foreknowledge about the 9/11 terror plot. Jones was forced to resign his post, and in February 2010 he founded a sinecure at the Center for American Progress (CAP) where he is a senior fellow.

The other board members of the Apollo Alliance include think-tank leaders like Center for American Progress president John Podesta and former Institute for Policy Studies president Robert Borosage, now head of the Institute for America’s Future; leaders of environmental groups like Sierra Club chairman Carl Pope; union leaders like Steelworkers president Leo Gerard and SEIU vice president Gerald Hudson; and big money investors like Ellen Pao and Apollo Alliance chairman Phil Angelides, a former Democratic candidate for California governor. Clearly, the goal of the Alliance is to show diverse special interests how they can all profit by “thinking green.”

### **Kleiner Perkins**

Among the members of the Apollo Alliance active behind the scenes is board member Ellen Pao who is a partner at Kleiner, Perkins, Caufield, and Byers (KPCB), the Silicon Valley venture capital investment

firm. KPCB is one of the country's largest and most successful venture capital firms. Its early incubation investments in fledgling companies like Google, Amazon, Compaq, Symantec, and Macromedia prepared the way for their later successful initial public offerings (IPOs).

In recent years KPCB has focused more of its investment in start-up companies involved with green technology. It provides funding for everything from solar panels to wind mills, from lithium batteries to electric cars. These green energy start-up companies also receive grants from the Department of Energy (DOE) and are beneficiaries of the Administration's stimulus package. They enable KPCB partners like Pao to make investments in companies benefiting from government grants and contracts. Pao can solicit contracts from the Department of Energy at the same time that the Apollo Alliance on whose board she sits urges more renewable energy grantmaking by the Department and other government agencies.

A principal spokesman for Kleiner Perkins (KPCB) is John Doerr. Like many other legendary Silicon Valley entrepreneurs, Doerr is hoping for another industry boom—only instead of Google or Amazon, he's thinking green energy. Doerr has been lobbying the Obama Administration to support green initiatives, especially renewable energy from which Kleiner Perkins and other venture capital firms can profit.

According to OpenSecrets.org, KPCB has donated more than \$1 millions to Democrats since 2005. Doerr and his wife Anne have personally given about \$800,000 to Democratic candidates since 2000. Since then, Doerr has been rewarded: in February 2008, President Obama appointed him to the President's Economic Recovery Advisory Board (PERAB).

According to the White House website, PERAB aims to “ensure the availability of independent, nonpartisan information, analysis, and advice” from “voices outside the echo chamber of Washington DC.” But it's the stimulus bill that is the administration's benchmark for economic recovery. That bill—the American Recovery and Reinvestment Act—has been a boon to those who want to profit from government spending, particularly from the earmarked \$86 billion for green initiatives. Close examination of the DOE's list of grant recipients reveals that many of KPCB's venture companies are receiving DOE funding from the Recovery Act.

Take Fisker Automotive, for example. It is a car manufacturer that was added to KPCB's portfolio in 2008. Last September, the automaker raked in a \$529 million DOE grant to build a hybrid sports car called the Fisker Karma. Who knows whether or not the investment will pay off: hybrids in the U.S. haven't been hugely successful in the past. Then there's the Cambridge, Massachusetts-based ethanol start-up Mascoma, another firm in which KPCB has invested. In 2008, the company received a \$26 million grant from the DOE. Also on the list is a smart grid technology provider called Silver Springs network. In 2008, KPCB invested \$75 million in the start-up company. In August 2009, almost 60 percent of Silver Springs' customers were awarded grants.

Those aren't the only examples. “Green” grants have also gone to companies like Amyris Biotechnologies, a company that would have little chance of success were it not for the government stimulus and other taxpayer subsidies. This past May, Amyris' filings showed the company received \$24.3 million in federal grants. Amyris is working on producing next generation biofuels on a commercial level for the average consumer. Yet the company is hemorrhaging money. The net losses for the KPCB-backed start

up total \$136.6 million. Amyris has never posted a quarterly or annual profit in its seven-year history.

Examples abound of “green” companies that would probably fail were it not for government funding. Battery plants like ZBB Energy and LG Chem also appear on the list. They produce batteries for electric cars like the Fisker Karma. But as noble as those fiscally-unsound companies may seem, they have access to millions of taxpayer dollars to make a product for a marketplace that does not yet exist. If it did, government life support would be unnecessary.

### **Corporate Connections: USCAP and the Alliance for Climate Protection**

Corporate America has little representation on the Apollo Alliance board, but it has created other organizations to lobby the Obama administration for “climate change” rules and support for renewable energy. As members of a powerful lobbying organization called the U.S. Climate Action Partnership (USCAP), companies like Duke Energy, Exelon and Dow Chemical have lobbied the White House for cap-and-trade legislation favorable to their interests. USCAP is a coalition of business and environmental groups whose stated mission is to “call on the federal government to enact legislation requiring significant reductions of greenhouse gas emissions.” *Washington Examiner* reporter Tim Carney notes that USCAP aims to create a joint venture between big business and big government around the issue of climate change. Carney has written that Washington's conventional wisdom will be vindicated when business interests and the federal government create a “consensus” solution that both deem “necessary and inevitable.” (For more on the origins of USCAP see CRC's June 2008 Organization Trends article by Tim Carney.)

USCAP's "inevitable" solution was called "A Call for Action: Consensus Principles and Recommendations from the U.S. Climate Action Partnership." However, to date it has not produced the success so many predicted. When the Waxman-Markey cap-and-trade bill passed the House in 2009, USCAP welcomed it as a legislative victory. USCAP played an influential role in the bill's passage and even claimed responsibility for some of the bill's language.

USCAP's corporate members expected the Senate to ratify a version of the House bill, making cap-and-trade the law of the land—and generating profits for businesses that could engage in trading carbon emissions. The companies' expectations were not entirely unfounded. But USCAP began to disintegrate when cap-and-trade failed to pass the Senate. More and more firms have been dropping out of the coalition for a variety of reasons, not least their own business failings: Lehman Brothers, AIG and BP were the first to go, then Caterpillar and Xerox. Deere left USCAP this past summer.

USCAP is no longer a lobbying powerhouse. But its actions demonstrate how government officials and environmental groups can advance their energy agenda by luring big business into lobbying for green energy. Time after time business executives are ensnared by the promise of financial gain and the prospects of a positive public image. They support federal legislation harmful to their corporations' interests under the illusion that they can avoid the worst parts of government regulation or that the regulations will do greater damage to their competitors' interests. No greater fool...

Another important interest group is the Alliance for Climate Protection. It was founded in 2006 by the global warming oracle, former vice president Al Gore.

The Nobel Prize winner even donated his \$750,000 award to the Alliance. But that organization's record is not spotless, thanks to Gore protégé Cathy Zoi, its former CEO.

Zoi is currently the Obama Administration's assistant secretary of energy for energy efficiency and renewable energy, where one of her responsibilities is the Administration's weatherization program. Interestingly, Zoi's husband, Robin Roy, is vice president of a company called Serious Materials, Inc., a provider of high-tech materials that contribute to reduced energy usage. According to public records, Zoi and her husband own 120,000 shares in Serious, as well as stock options. Of course, Serious stands to make a lot of money if the Administration implements energy regulations that mandate the use of its products. And if that weren't enough, in January 2010, the Department of Energy released a list of companies that receive tax credits to produce energy-efficient products. Serious was on the list.

In other words, not only is the CEO of an advocacy group tapped for a senior management position in the Obama energy department, but tax credits distributed by the agency under her jurisdiction are going to a company owned by her husband.

### **The Strategy of Duke Energy**

One major company working behind the scenes to capitalize on the "green" movement is Duke Energy. Its CEO is Jim Rogers, who, coincidentally, got his start working for Ken Lay at Enron. Rogers spearheaded the founding of the industry coalition, the U.S. Climate Action Partnership, knowing that passing the "right" kind of cap-and-trade legislation to create a market for trading carbon emissions would benefit companies like his own. Duke Energy is a classic example of a corporation that piously accepts the responsibility for contributing to man-

made global warming, and then embarks on a righteous crusade for renewable energy—as long as it's subsidized by U.S. tax dollars.

This sentiment was captured in December 2007 when Rogers said, "As the third-largest coal consumer in the United States, and one of the largest greenhouse-gas emitters, Duke Energy has a responsibility to be part of the solution. That means looking at not only how climate change affects our business today, but also the implications for the future."

Rogers knows pursuing clean energy is a costly and risky enterprise. Duke Energy generates over 70 percent of its energy from coal – a fossil fuel that releases more carbon dioxide than any other energy source. But his decision to back cap-and-trade is not motivated solely by altruism. In 2007 Rogers knew cap-and-trade legislation was impending. Just six months earlier a cap-and-trade energy bill known as Warner-Lieberman, named after the Senators from Virginia and Connecticut, had reached the Senate floor. The bill's features would force companies like Duke to purchase right-to-emit carbon credits, with the goal of reducing emissions to 63 percent below 2005 levels by 2050. Rogers knew the bill had little chance of passing. (The national average cost for a gallon of gas had just peaked at over four dollars.) But he also knew the challenge to coal and oil would only grow over time.

That's why Rogers decided to get ahead of the curve by establishing USCAP. Aggressive corporate lobbying could secure government assistance for utilities like Duke Power to undertake the conversion to "clean" energy. By seeming to join forces with environmental groups, Duke could outrun rival companies and side-step environmentalist protests against corporate carbon dioxide emissions and the use of fossil fuels.

## The Sad Case of GE

From 1954 to 1962 Ronald Reagan was a spokesman for the General Electric Company (GE). But in the years since then the company has abandoned its outspoken commitment to limited government and free enterprise and has developed a reputation for aggressive lobbying for government regulatory policies that buttress and protect GE businesses. According to Opensecrets.org, GE spent more money on federal government lobbying than any other company in the U.S. between 1998 and 2009. During the 2008 presidential elections, GE gave five times more money to candidate Obama (\$461,030) than to Republican John McCain (\$93,622). McCain's donations came from GE's PAC, GEPAC, but because Obama did not accept PAC money all of his came from GE execs and employees.

In his book *Obamanomics*, journalist Tim Carney writes that GE support for Obama Administration policy initiatives is so slavish that the company should be called the "for-profit arm of the Obama Administration."

"Look at any major Obama policy initiative—healthcare reform, climate-change regulation, embryonic stem-cell research, infrastructure stimulus, electrical transmission smart-grids—and you'll find GE has set up shop, angling for a way to pocket government handouts, gain business through mandates, or profit from government regulation," wrote Carney. "Obama acts, GE profits."

GE's hand is also out for government assistance for green products like wind turbines and hybrid cars, products that are otherwise not cost competitive. And it's all been happening under the watch of CEO Jeffrey Immelt, who joined Duke's Jim Rogers in founding USCAP. Immelt

also joins John Doerr on the President's Economic Recovery Advisory Board (PERAB), a position worth noting because GE has received stimulus funds.

GE's initiative for green innovation is called "Ecomagination." Not surprisingly, the government plays a central role in subsidizing GE projects like smart grids and wind power. For example, the Obama stimulus bill contains an Investment Tax Credit that rewards companies that build windmills before the year 2013. The provision requires the Treasury Department to give companies the credit within 60 days of their application for it. Companies like GE pocket the tax credit no matter what the windmill accomplishes. Of course, every taxpayer dollar given to GE for building windmills or testing hybrid cars is one less dollar that could be invested in sound product solutions that would bolster the U.S. economy.

## The New Industrial Complex

Liberals cherish the myth that conservatives are in bed with Big Business. But regarding energy and environmental policy, most of Corporate America works with left-of-center "progressive" politicians and advocacy organizations. Environmental groups tell their donors that corporations are the enemy, but green nonprofits know that corporate lobbyists are often their allies. Corporations are willing to work with environmental groups in shaping regulatory legislation to protect their interests. Bjorn Lomborg summed it up best in his *Wall Street Journal* op-ed: "Some business leaders are cozying up with politicians and scientists to demand swift, drastic action on global warming. This is a new twist on a very old practice: companies using public policy to line their own pockets."

Lomborg calls the partnership of environmental groups, big business and

big government an "unholy alliance". He's right. Environmental groups like the Alliance for Climate Protection successfully use companies to their own advantage as providers of public relations and government lobbying. As a result, CEOs like GE's Immelt exercise great influence over government policy, masking the higher costs of energy policy and passing the costs on to consumers.

When the federal government uses taxpayer money to invest in company "green" initiatives, business and environmental groups prosper. The result is a new industrial complex composed of bureaucrats like Cathy Zoi, financiers like John Doerr, and corporate executives like Jeffrey Immelt and Jim Rogers who use their companies to further a progressive energy agenda in return for generous taxpayer subsidies. Who loses? American taxpayers and consumers.

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**GW**

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**Many thanks,**

**Terrence Scanlon  
President**

# GreenNotes

It's the **Environmental Protection Agency** (EPA) vs. the Lone Star State. Texas is at the head of a coalition of southern and western states aggressively challenging the EPA's new carbon dioxide emissions limits and other environmental regulations. The *Dallas Morning News* reports: "Texas has filed nearly a dozen legal challenges of EPA regulations over the past year, mostly over climate-change rules. Most notably, Texas is the only state that has refused to set up a program that requires big polluters to get permits for greenhouse gas emissions." Texas is not alone – all told, key EPA climate-change regulations face some 78 legal challenges from various states and businesses, according to the **Center for Climate Change Law** at Columbia Law School. The challengers to the EPA's draconian over-reach collectively make a compelling case that the new rules "interfere in state sovereignty; they interfere in free markets" in the words of **Shannon L. Goessling**, executive director of the **Southeastern Legal Foundation**. *Green Notes* doesn't know much, but we know better than to bet against Texas. Godspeed.

States are not the only one bristling under onerous EPA guidelines. On January 10th, the **American Farm Bureau Federation** and the **Pennsylvania Farm Bureau** filed a complaint in federal court against the EPA's efforts to clean the Chesapeake Bay watershed, claiming that "[T]he EPA's plan cannot be legally enforced because its methods of determining the bay's pollution from nitrogen, phosphorous and sediment are flawed," according to the *Washington Post*. Farmers worry – rightly – that the EPA enforced rules will burden them with costs that will drive them out of the area or force them out of business altogether. Yet this group of private citizens worried about the survival of their livelihood is dismissed as a disingenuous "high-powered lobbying group," by the environmental group the **Chesapeake Bay Foundation**. Nice.

Greens hate fossil fuels, but love "renewable" sources like solar, right? Well, sometimes. On December 30th, the **Sierra Club** filed a lawsuit in California's Supreme Court against the **California Energy Commission**, claiming that state regulators improperly approved a giant solar plant known as the **Calico Solar Project**. According to *Reuters*, the suit "charges that regulators failed to fully mitigate the project's impact on rare plant and animal species, and asks the court to void approval and permits for the plant." Geez, no coal, no solar – what are we supposed to do for energy, rub two stones together? Don't answer that, Sierra Club...

Speaking of the Sierra Club, **Michael Brune**, the group's executive director, was among the many leftists who tried to infer that the terrible shooting of Arizona congresswoman Gabrielle Giffords on January 8th by a deranged constituent was somehow the responsibility of conservatives. On the day after the shooting, Brune posted on his Facebook page the following reprehensible statement: "Yesterday's unspeakable act of violence is a reminder of the foundational importance of civil discourse to American democracy, and what can happen when that principle is upended." By "civil discourse" Brune presumably means any discourse that is not at variance with his own political views. *Green Notes* forgets which circle of Dante's Inferno held those who would exploit deadly tragedies to score political points, but we are certain it is in the lower rungs.

**Richard Daley** is leaving his post as mayor of Chicago and some Illinois environmentalists, while admiring some of Daley's efforts as mayor on behalf of the green cause, are nonetheless dissatisfied (what a shock). "Daley's vision for greening Chicago has been revolutionary, but it has not yet been fully realized. Chicago is still home to two very old coal-fired power plants without modern pollution controls. Most Chicagoans don't have access to convenient, weekly recycling service. The Chicago River is much cleaner, but still suffers from outdated sewage treatment practices," complains environmentalist **Jack Darin**, director of the Illinois Sierra Club. To that end, a group of greens including **Alliance for the Great Lakes** and the **Environmental Law & Policy Center** have submitted a list of 20 questions to contenders for Daley's job including, "Do you support the Chicago Climate Action Plan goal to reduce greenhouse gas pollution by 25% by 2020 and commit to take the necessary actions to achieve these results?" In other words, the greens want assurances from politicians that, if elected, they will work hard to decimate the local economy. Good luck with that.