CRC
CAPITAL RESEARCH CENTER

Organization Trends

United States Climate Action Partnership:
Corporations Lobby for—and Benefit from—Climate-Change Restrictions

By Timothy P. Carney

***Summary**: Guess who wants more government regulation of the energy-producing economy? Big Business. Last year businesses that stand to profit from greenhouse gas emissions controls formed a political coalition with environmental nonprofits. Their new advocacy group is the United States Climate Action Partnership (USCAP). USCAP, which wants Congress to impose the so-called "cap-and-trade" system on American industry, knows a sweet deal when it sees one.*

Pushing "green" policies — that's green as in *greenback*: GE CEO Jeffrey Immelt (left) and Jonathan Lash (right), president of the World Resources Institute, launch USCAP at a January 2007 press conference.

When a politician, journalist or policy expert questions whether industry contributes to climate change—and whether government regulation can solve global climate troubles—you can expect an extremist environmental group to call them "shills" for industry. But when the nation's most influential corporations line up to support federal greenhouse gas restrictions, then green groups praise them as models of "corporate social responsibility." They are applauded for their foresight and statesmanship even if they anticipate making money from government climate regulation.

The campaign to proclaim global warming a natural disaster-in-the-making has shifted into high gear, and woe unto anyone foolhardy enough to deny that government regulation is the best tool to fight it. You are likely to be labeled a traitor to the planet. The cover of the April 28 edition of Time magazine says it all. It replicates the famous flag-raising scene at Iwo Jima, only this time the Marines plant a coniferous tree instead of an American flag. The headline: "How to Win The War On Global Warming." Al Gore regularly compares climate change to the Nazi threat. He regards the struggle against it as comparable to the Allied war effort—which makes him Winston Churchill. The message is clear: This is the Baby Boomers' World War II.

Recently a group of 27 businesses and 6 nonprofit environmental groups joined together to call for the immediate federal regulation of greenhouse gases and for subsidies to help industry control GHG emissions. The group calls itself the United States Climate Action Partnership, or USCAP. Extending the WWII metaphor, it might be said that USCAP sees itself as leaders of the 21st century's "greatest generation." Or maybe they are just "war profiteers."

June 2008

CONTENTS

United States Climate Action Partnership
Page 1

Briefly Noted
Page 8

Creating A Coalition

At the end of 2005, 10 U.S. corporations and four environmental groups began discussing how they might create a unified front in support of climate change-mitigation legislation at the federal level.[1] The corporations included General Electric, Alcoa, DuPont, and Caterpillar, and the non-profits were Environmental Defense, the Natural Resources Defense Council, the Pew Center on Global Climate Change, and the World Resources Institute.

In January 2007, as Democrats took formal control of Congress, these groups announced the creation of the U.S. Climate Action Partnership. The press release announcing USCAP's launch spelled out the new alliance's agenda:

> USCAP urges lawmakers to enact a policy framework for mandatory reductions of GHG emissions from major emitting sectors, including large stationary sources, transportation, and energy use in commercial and residential buildings.[2]

While the group called for subsidies for technology development, the core of its lobbying agenda was a federal "cap-and-trade" system.

Politicians and journalists favoring GHG restrictions welcomed USCAP. They were delighted by the startling alignment of Big Business and Big Government. With the nation's most powerful forces linked in a joint venture, the Washington conventional wisdom had been vindicated: A consensus solution to climate change was both necessary and inevitable.

Editor: Matthew Vadum

Publisher: Terrence Scanlon

Organization Trends is published by Capital Research Center, a non-partisan education and research organization, classified by the IRS as a 501(c)(3) public charity.

Address:
1513 16th Street, N.W.
Washington, DC 20036-1480

Phone: (202) 483-6900
Long-Distance: (800) 459-3950

E-mail Address:
mvadum@capitalresearch.org

Web Site:
http://www.capitalresearch.org

Organization Trends welcomes letters to the editor.

Reprints are available for $2.50 prepaid to Capital Research Center.

Washington Monthly writer Christopher Hayes celebrated this extraordinary development:

> A who's who of corporate America—CEOs from such industrial stalwarts as Alcoa, DuPont, Caterpillar, Pacific Gas and Electric, and General Electric—joined environmental leaders at a Washington press conference on global warming. Their surprising message for the president and Congress: Please, for the love of God, regulate us.
> ….
> It's a little like a thief who's been running from the cops suddenly stopping, turning around, thrusting out his wrists, and saying, "Arrest me."[3]

Senator Barbara Boxer (D-California), head of the Senate Committee on the Environment and Public Works, declared that a remarkable agreement had been reached:

> There are just a few moments in history when all sides come together for the common good. Such a moment has arrived with the agreement by these companies and organizations to work together to call for action to avoid a global warming crisis.[4]

It's untrue that these corporations represent "all sides," and they are not asking to be "arrested." But the cap-and-trade policy USCAP is pushing will generate substantial profits for many of USCAP's members. And it will impose serious costs on consumers, including other businesses as well as individuals.

Who Runs USCAP?

USCAP describes itself as a "business and NGO partnership," but it has no staff of its own. Like many other Washington, D.C.-based coalitions that promote a policy agenda, USCAP relies primarily on outside public relations and government consulting groups to conduct its operations and coordinate its members' activities. The Meridian Institute, Lighthouse Consulting and the powerhouse PR and lobbying firm Powell Tate | Weber Shandwick are the agents behind USCAP's political and media messages.

In July 2007 USCAP named two "coalition co-ordinators": John Ehrmann, senior partner at the Meridian Institute and Merribel Ayers, president of Lighthouse Consulting. In a press release, USCAP wrote, "Ms. Ayres will help to spearhead the development of USCAP's legislative strategy, while Dr. Ehrmann will help to lead the group's efforts to formulate additional policy recommendations."[5]

The Meridian Institute is a 501(c)(3) nonprofit specializing in "mediation." According to its website, the organization helps "decision makers and diverse stakeholders solve some of society's most contentious public policy issues."[6] The Internet domain name for USCAP's website, USCAP.org, is registered to the institute.[7]

Longtime environmental activist William D. Ruckelshaus is chairman of the Meridian board. Ruckelshaus was the first administrator of the Environmental Protection Agency, nominated by President Richard Nixon. Ruckleshaus endorsed Democrat Barack Obama for president in April.[8] Meridian board member Jonathan Lash is president of the World Resources Institute, a Washington, D.C.-based environmental think tank and one of USCAP's founding environmental nonprofits.

Lighthouse Consulting president Merribel Ayres, the other USCAP "coalition co-ordinator," is a Democratic donor, having given $4,700 to Democrats this election cycle, but also $1,000 to John McCain's presidential run. A former CEO (1988-1996) of the National Independent Energy Producers, a trade group for renewable energy producers, Ayres is also a member of the Aspen Institute Energy Policy Forum and a director of CMS Energy, parent of Consumers Energy, an Michigan-based electric and natural gas utility.

Lighthouse Consulting is a lobbying and consulting firm that, according to federal lobbying disclosure forms, lobbied for USCAP in 2007 and 2008. USCAP hired Lighthouse to lobby the House, Senate, the White House, the Departments of State and Treasury, and the Council on Environmental Quality. In the first quarter of this year, USCAP paid Lighthouse $190,000 for lobbying.

USCAP's communications operation is run out of Powell Tate, a "strategic communica-

tions and public affairs" firm in Washington. Powell Tate is a D.C. division of the international lobbying and communications firm Weber Shandwick. The Powell Tate contact for many USCAP press releases is senior vice president John Files, a former Washington bureau reporter for the New York Times.

USCAP's "Call for Action": Behind the Rhetoric

At a press conference a week after its January 2007 launch, USCAP issued "A Call for Action: Consensus Principles and Recommendations from the U.S. Climate Action Partnership."[9] The consensus was calling for "a mandatory, flexible climate program."

The mandatory aspect of the "Call" is for federal legislation that will impose greenhouse gas [GHG] caps on "large stationary sources, transportation, and energy use in commercial and residential buildings." In other words, for the first time the feds should regulate the carbon dioxide (CO_2) coming out of smokestacks and tailpipes, and many businesses will not be allowed to use or generate energy in a way producing GHGs unless they have government-issued allowances to do so.

USCAP recommends specific paths for curbing GHGs, but not in precise detail. After all, it represents diverse companies and green groups with distinct special interests. "A Call for Action" argues that any GHG regulations should:

* account for the global dimensions of climate change
* recognize the importance of technology
* be environmentally effective
* create economic opportunity and advantage
* be fair to sectors disproportionately impacted
* recognize and encourage early action.

With the first principle USCAP urges the federal government to prod other countries to constrain their CO_2 emissions. It disagrees with the Bush administration, which had rejected the Kyoto Protocol on Climate Change because it did not cover emissions from developing nations.[10] President George W. Bush cited this argument as did the U.S. Senate, which in 1998 approved, by a 95-0 vote, a resolution from Senators Robert Byrd (D-West Virginia) and Chuck Hagel (R-Nebraska) rejecting any climate change treaty that did not treat all nations equally.[11]

USCAP turns that argument on its head, announcing, "U.S. action to implement mandatory measures and incentives for reducing emissions should not be contingent on simultaneous action by other countries. Rather, we believe that U.S. leadership is essential…."

Whenever the "Call for Action" endorses the need to control climate change through improved technology, it is in essence advocating more taxpayer subsidies. In USCAP language:

> [A]n effective climate change program must include policies to promote significant research, development and deployment of hyper-efficient end use technologies; low-or zero-GHG emitting technologies; and cost-effective carbon capture and storage….

To sell its consensus position for "mandates," USCAP also must recognize a principle of "flexibility" that is crucial for many GHG-

News or propaganda?

intense industries. USCAP writes: "Requirements for reducing emissions may vary between sectors and should be designed to promote sustained economic growth…."

As for "Encouraging early action," that means giving "extra credit" to companies that have reduced their GHG emissions before enactment of a law. This is meant literally, not figuratively. For instance, in a GHG-allowance system (see the discussion of cap-and-trade below), firms that have reduced their CO_2 emissions since 1994 would receive early-action allowances or credits that they could sell or use to cover their immediate GHG emissions.

"A Call for Action" includes this USCAP pledge:

> We, the members of the U.S. Climate Action Partnership, pledge to work with the President, the Congress, and all other stakeholders to enact an environmentally effective, economically sustainable, and fair climate change program consistent with our principles at the earliest practicable date.

The fruit of that pledge appears to be S. 2191, the proposed "America's Climate Security Act," also known as Lieberman-Warner,[12] after its sponsors, Senators Joseph Lieberman (ID-Connecticut) and John Warner (R-Virginia). The bill hews very closely to the USCAP proposal.

Cap-and-Trade under Lieberman-Warner

Although some economists, including the Congressional Budget Office, argue that a tax on GHG emissions would be simpler and more cost-effective,[13] the Washington consensus view favors cap-and-trade. According to the conventional wisdom, it is the agreed-upon method for reducing GHGs. The Lieberman-Warner bill's chances of passage this summer remain very uncertain, but USCAP argues that "cap and trade is essential" as a strategy for reducing GHGs.

The complex 214-page bill would require many companies, including manufacturers, power companies, and oil and coal companies to "pay for" GHG emissions with federally-issued GHG allowances. Under the bill, the federal government initially hands out some allowances to industry, state governments, and other agencies, while a new Climate Change Credit Corporation will auction off additional allowances.

Lieberman-Warner would instruct the U.S. Environmental Protection Agency (EPA) and the Department of Agriculture to create a system that accounts for GHG offsets. You've heard the chant: Plant a tree, earn an offset. A garbage dump could earn GHG offsets by capturing the methane that seeps into the air from its decaying waste. But the likelihood is that the system for allocating offsets would quickly become very complex. How are allowances to be distributed? And at what point are GHG emissions counted? Shouldn't the dump receive allowances for its methane emissions in the first place rather than gain credits for abating the emissions? Driving a

car emits carbon dioxide. Should the emissions be "billed" to the driver, the car dealer, the automaker, the gas station, the refiner, or the oil company?

These offsets and allowances are intended to function as a sort of currency. If a manufacturer were to use less than his allocation of allowances, he could sell his excess to a business that was emitting more than its allowance. So a business that plants trees could accumulate offsets, which it could sell to businesses in need of GHG allowances. Middlemen would surely enter the trading scene, buying GHG credits (e.g. from tree-planters), holding onto them as investments or selling them to power companies.

If you accept the premise that it is the responsibility of the federal government to curb industry's GHG emissions, then the arguments for a cap-and-trade system such as that proposed by the Lieberman-Warner bill may at first appear more compatible with a market economy. Cap-and trade does not mandate a specific way to reduce GHGs. The policy leaves room for innovation by GHG emitters and by companies seeking to market GHG-reduction technologies. It also proposes an accounting mechanism for penalizing emitters and rewarding emission reduction. Cap-and-trade advocates and the media often call it a "market-based" approach to curbing GHGs. They say it would create a market, but it's a pseudo-market, although certainly not a free market.

This market is what attracts many businesses, such as the members of USCAP, to cap-and-trade. It offers the promise of serious profit for skillful traders, offset-producers, and those who get healthy allocations from the federal government. As Fortune magazine reported April 17, Point Carbon, which provides carbon finance news and analysis, recently predicted that enactment of Lieberman-Warner would create a U.S. carbon emissions market worth $150 billion, which is significantly larger than the current world market of $60 billion. The U.S. carbon emissions market could be valued at $1 trillion annually by 2020. It's no wonder investment banks such as Goldman Sachs are already champing at the bit. Goldman Sachs, incidentally, happens to have close ties to global warming crusader Al Gore whose nonprofit Alliance for Climate Protection plans to spend $300 million on an advertising campaign to convince Americans to embrace limits on CO_2 emissions.

Goldman Sachs has been particularly aggressive in carbon-related investing. In September 2006, it bought 10% of Chicago Climate Exchange (CCX) shares for $23 million. Founded in 2003, CCX claims on its website to be "the world's first and North America's only active voluntary, legally binding integrated trading system to reduce emissions of all six major greenhouse gases (GHGs), with offset projects worldwide." CCX currently has about 100 corporate and governmental "members."

As of 2007, Goldman Sachs had committed at least $1 billion to carbon assets projects, a fancy term for projects that generate energy from sources other than oil and gas, and Morgan Stanley had committed to invest at least $3 billion in carbon assets projects. Citigroup and Bank of America are also involved in the emissions trading market. (For more on carbon finance, see "Al Gore's Carbon Crusade: The Money and Connections Behind It," by Deborah Corey Barnes, *Foundation Watch*, August 2007.)

Citigroup also has ambitious plans. On May 8 last year it announced that it intends to direct $50 billion "over the next 10 years to address global climate change through investments, financings and related activities to support the commercialization and growth of alternative energy and clean technology among the clients and markets it serves, as well as within its own businesses and operations." The boutique Citi Alternative Investments, which manages $60 billion in real estate, private equity, and hedge fund capital for Citi and select net high worth investors, reports that its Sustainable Development Investments (SDI) section expects to invest more than $2 billion of private equity over 10 years in a variety of green projects, including carbon credit markets.

And it would be an understatement to describe Citigroup's research brief, "Carbon Trading: The Sky's the Limit," published March 19, 2007, as being bullish on future carbon-related investing opportunities. The paper cites the prediction by the CEO of Abu Dhabi Future Energy Co. (ADFEC) that in 2012 the carbon market will be worth $40 billion, and predicts that cap-and-trade is coming to the U.S. Not surprisingly, the report extols the virtue of controlling CO_2 emissions through carbon trading, rather than through the imposition of a carbon tax: Investment banks can't earn commissions and fat underwriting fees from a carbon tax.

Some companies won't benefit at all from cap-and-trade. Any business that is less energy-efficient or less GHG-efficient than its competitors—like old-fashioned coal companies—is a likely loser. Consumers too would lose out. One EPA study[14] of S. 2191 estimated that in the year 2030 the bill would cost the economy between $238 billion and $983 billion (0.9% to 3.8% of GDP); drive up gasoline prices by about 53 cents per gallon (and by $1.40 per gallon by 2050); and boost electricity prices about 44%. (The findings optimistically assume that the nation will more than double its output of nuclear energy and develop a technology to capture CO_2 emissions from electricity generation.) The National Association of Manufacturers (NAM), which opposes Lieberman-Warner, is less sanguine. It estimates that by 2030 the measure could drive up gasoline prices by 145% and cost the average family about $4,000 per year.[15]

An opponent of the measure, Senator James Inhofe (R-Oklahoma), the ranking Republican on the Environment and Public Works Committee, said that the full Senate will begin considering the bill on June 2, the Business & Media Institute reported May 15.

Clearly, hundreds of millions of dollars in profits (and loss) are at stake. That's why companies like Alcoa and GE are joining USCAP. They want a "seat at the table" when policies and prices are being set.

Alcoa: Straddling the GHG Divide

Consider Alcoa, formerly the Aluminum Company of America, which employs 97,000 people in all aspects of the aluminum industry, from mining to equipping airplanes and automobiles.[16] It is a founding member of USCAP.

Earlier this year, the Free Enterprise Action Fund (ticker symbol: FEAOX) filed a shareholder resolution with Alcoa calling on the company to explain its support of cap-and-trade. The company's board of directors responded:

> Alcoa believes that its work to reduce greenhouse gas emissions ahead of regu-

latory requirements puts the company in a stronger position to receive tradable emission credits for early action, a provision that is advocated with the US CAP "Call to Action" and most mainstream legislative proposals in the U.S. Congress. Credit for early action can help minimize the competitiveness threat to the company's U.S.-based manufacturing assets.[17]

Alcoa is in a sensitive position regarding global warming legislation. Making aluminum requires large quantities of heat and electricity, and the process of smelting the raw material, alumina, into aluminum necessarily results in the production of carbon dioxide. Whether the company profits or suffers will depend on the details of any new rules that go into effect if cap-and-trade legislation is passed.

Alcoa's lobbying effort on climate-change legislation has four components: (1) It seeks to gain credit for early action on reducing emissions; (2) it wants GHG allowances to be allocated heavily to industries that produce a large amount of greenhouse gases; (3) it wants the auto industry to be subject to GHG restrictions; and (4) it opposes imposing GHG restrictions on other countries.

What's behind Alcoa's positions? Since 1999 Alcoa has been working with the Department of Energy to reduce its energy use. DOE has reported that by the end of 2003 Alcoa had saved $15 million in energy costs[18] and, more importantly, had reduced its annual CO_2 emissions by 420,000 metric tonnes.

Thus, Alcoa will benefit from any climate change-mitigation law that includes USCAP's recommendation for "early-action credits." Fortunately, Lieberman-Warner includes an early-action provision, which would earn Alcoa extra allowances for the emissions reductions it made previously. Still, Alcoa would be hurt overall by a cap-and-trade system were it not for the particular method that Lieberman-Warner uses to allocate GHG emission allowances: The bill sets an industry's allowances based on how much greenhouse gas the industry currently emits. The aluminum industry can expect to get a large share of the allowances. By already emitting lots of CO_2, the aluminum industry becomes entitled to a lion's share of valuable allowances. No wonder Alcoa is in favor of this particular method of greenhouse gas "regulation."

The right structuring of GHG restrictions could help Alcoa in other ways. Alcoa Automotive makes aluminum frames for cars, which are lighter, stronger, and more expensive than the steel frames found in most cars. Last year Alcoa lobbied for stricter new Corporate Average Fuel Economy (CAFE) standards[19] because it favored creating a government incentive for automakers to use costlier aluminum frames (thus driving up car prices). While the Lieberman-Warner bill does not cover automobiles, it sets the stage for future GHG caps on cars. Were manufacturers to rely more on aluminum frames, the shift from steel to aluminum could be counted as a GHG reduction that would benefit Alcoa.

Finally, much of Alcoa's energy-intensive manufacturing is overseas, and so it is fortunate that Lieberman-Warner does not regulate the process of making aluminum abroad. Indeed, in Australia, where Alcoa is the biggest exporter of alumina, the company is lobbying against GHG caps. One Australian newspaper reported in April that Alcoa "has warned that even a modest carbon cost on aluminium production could lead to plant closures in Australia and moves to higher-emitting plants in countries such as China."[20]

Alcoa is a fixture in the Washington lobbying community. Paul O'Neill was Alcoa's CEO from 1987 to 1999 between stints as Gerald Ford's deputy budget director and George W. Bush's ill-fated Treasury Secretary. Former Clinton White House spokesman Jake Siewert is Alcoa's vice president for environment, health, and safety and public strategy.[21] Lee Califf, an in-house lobbyist for Alcoa, is a former aide to Senator Warner, S. 2191's co-sponsor. On defense, trade, utilities, climate change and other issues, the company spent more than $1.6 million on lobbying in 2007.[22]

General Electric, Lobbying Champion

General Electric makes light bulbs, jet engines, and refrigerators. It's also heavily involved in commercial and consumer finance. The company made $22 billion in profits last year.[23] GE also has a larger U.S. lobbying budget than any other company. From 1998 to 2007, according to the Center for Responsive Politics, GE spent $163 million on lobbying—the U.S. Chamber of Commerce and the American Medical Association are the only entities to have spent more. In 2007, GE spent $23.6 million lobbying—50% more than its runner-up, ExxonMobil, and more than

defense contracting giants Lockheed Martin and Northrop Grumman combined.[24]

GE spends much of its influence by pushing for "green" legislation that will help its own businesses. The company's wattage-saving compact fluorescent light bulb is one example: GE helped write the provision in last year's energy bill that bans the standard incandescent light bulb by 2014 and mandates more efficient bulbs.[25]

As USCAP was getting underway, GE announced a joint venture with power company AES to generate and sell GHG credits. The venture, called Greenhouse Gas Services:

> …invests in and develops a diverse range of projects that reduce greenhouse gas (GHG) emissions and, from these and third-party projects, supplies US companies with real, independently verified GHG credits.[26]

Currently, the only value for GHG credits is in public relations and conscience-soothing. Publicity-aware companies and celebrities who want to "offset" a portion of the greenhouse gasses they produce (i.e. their "carbon footprint") can "buy" the credits (i.e. make a contribution, usually to a green nonprofit). But these credits would be in demand and have a commercial value if the federal government were to mandate a cap on GHG emissions and introduce a cap-and-trade system to allocate greenhouse gas allowances and exchange credits.

Under Lieberman-Warner, GHG credits would be "offset allowances." Companies could buy them up if they lacked sufficient allowances to cover their own GHG emissions. GE's Greenhouse Gas Services would generate some of these offsets itself—for instance, by turning the energy-saving technologies in GE's "Ecomagination" initiative into sellable credits—and it could purchase others.

GE also stands to profit directly from the subsidies contained in Lieberman-Warner—and advocated by USCAP. Subtitle D of the bill calls for the proceeds from allowance auctions to go to "producers of new zero- or low-carbon [electricity] generation" and "manufacturers of high-efficiency consumer products." These are products GE makes. They have limited demand in a free market but would be in high demand in an artificial market created by Lieberman-Warner.

Of all the members of USCAP, it's fair to assume that GE stands to benefit the most from the group's proposals and from Lieberman-Warner.

Duke Energy, Ford Motor, Pepsi, and Other USCAP Members

The other 24 USCAP companies produce oil, automobiles, consumer goods, chemicals, soft drinks and more. Not all are as vulnerable—or as likely to profit—as GE and Alcoa. Some could lose out from the policies that profit the others.

Duke Energy is in an interesting position. Traditionally a company heavy on nuclear power, its former CEO, Paul Anderson, called for a CO_2 tax in April 2005.[27] Five months later, the company gave $2.5 million to support Duke University's "Climate Change Policy Partnership."

Since then, Duke has merged with coal-heavy Cinergy, based mostly in the Midwest. Cinergy's CEO, Jim Rogers, now runs Duke, and he is a longtime and prominent advocate of GHG restrictions. While Rogers frequently astonishes the media and his audiences with calls for regulation,[28] his pedigree as a regulator and lobbyist makes his views unsurprising.

Rogers served on the Federal Energy Regulatory Commission (FERC), was a Washington lobbyist for Akin, Gump, Strauss, Hauer & Feld, and ran Enron's gas pipeline group (which stood to benefit from GHG-restrictions that Enron lobbied for). Rogers also serves on the board of the lobbying group "Alliance to Save Energy."

Another USCAP CEO is Ford Motor Company's Alan Mulally. In fall 2006 Mulally came to Ford from Boeing, one of the most Beltway-entrenched companies in America. He had close ties with the Clinton administration, and he is a vocal supporter of higher gasoline taxes.

PepsiCo, like GE, has invested in GHG credits, buying up "renewable energy certificates" to cover the energy used by some of the company's facilities. Like Alcoa, Pepsi is outsourcing: a major share of its production goes to a bottling plant in Mexico beyond the reach of Lieberman-Warner and Kyoto.

But Pepsi is under siege as bottled water becomes a major target of global warming activists and an issue for politicians determined to reduce GHG emissions and energy use. Many environmentalists argue that the raw materials and energy consumed in bottling and shipping water like Pepsi's Aquafina—the number one bottled water brand in the country—is supremely wasteful. The Free Enterprise Action Fund, an activist mutual fund, has filed a shareholder resolution with Pepsi, pointing out that the war against bottled water is spurred by fear of the company's contribution to climate change.

Indeed, there is evidence that Pepsi is in over its head in USCAP: the company spent only $1 million on lobbying in 2007 (equal to what GE spent in the average two-week period), and it has not lobbied on environmental issues in three years, according to federal lobbying disclosure filings.

Other Boards

USCAP's influence on Capitol Hill is apparent from the Lieberman-Warner bill's mirroring of USCAP's "A Call for Action." But USCAP makes its presence felt in other ways, and they could become critical in persuading other trade associations to support cap-and-trade legislation.

That government intervention in the marketplace concentrates its benefits on single parties while harming the economy overall is well-understood by the business community in general. That's why industry trade associations are less likely to lobby for regulation than individual corporations with a particular self-interest, and why business groups such as the U.S. Chamber of Commerce are even more free market-oriented.

Until recently, this rule held true for climate-change regulation. But USCAP members are encouraging more industry groups to become regulation advocates. Duke's Jim Rogers, for example, guided the electricity industry to support cap-and-trade when he was elected chairman of the Edison Electric Institute (EEI), the trade group representing almost the entire industry. Liberal environmentalist writer Amanda Griscom Little described it this way: "Rogers has helped move the

organization from staunchly rejecting federal global-warming policy to embracing a forward-thinking (if limited) set of climate-change principles."[29]

The Chamber of Commerce's board of directors features six USCAP members: David Kepler, senior vice president for the Dow Chemical Company in charge of environment; Alcoa CEO Klaus Kleinfeld; Caterpillar Group President Stuart Levenick; Siemens Corporation president and CEO George Nolen; Duke president and CEO Him Rogers; Deere & Company vice president for public affairs Charles R. Stamp, Jr.; and Pepsico's chief lobbyist, Larry Thompson, former Bush Justice Department deputy attorney general. Alcoa and Duke are also members of the American Coalition for Clean Coal Electricity, a new coalition group formed in April 2008 to make sure coal producers have a seat at the energy regulatory table.

The National Association of Manufacturers is probably the most prominent trade association to oppose Lieberman-Warner, but even here USCAP has some influence. The executive committee of NAM's board of directors includes Ursula Burns, president of Xerox; Michael Gambrell, a Dow Chemical executive vice president; Shell Oil president John Hofmeister; and Stacey Mobley, general counsel at DuPont. GM, Ford, and Caterpillar executives also serve on NAM's board.[30]

Membership Changes

Since its January 2007 launch, USCAP has retained nine of its 10 original corporate members while 17 more corporations have joined it. The most significant membership change came four months into USCAP's existence. On May 8, 2007, the group announced it had doubled in size, adding General Motors (the first of the Big Three automakers to join), and two more oil companies, Shell and Conoco Philips among its new members.[31]

Around this same time, investment bank Lehman Brothers quietly withdrew from USCAP. A search on newspaper database Nexis shows no coverage of Lehman's withdrawal, and neither the company nor USCAP mentions the withdrawal on its websites. USCAP's website listed Lehman as a member on April 30, but had dropped the investment bank by May 31.[32]

USCAP spokesman John Files confirmed in an e-mail that "Lehman is not a member of USCAP." USCAP had not provided more information as of press time, and calls and emails to Lehman on this subject went unanswered.

Timothy P. Carney is the author of The Big Ripoff: How Big Business and Big Government Steal Your Money *(Wiley, 2006), a weekly columnist for the Washington Examiner, senior reporter for the Evans-Novak Political Report, and a contributing editor to Human Events.*

OT

ENDNOTES

1 Press release: "Joint Statement of the United States Climate Action Partnership," January 19, 2007. Available at: http://www.us-cap.org/media/release_USCAPStatement011907.pdf, accessed May 2, 2008.
2 *Ibid.*
3 Christopher Hayes, "Revolt of the CEOs," *Washington Monthly*, June 2007.
4 Press realease, "Boxer Hails Landmark Agreement By Industry, Environmental Groups Calling for Immediate Action to Address Global Warming," January 22, 2007, Senate Committee on Environment and Public Works. Available at: http://epw.senate.gov/public/index.cfm?FuseAction=PressRoom.PressReleases&ContentRecord_id=4b603905-802a-23ad-4915-87e91d806ae8&Designation=Majority.
5 Press release, "U.S. Climate Action Partnership Announces Coalition Co-ordinators," July 24, 2008.
6 http://www.merid.org/about.html, accessed May 11, 2008.
7 Register.com
8 Thom Patterson, "Watergate-era Republican Backs Obama," CNN Political Ticker, April 17, 2008.
9 Available at: http://www.us-cap.org/USCAPCallForAction.pdf, accessed May 5, 2008.
10 See, for example, his June 11, 2001 address, available at: http://www.whitehouse.gov/news/releases/2001/06/20010611-2.html
11 S. Res. 98, 105th Congress. Roll Call Vote 205, July 25, 1997.
12 S2191, "America's Climate Security Act of 2007," is available at: http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_bills&docid=f:s2191is.txt.pdf
13 "Policy Options for Reducing CO_2 Emissions," Congressional Budget Office, February 2008. Available at: http://www.cbo.gov/ftpdocs/89xx/doc8934/toc.htm.
14 U.S. Environmental Protection Agency, "EPA Analysis of the Lieberman-Warner Climate Security Act of 2008," Office of Atmospheric Programs, March 14, 2008. Available at http://www.nreca.org/Documents/PublicPolicy/EPAEconomicAnalysis_S2191.pdf, accessed May 3, 2008.
15 "Analysis of The Lieberman-Warner Climate Security Act (S. 2191) Using The National Energy Modeling System (NEMS/ACCF/NAM)," March 12, 2008. Available at: http://www.accf.org/pdf/NAM/fullstudy031208.pdf
16 See: http://www.alcoa.com/global/en/about_alcoa/overview.asp
17 Alcoa Board of Directors, 2008 Notice of Annual Meeting and Proxy Statement, 'Focused on Sustainable Growth," March 14, 2008. Available at, http://www.sec.gov/Archives/edgar/data/4281/000119312508058641/ddef14a.htm#tx22345_11, accessed May 4, 2008.
18 Department of Energy, "Alcoa Teams with DOE to Reduce Energy Consumption,' *BestPractices*, Industrial Technologies Program, May 2004.
19 See Timothy P. Carney, "Fuel Efficiency Mandates Cost Consumers, Aid Alcoa," *Washington Examiner*, December 21, 2007.
20 Nigel Wilson, "Alcoa Wants Carbon Trading Exemption," *The Australian*, April 30, 2008.
21 See: http://www.alcoa.com/global/en/news/news_detail.asp?newsYear=2005&pageID=20050425005999en
22 Center for Responsive Politics, see: http://www.opensecrets.org/lobbyists/clientsum.asp?txtname=Alcoa&year=2007
23 GE 2007 Annual Report. Financials available at: http://www.ge.com/ar2007/cfs.jsp.
24 Lobbying data is from the Center for Responsive Politics, OpenSecrets.org.
25 See Timothy P. Carney, "How Many Lobbyists Does it Take to Change a Lightbulb," *Washington Examiner*, December 28, 2007.
26 Greenhouse Gas Services homepage: GHGS.com.
27 "Duke Energy Presses for Carbon Dioxide Tax," *New York Times*, April 8, 2005.
28 See, for example, Steve Clemons, "Surprising Climate Change Fanatic, "*The Washington Note*, March 16, 2008. Available at: http://www.thewashingtonnote.com/archives/2008/03/surprising_clim/
29 Amanda Griscom Little, "Rogers and Me," *Grist*, April 4, 2007, available at: http://www.grist.org/news/maindish/2007/04/04/rogers/, accessed May 5, 2008.
30 See: http://namissvr.nam.org/NAMISSvr/NAMBoardOfDirectors.aspx
31 See: http://environmentaldefenseblogs.org/climate411/2007/05/08/uscap_wave2/
32 See the links provided at: http://web.archive.org/web/*/http://www.us-cap.org/about/members.asp, accessed May 5, 2008.

Capital Research Center's next online radio shows air live on June 3, 3:05 p.m. July 1, 3:05 p.m. July 29, 3:05 p.m. (Eastern time) at *http://www.rightalk.com*

Replays follow at 5 minutes past the hour for the following 23 hours, or listen at your convenience later at http://www.capitalresearch.org/podcast/

Please remember
Capital Research Center
in your will and estate planning.

Thank you for your support.

Terrence Scanlon
President

BrieflyNoted

In his new book, *The New Paradigm for Financial Markets: The Credit Crisis of 2008 and What It Means*, **George Soros** argues that President **Ronald Reagan**'s economic policies created a 25-year "super bubble" and that the current economic slowdown, which was triggered by the collapse of credit markets, is the "worst since the 1930s." A USA Today profile of the liberal mega-philanthropist notes that Soros "yearns to be seen as something other than a financial oracle or Democratic Party sugar daddy…[he] desperately wants to be acknowledged as a philosopher."

Syracuse University professor **Arthur Brooks**, author of the new book, *Is America Happy?*, finds that more people are reporting that they are happy and they say it's because they believe their families have a chance to improve their standard of living. Brooks' earlier book was *Who Really Cares? The Surprising Truth of Compassionate Conservatism*, which found that conservatives are more generous donors than liberals.Two New York University professors disagree. Regardless of socioeconomic status, marital status, or church attendance, conservatives are happier than liberals because they are deluded, cold-hearted, suffering from a false consciousness, and just don't care about the poor, a study by **Jaime Napier** and **John Jost** found, according to LiveScience.com. Well, that wasn't quite how the researchers put it, but the dubious study seems to have been set up in order to justify liberal assumptions about economics and society. The study treated conservative beliefs such as respect for free markets and a rejection of affirmative action policies as psychological aberrations or "rationalizations," according to the article.

Alliance Defense Fund, a Scottsdale, Arizona-based legal advocacy organization, is urging church leaders to preach about election candidates on September 28 in order to challenge a 54-year-old tax law that prohibits electioneering, the Wall Street Journal reports. The group hopes such sermons will prompt the **Internal Revenue Service** to take enforcement action, and that this could lead to a court declaration that the politics ban is unconstitutional. The IRS said last year that it is investigating 44 churches regarding their activities in the 2006 election cycle. Churches violating the rule can be fined or have their tax-exempt status revoked.

"A lot of people will get rich" if trading in carbon offsets –pieces of paper that supposedly represent greenhouse gas emissions avoided somewhere on the globe— goes according to plan, Fortune magazine's **Marc Gunther** wrote in the April 28 issue. If government-mandated carbon trading comes to the U.S., it will create a market worth $1 trillion annually by 2020, he writes, noting that **Credit Suisse** is already creating new investment products, bundling up carbon offset projects and then slicing them into securities priced according to risk. "If this sounds familiar, it should– it's the carbon finance version of those collateralized debt obligations that investment banks used to sell mortgages." This approach is actually quite risky, Gunther writes, because it means "we're counting on the people who brought us the subprime mortgage meltdown to get it right this time around."

Climate Central, a 501(c)(3) nonprofit based in Princeton, N.J., is planning to create a new climate change think tank, ClimateWire reports. Asked to explain the think tank's mission, co-founder **Jane Lubchenco**, a marine ecologist, said "We want to teach scientists to speak English when they talk about climate change." One of the think tank's new hires is the Weather Channel's **Heidi Cullen**, the left-wing climatologist who demanded that the **American Meteorological Society** decertify meteorologists who don't toe the global warming alarmist line. The **Schmidt Family Foundation**, operated by **Google** CEO **Eric Schmidt** and his wife, Wendy, has provided initial funding for the group.

Northwestern University has withdrawn the offer of an honorary doctorate to a member-in-good-standing of America's multiculturalist America-hating left-wing elite. The school backed out of giving Rev. **Jeremiah Wright** this high honor after **Barack Obama**'s spiritual mentor gave a widely publicized speech at the National Press Club on April 28 in which he –among other things– spewed anti-American hatred, accusing the U.S. government of committing genocide and inventing HIV.

Progressive Media USA, the nonprofit headed by turncoat journalist **David Brock** that has vowed to raise and spend $40 million attacking presumptive GOP presidential candidate **John McCain**, has launched a separate anti-McCain site called McCainSource.com whose stated goal is "to make sure the public understands that the policies of John McCain are just like the policies of **George Bush**…"