

## In the climate-change debate, the companies on the ‘environmental’ side have the most to gain.

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*First in a series by Lawrence Solomon*

We all know that the financial stakes are enormous in the global warming debate — many oil, coal, and power companies are at risk should carbon dioxide and other greenhouse gases get regulated in a manner that harms their bottom line. The potential losses of an *Exxon* or a *Shell* are chump change, however, compared to the fortunes to be made from those very same regulations.



The climate-change industry — the scientists, lawyers, consultants, lobbyists and, most importantly, the multinationals that work behind the scenes to cash in on the riches at stake — has emerged as the world’s largest industry. Virtually every resident in the developed world feels the bite of this industry, often unknowingly, through the hidden surcharges on their food bills, their gas and electricity rates, their gasoline purchases, their automobiles, their garbage collection, their insurance, their computers purchases, their hotels, their purchases of just about every good and service, in fact, and finally, their taxes to governments at all levels.

These extractions do not happen by accident. Every penny that leaves the hands of consumers does so by design, the final step in elaborate and often brilliant orchestrations of public policy, all the more brilliant because the public, for the most part, does not know who is profiteering on climate change, or who is aiding and abetting the profiteers.

Some of the climate-change profiteers are relatively unknown corporations; others are household names with only their behind-the-scenes role in the climate-change industry unknown. Over the next few weeks, in an extended newspaper series, you will become familiar with some of the profiteers, and with their machinations. This series begins with *Enron*, a pioneer in the climate-change industry.

Almost two decades before President Barack Obama made “cap-and-trade” for carbon dioxide emissions a household term, an obscure company called *Enron* — a natural-gas pipeline company that had become a big-time trader in energy commodities — had figured out how to make millions in a cap-and-trade program for sulphur dioxide emissions, thanks to changes in the U.S. government’s Clean Air Act. To the delight of shareholders, *Enron*’s stock price rose rapidly as it became the major trader in the U.S. government’s \$20-billion a year emissions commodity market.

*Enron* Chairman Kenneth Lay, keen to engineer an encore, saw his opportunity when Bill Clinton and Al Gore were inaugurated as president and vice-president in 1993. To capitalize on Al Gore’s interest in global warming, *Enron* immediately embarked on a massive lobbying effort to develop a trading system for carbon dioxide, working both the Clinton administration and Congress. Political contributions and *Enron*-funded analyses flowed freely, all geared to demonstrating a looming global catastrophe if carbon dioxide emissions weren’t curbed. An *Enron*-funded study that dismissed the notion that calamity could come of global warming, meanwhile, was quietly buried.

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To magnify the leverage of their political lobbying, *Enron* also worked the environmental groups. Between 1994 and 1996, the *Enron* Foundation donated \$1-million to the *Nature Conservancy* and its *Climate Change Project*, a leading force for global warming reform, while Lay and other individuals associated with *Enron* donated \$1.5-million to environmental groups seeking international controls on carbon dioxide.

The intense lobbying paid off. Lay became a member of president Clinton's *Council on Sustainable Development*, as well as his friend and advisor. In the summer of 1997, prior to global warming meetings in Kyoto, Japan, Clinton sought Lay's advice in White House discussions. The fruits of *Enron*'s efforts came soon after, with the signing of the Kyoto Protocol.

An internal *Enron* memo, sent from Kyoto by John Palmisano, a former *Environmental Protection Agency* regulator who had become *Enron*'s lead lobbyist as senior director for *Environmental Policy and Compliance*, describes the historic corporate achievement that was Kyoto.

*"If implemented this agreement will do more to promote Enron's business than will almost any other regulatory initiative outside of restructuring of the energy and natural-gas industries in Europe and the United States,"* Palmisano began. *"The potential to add incremental gas sales, and additional demand for renewable technology, is enormous."*

The memo, entitled *"Implications of the Climate Change Agreement in Kyoto & What Transpired"* summarized the achievements that *Enron* had accomplished. *"I do not think it is possible to overestimate the importance of this year in shaping every aspect of this agreement,"* he wrote, citing three issues of specific importance to *Enron* which would become, as those following the climate-change debate in detail now know, the biggest money plays: the rules governing emissions trading, the rules governing transfers of emission reduction rights between countries, and the rules governing a gargantuan clean energy fund.

Palmisano's memo expressed satisfaction bordering at amazement at *Enron*'s successes. The rules governing transfers of emission rights *"is exactly what I have been lobbying for and it seems like we won. The clean development fund will be a mechanism for funding renewable projects. Again we won .... The endorsement of emissions trading was another victory for us."*

Palmisano's hard work had paid off thanks to the many allies *Enron* had enlisted. Deserving special emphasis was the environmental community, whose endorsement was crucial to *Enron*'s achievements at Kyoto.

*"Enron now has excellent credentials with many 'green' interests including Greenpeace, WWF [World Wildlife Fund], NRDC [Natural Resources Defense Council], German Watch, the U.S. Climate Action Network, the European Climate Action Network, Ozone Action, WRI [World Resources Institute] and Worldwatch. This position should be increasingly cultivated and capitalized on (monetized),"* Polisano explained.

With this company, *Enron* had been propelled to a leadership position at Kyoto. Palmisano had been given no less than three occasions for speeches, including one on the role of business in promoting clean energy, and he had received an award on behalf of *Enron*: *The Climate Institute* honoured Kenneth Lay and *Enron* for their work promoting clean-energy solutions to climate change — the other recipients were Denmark's energy and environment minister, and the U.K.'s former environment minister. As Palmisano noted: *"Parenthetically, I heard many times people refer to Enron in glowing terms. Such praise went*

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*like this: 'Other companies should be like Enron, seeking out 21st-century business opportunities,' or 'Progressive companies like Enron are ...' or 'Proof of the viability of market-based energy and environmental programs is Enron's success in power and SO<sub>2</sub> trading.'"*

Palmisano's three-page memo from Kyoto, which suggested that the Kyoto Protocol could work out even better than he had expected, stressed the need for urgency to capitalize on the opportunities that would now be on offer: *"I now predict ratification within three years. I predict business opportunities within 18 months. I predict this agreement will have very significant influences on the energy sector within OECD and transitional economies and will accelerate renewable markets in developing countries. This agreement will be good for Enron stock!!"*

The groundwork had been laid well, not least by entering into relationships with scientists who, *Enron* expected, would further its cause (*James Hansen, the scientist who more than any other is responsible for bringing the possibility of climate-change catastrophe to the public, was among the scientists Enron commissioned*). Just as shrewdly, *Enron* saw the importance in silencing the scientists who didn't accept the alarmism that had driven the Kyoto Protocol. In a 1998 letter, *Enron* CEO Ken Lay, among others, asked president Clinton to appoint a bi-partisan "*Blue-Ribbon Commission*" designed to pronounce on the science and, in effect, marginalize the skeptics.

The precise commission that Lay demanded didn't happen but the general marginalization of scientists did, and continues to occur to this day, with great success. Scientists who question the Kyoto Protocol invariably find themselves subject to public ridicule; all too often they find they are unable to obtain funding for their research, or even that their employment has been terminated.

Most of all, the skeptics are treated with suspicion, and accused of having been in the pay of the energy industry. The public in good part has accepted these accusations, its underlying assumption being that the fossil-fuel industry has the most at stake in climate-change policy. But if the public is to be skeptical of the influence that big money has over global-warming science, it should take the temperature anew, and recognize that the biggest money interest of all in the climate change debate lies with those poised to cash in on the climate-change policies of Kyoto and its successors.

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<http://network.nationalpost.com/np/blogs/fpcomment/archive/2009/05/30/lawrence-solomon-Enron-s-other-secret.aspx>

Lawrence Solomon: *Enron's* other secret

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