
age of gas or oil; and even though curtailing of environmentally-friendly generation and conservation had contributed to the lack of surplus electricity in the first place.

By 2001 many Californians had swallowed the propaganda, and a majority supported nuclear power plants for the first time since the Three Mile Island accident in 1979. The National Energy Policy released in May 2001 recommended building “between 1,300 and 1,900 new electric plants” with an emphasis on natural gas and nuclear generation. It also promoted “enhanced oil and gas recovery,” which included drilling for oil in ANWR, as a way of dealing with the ‘crisis’. It blamed electricity shortages for rising electricity costs. The same spin is being put on the August blackout in the northeast of the United States and Canada. The disaster is again being blamed on increasing electricity demand, envi-

ronmentalists who supposedly prevented the transmission system from being upgraded and expanded, and insufficient deregulation.

The real problem, however, is that deregulation has enabled producers to evade responsibility for investment that would prevent such failures. The new unregulated market is more interested in profitability than providing a reliable service. In the case of electricity transmission the link between profitability and reliable service provision is so tenuous that the deregulation process has been more of an act of faith than one grounded in common sense. That faith, in turn, has been purposely fostered by those with a vested interest in deregulation. ■

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How Environmentalists Sold Out to Help ENRON

by Sharon Beder

A key component of the PR campaign by private power companies consisted of efforts to target key environmentalists, enrolling them to their cause while attacking environmentalists who were not so easily persuaded.

During the 1970s, environmentalists criticized the expansionist mindset of the power companies and the rating structure which rewarded high electricity consumption and provided no incentives for conservation and efficiency. In the late 1980s, however, “sustainable development” became the catchphrase and some mainstream environmental groups were swayed by business proffers of “win-win” situations that they promised would enable companies to make profits while supposedly helping the environment.

In 1989, Ralph Cavanagh, a senior lawyer at the Natural Resources Defense Council (NRDC), set up the “California Collaborative Process.” The *San Francisco Bay Guardian* called it a process whereby “key environmentalists could meet behind closed doors with top executives from private utilities to smooth over their differences and hammer out energy-efficiency programs.”

Thanks to the Collaborative Process, PG&E was able to greenwash its image by running ratepayer-funded television advertisements with titles such as “Conversations with the Earth” and “Smarter Energy for a Better World.” At the same time NRDC defended PG&E’s commitment to environmental protection and supported PG&E causes such as higher electricity rates.

When President Bush awarded PG&E the Environmental and Conservation Challenge Award in 1991,

Cavanagh was featured in full-page newspaper ads praising PG&E’s environmental efforts. Cavanagh also produced videos on behalf of PG&E, and collaborated with PG&E personnel to coauthor an article on their conservation efforts. Cavanagh was appointed to a steering committee with Amory Lovins and others for a PG&E research project, and he generally received favorable media coverage for his “positive” and cooperative stance.

NRDC had been founded in 1970 by two Wall Street lawyers to fight legal cases to protect the environment. It was funded by the Ford Foundation on the condition that it accepted a conservative board of trustees that included Laurence Rockefeller and other wealthy conservatives. Additionally, Ford stipulated that its legal activities had to be cleared by a group of past presidents of the American Bar Association. One of the two founding lawyers, Stephen Duggan, was a partner in the New York law firm, Simpson, Thatcher & Bartlett, which included utilities as a major part of its clientele. At the behest of the Ford Foundation, the NRDC also incorporated a similar public interest law group made up of Yale Law School graduates, which included John Bryson, who later became head of the Californian Public Utilities Commission (CPUC) and then chief executive of Southern California Edison Company (SoCalEd). Cavanagh was reportedly a “disciple of Bryson.”

During the 1970s and 80s, the NRDC made a name for itself by fighting legal battles to enforce clean air and water legislation as well as cases to do with pesticides, arms testing and a myriad of other issues. When it came

to energy issues, however, NRDC moved from being a confrontational outsider to a significant player with a seat at the negotiation table, with the help of the San-Francisco-based Energy Foundation.

NRDC received \$3.1 million from the Energy Foundation between 1991 and 1997 and \$1.13 million from the Pew Foundation between 1993 and 1995. Both foundations were set up with corporate money made in oil and other industries. These foundations dominated the funding for activist groups, ensuring that their lobbying on energy issues took a pro-business, pro-deregulation and pro-private utility stance. According to Ralph Nader, "the network of funders has become a network of enforcers. And these guys are all on a first-name basis with these corporate [utility] executives." The Energy Foundation ran conferences where environmentalists and consumer activists could hob nob with utility executives and get on their wavelength.

Despite all this friendly hob-nobbing, Californian private utilities cut their budgets for achieving energy efficiency between 1994 and 1998: PG&E by 38 percent, San Diego Gas & Electric by 58 percent and SoCalEd by 23 percent.

NRDC played a key role in gaining the support of environmental groups for deregulation in California during the 1990s. Many environmentalists were persuaded that deregulation would remove incentives from the regulated monopolies to increase electricity sales and build large new power plants. They also believed that the unregulated "free market" would provide more opportunities for companies offering alternative power generation from renewable sources.

To shore up environmentalist support for the deregulation law, the California legislature included a small budget for energy efficiency and the development of electricity generation from renewable resources. Harvey Wasserman, author of *The Last Energy War*, claims that the pro-environmental measures in the bill were a "few eco-scrap" that enabled Cavanaugh to sell the deregulation bill to the media and the mainstream environmental community. Cavanaugh was quoted by the media as the voice of environmentalists on the issue, preventing others with more critical stances from being heard.

According to the *American Prospect*, SoCalEd CEO John Bryson got NRDC support for deregulation by promising a commitment to various conservation programs but he later got the Federal Energy Regulatory Commission (FERC) "to overturn the conservation mandate." Far from benefitting the environment, deregulation in California crippled the nascent solar and energy efficiency industries, because of the uncertain

investment environment created and the surcharges necessary to bail out the utilities.

"YOU CAN TRUST ENRON"

Environmental groups also provided reputational support to Enron, which was hailed as an ethical company, won environmental awards and was listed prominently on social responsibility investment indexes even as it fought pollution restrictions in Texas, enabling its methanol facility to continue emitting more than 3,000 tons of air pollution each year while its pipelines in the developing world caused major environmental damage.

Enron won environmentalist praise because it lobbied for environmental regulations that were in its own interest. Its stand on global warming, for example, had more to do with the anticipated profit opportunities from greenhouse gas emissions trading than from a desire to save the planet. One company memo stated that the Kyoto treaty "would do more to promote Enron's business than will almost any other regulatory initiative outside of restructuring the energy and natural-gas industries in Europe and the United States."

Another Enron memo stated: "Enron now has excellent credentials with many 'green' interests including Greenpeace, World Wildlife Fund, Natural Resources Defense Council [NRDC], German Watch." NRDC's Cavanaugh was particularly impressed with [Ken] Lay's opposition to some anti-environmental measures in Congress. "He is part of the reason why the bad guys ultimately failed at most of what they attempted," Cavanaugh stated. "On environmental stewardship, our experience is that you can trust Enron."

Enron used donations and its relationship with the NRDC to win approval for its purchase of the largest electric utility in Oregon, Portland General Electric (PGE). The purchase faced considerable opposition within the state. Even Oregon's Public Utility Commission opposed the takeover, warning that prices would rise, workers would lose their jobs, and the environment would not be protected. Others went further, arguing that Enron planned to sell off PGE's assets and sell its cheap hydropower to California for large profits.

NRDC's Cavanaugh played a key role in pacifying some of this opposition. He negotiated a memo of understanding between Enron and Oregon environmental groups involving a transfer of \$500,000 of financial support from Enron to the groups. Cavanaugh repeatedly declared that Enron was a socially responsible company that could be trusted. The takeover went ahead. And sure enough, in the following two years rates went up, assets were sold and PGE's electricity made its way to California. Enron then sold the utility. ■