

Al Gore's Crony Capitalist Crusade

By F. Vincent Vernuccio

Summary: Al Gore's crusade for carbon emission controls is poised to enrich those with a vested interest in government regulation. It has likely made the former vice president the world's first "carbon billionaire." Gore and his investor pals have set up networks of private firms and nonprofits that stand to benefit from government controls despite a major international science scandal that calls into doubt the received wisdom on manmade global warming.

In the 1978 movie *Superman* evil genius Lex Luthor concocts a maniacal scheme to profit from an environmental catastrophe. After buying huge desert land tracts in California, Luthor tries to detonate nuclear weapons in the San Andreas Fault to cause an earthquake that will plunge the state into the sea. He gleefully expects his once-worthless property to skyrocket in value as California desert becomes the state's new coastline.

Al Gore is no Lex Luthor, but he's hard at work promoting the prospect of an imagined environmental disaster, and he aims to profit from government regulations that are supposed to prevent the disaster. According to the *New York Times*, a publication not known for being skeptical of global warming alarmists, Gore may already be the world's first carbon billionaire. He's a prime mover behind the campaign to regulate carbon emissions. If enacted, these regulations will impose enormous costs on consumers and industries said to be generators of global warming. But they also could provide academic institutions and corporate researchers with hundreds of millions of dollars in grants to study the supposed threat of climate change. And that could generate billions of dollars in profits for



The world's first "carbon billionaire"? Former Vice President Al Gore may already be well on his way to amassing a huge fortune through his global warming alarmism. He stands to make even more money if Congress approves an economy-killing cap-and-trade system.

investors and corporations that claim to have found ways to combat global warming.

These plans are being undone as scientists carefully review the most recent claims of alarmists. If journalists dig more deeply into investments of those who intend to profit from carbon controls they may find additional evidence challenging the idealism of so-called "climate activists." On March 15, 2010 Sen. Jim Inhofe (R-Okla.) summed up the current situation when he called climate

June 2010

CONTENTS

Al Gore's Crony Capitalist Crusade
Page 1

Philanthropy Notes
Page 6

change “the greatest hoax ever perpetrated on the American people ... After weeks of the global warming scandal, the world’s first climate billionaire is running for cover. Yes, I’m talking about Al Gore ... He’s under siege these days. He’s desperately trying to keep global warming alarmism alive today.”

The heat is on—but it’s coming from those who are looking critically into Gore’s assertions and investments. Even Bill Clinton poked fun at his former vice president. In March, at the famously convivial Gridiron Dinner in Washington, D.C., Clinton joked that the arrival of spring is “otherwise known to Al Gore as proof of global warming.”

Clinton may be joking, but the deceit—and the chance to profit from it—is no laughing matter.

Gore is not alone in seeking to profit from global warming regulation. Many investment firms and businesses are eager to call themselves “green” as they seek government mandates, subsidies and tax write-offs to create artificial demand for the control of carbon emissions. For instance, major corporations that belong to the U.S. Climate Action Partnership (USCAP) typically portray themselves as environmental stewards.

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In fact, companies like Ford and General Electric (GE) want government to take actions that will harm their competitors and improve their bottom line.

And administrators of scientific institutions and government bureaucrats are seeing green too. Researchers at prominent institutions such as University of East Anglia’s Climate Research Unit have falsified scientific data on climate change. Their defenders say those involved overreacted to their critics, but there is no doubt that science administrators are under pressure to produce climate research that will keep government grants flowing to their institutions.

Al Gore: A Not So Charitable Man

Gore likes to tell interviewers he donates to charity the proceeds of movies he helps produce, books he writes, and awards he receives for his work publicizing global warming. After he received the 2007 Nobel Peace Prize, Gore gave his half-share of the \$1.5 million award to an environmental nonprofit, the Alliance for Climate Protection. Gore also says he gave the Alliance the proceeds from the sale of his book, *An Inconvenient Truth*, and his compensation from the Oscar-winning movie of the same name. (The magazine *Fast Company* [Dec. 19, 2007] estimates Gore’s book on the dangers of climate change sold 850,000 copies and the film earned \$50 million worldwide.)

But Gore’s seemingly charitable gesture is actually self-serving. Gore founded the Alliance and he’s chairman of its eight-member board –which also includes former Rep. Sherwood Boehlert (R-N.Y.) – hedge fund investor Orin Kramer, investment banker Theodore Roosevelt IV, socialist economist Joseph Stiglitz, and music producer Kevin Wall.

Founded in 2006, the Alliance describes itself as a “unique non-profit, non-partisan organization that is committed to educating the global community about the urgency of implementing comprehensive solutions to the climate crisis.” Much of Gore’s ‘donation’ went to the Alliance’s “We Can Solve It Campaign”, launched in 2008, whose mission is to spend \$300 million over three years on a “robust paid media campaign, cutting-edge online activation and partnerships with main-

stream civic and religious organizations” to end reliance on fossil fuels (i.e. oil). The Alliance’s costly public relations campaign aims to create 10 million “climate activists” to demand a new order for the planet.

By stoking fear, the Alliance allows Gore and others to profit from a crisis of its own making. Giving away proceeds from his movies and prizes to a group he chairs will let Gore profit big time from the investments he’s making in companies designed to benefit from global warming regulations. Gore’s charity is less an act of benevolence than a calculated business investment in good P.R.

Gore Inc.: Its Investments and Profits

Bloomberg News reports that public documents show Gore’s net worth was about \$2 million when he left the vice presidency in 2001. But by 2007 Ellen McGirt, a writer for *Fast Company* magazine, estimated that Gore’s net worth had ballooned to \$100 million. Today Gore is surely worth more, much more.

Media reports and securities filings reveal Gore has been making substantial investments in so-called green technology and in trade associations and venture capital groups that invest in green technology businesses. For instance, Gore invested \$35 million of his money in the Capricorn Investment Group, a private equity fund founded by Jeff Skoll, the former president of eBay and a film producer (*Syriana*, *Good Night and Good Luck*, *North Country*) and Skoll’s business partner Ion Yadigaroglu. Skoll was executive producer of the film *An Inconvenient Truth*. (The March 2006 issue of *Foundation Watch* profiled Skoll and his film company, Participant Productions.)

Yadigaroglu has described Capricorn’s long-term strategy of investing in energy technology, but said Gore did not sit on the fund’s investment committee. He explained, “We’re trying to make more money than others doing the same thing.” Perhaps sensing his answer was too candid, he added, “and do it in a way that is superior in ethics and impacts.” (New York Times, Nov. 3, 2009.)

Since leaving government, Gore has not had to disclose his income or assets. We know that in early 2007 Gore became a partner in

the Silicon Valley investment firm Kleiner Perkins Caufield & Byers (Kleiner). Soon after Gore joined Kleiner, the firm created two funds to invest in green technologies. Kleiner has invested \$1.3 billion from these funds in both startup and established green technology companies.

Kleiner has also entered investment partnerships with another company Gore founded in 2004 and in which he has substantial investments—London-based Generation Investment Management (GIM), which is run by David Blood, former CEO of Goldman Sachs Asset Management. Fast Money says GIM's six founding partners provided an initial pool of \$100 million. By 2007 GIM was managing \$1 billion. Unlike Kleiner which invests mainly in private companies, GIM invests mainly in public equities. Goldman Sachs owns a big chunk of GIM.

GIM and Goldman Sachs have invested heavily in the Chicago Climate Exchange (CCX), a cap-and-trade clearinghouse for carbon-emission permits. CCX is intended to be the market that arranges purchases of carbon 'offsets' that a carbon-emitting firm can acquire to mitigate the effect of carbon it produces. The money CCX collects can be spent on planting trees to reduce carbon in the air or on investments in various renewable energy projects. (Deborah Corey examined CCX in the August 2007 *Foundation Watch*.)

The problem for Gore and other investors is that transactions facilitated by CCX are completely voluntary. No one is required to purchase offsets. CCX will become fully operational—and extremely lucrative—only if cap-and-trade proposals in Congress become law or if the courts uphold EPA's assertion that it has authority to impose limits on industry carbon emissions.

Traders and financiers know regulation of carbon emissions can be especially profitable if the federal government does *not* put a price on the permits it proposes to distribute to industries and power producers allowing them to emit designated amounts of greenhouse gases. USCAP strongly supports carbon allowance giveaways.

Last year White House budget director Peter
June 2010

Orszag warned that failing to auction the permits “ would represent the largest corporate welfare program that has ever been enacted in the history of the United States.” He argued, “All of the evidence suggests that what would occur is that corporate profits would increase by approximately the value of the permits.”

This echoes Orszag's earlier finding when he ran the Congressional Budget Office that “giving away allowances could yield windfall profits for the producers that received them by effectively transferring income from consumers to firms' owners and shareholders.”

It would be a mistake to think Gore's business success depends solely on enacting cap-and-trade. National Review's Stephen Spruiell notes that only a small portion of Gore's investments are linked to cap-and-trade. Most will benefit from other government energy subsidies and handouts. (“Climate Profiteers; for Gore & Co., green is gold,” March 22, 2010)

For instance, Gore and his partners at Kleiner have gambled heavily on smart grid technologies, risking \$75 million on smart meters for homes and businesses. One such investment is Silver Spring Networks, which creates hardware and software to improve electricity grids. Headed by CEO Ross Lang, former aide to Ross Perot, the firm counts among its board members Clinton economic adviser Laura Tyson, Kleiner partner Ben Kortlang, who was formerly head of the Goldman Sachs division that invests in alternative energy firms, and Thomas Kuhn, president of Edison Electric Institute, the trade association of investor-owned electric companies.

In October 2009 Kleiner's investment paid off when the Energy Department awarded it \$3.6 billion in smart grid grants. Over \$560 million went to utilities with contracts with Silver Spring, which the New York Times calls “a foot soldier in the global green energy revolution Mr. Gore hopes to lead.” The paper added, “few have put as much money behind their advocacy as Mr. Gore and are as well positioned to profit from this green transformation, if and when it comes.”

Silver Spring may become even more profit-

able if Congress passes major energy legislation. In 2009, the bill introduced by Reps. Henry Waxman (D-Calif.) and Ed Markey (D-Mass.), passed the House but stalled in the Senate over details of its cap-and-trade provisions. This year Sens. John Kerry (D-Mass.), Joseph Lieberman (I-Conn.), and Lindsey Graham (R-S.C.), tried again, drafting a new bill applying cap-and-trade to specific industry sectors. The Financial Times reports the bill retains subsidies from the Waxman-Markey bill as “sweeteners to galvanize support among Republicans and industry groups.” (Graham has since repudiated the bill, arguing an effort by Senate Majority Leader Harry Reid to promote an immigration reform bill this year has killed any chance of passing a bipartisan climate bill.)

If a major new climate bill becomes law, Kleiner stands to reap huge windfalls. Spruiell notes that several companies will benefit from subsidies, including geothermal power company Altarock Energy and solid oxide fuel cell manufacturer Bloom Energy, which could receive below market funding through the U.S. Department of Energy's Clean Energy Manufacturing Loan Program. A \$2.5 billion Energy Efficiency and Conservation Block Grant Program (part of the \$61 billion for energy projects contained in the \$787 billion Obama stimulus bill passed last year) could also benefit Kleiner's investment in biogas company Harvest Power and solar power company Ausra.

Is It Wrong to Profit from Your Beliefs?

During congressional hearings on Waxman-Markey last year Rep. Marsha Blackburn (R-Tenn.) bluntly asked Gore whether the legislation would personally benefit him. Blackburn took note of an article, “Capitalism to the Rescue,” in the New York Times Magazine (Oct. 3, 2008) that highlighted Kleiner's \$1 billion investment in 40 companies that would benefit from cap-and-trade.

She said, “I think it's really important that no suspicion or shadow fall on the foremost advocates of climate change legislation, so I wanted to give you the opportunity to kind of clear the air about your motives and maybe set the record straight for some of your former constituents.”

Gore responded “Do you think there is something wrong with being active in business in this country? ... I am proud of it. I am proud of it.”

“And, Congresswoman,” he added, “if you believe that the reason I have been working on this issue for 30 years is because of greed, you don’t know me.”

Gore added “every penny” he made from “from the movie, from the book, from any investments in renewable energy” went to the Alliance for Climate Protection to promote public awareness of climate change.

Gore may have misspoken when he claimed every penny from his investments went to the Alliance. In March 2006 he spoke at the Technology, Entertainment, Design (TED) conference, a high-dollar “big ideas” confab similar to Davos but populated by more Hollywood types. He told his audience, “Here are just a few of the investments I personally think make sense. I have a stake in these so I’ll have a disclaimer there.” Behind him pictures of smart cars, windmills, geysers, and solar panels flashed across the screen. Below the pictures were the brand names and logos of Gore’s investments, including Altra, Bloom Energy, Mascoma, GreatPoint Energy, Miasole, Ausra, GEM, Smart, and AltaRock Energy.

No matter what you call it—donation, investment, or spending on green technology—Blackburn’s questions go to the heart of the issue—who benefits from global warming regulation? Gore’s motives need to be questioned. Fast Money has dubbed his enterprise “Al Gore Inc.” Gore has made crusading against global warming a profit-making industry – one he uses to enrich himself.

The U.S. Climate Action Partnership

Others besides Gore are hopeful that they too can profit from global warming regulations. USCAP is a coalition of big businesses and non-profit environmental groups that wants the federal government to enact greenhouse gas emission controls. The group wants government to subsidize development of “green” technology and authorize a cap-and-trade system that will create what USCAP considers a “market” for trading carbon credits. The businesses that have joined USCAP think

they will benefit from such policies.

USCAP’s small but influential membership currently includes AES, Alcoa, Alstom, Chrysler, Dow Chemical Co., Duke Energy, DuPont, Environmental Defense Fund, Exelon Corp., Ford Motor Co., GE, General Motors, Honeywell, Natural Resources Defense Council, Nature Conservancy, NRG Energy, Pew Center on Global Climate Change, PG&E Corp., Siemens Corp., Weyerhaeuser and the World Resources Institute. Corporate membership costs \$100,000.

NRG Energy owns and operates wind and nuclear energy plants and plans to develop solar power. Alstom manufactures power generation infrastructure and thinks if the price of carbon-emitting fossil fuels and coal can be forced up, then energy consumers will have an incentive to turn to alternative forms of power. GE sees benefits from selling solar panels and equipment to generate wind power.

GE and NRG Energy’s Integrated Gasification Combined Cycle technology aims to capture carbon dioxide from coal-fired electricity plants. This “clean coal” technology is extremely costly, but it will become extremely profitable if global warming laws require coal-fired power plants to limit carbon emissions. Gore has denounced the “lie” of clean coal, but the Obama administration is going full steam ahead. In February, Obama, the former senator from coal-rich Illinois, ordered the government to support commercial demonstration projects that will make coal a source of clean energy.

GE CEO Jeff Immelt has rejoiced that President Obama’s 2010 budget projects raising billions of dollars in “climate revenues” by either taxing carbon or auctioning off cap-and-trade credits. Immelt wrote his shareholders: “The interaction between government and business will change forever. In a reset economy, the government will be a regulator; and also an industry policy champion, a financier, and a key partner.” Writing in the Washington Examiner, columnist Timothy P. Carney said Immelt’s ecstatic reaction showed “GE plans to get rich by being one of the government’s closest partners.” (Carney examined USCAP in the June 2008 *Organization Trends*.)

Other companies game the emerging system. USCAP members Alcoa, Dow Chemical and Dupont may move many of their operations overseas. This would reduce their domestic carbon emissions and gives them excess carbon credits to sell in a government cap-and-trade marketplace.

But other USCAP companies have lost out in political jockeying over climate legislation. In February ConocoPhillips, Caterpillar Inc. and BP America quit USCAP. Conoco CEO Jim Mulva said the company quit because USCAP advocated climate legislation that would “disadvantage the transportation sector and its consumers” and leave “domestic refineries unfairly penalized versus international competition.”

BP, the British corporation that once launched a green advertising campaign proclaiming its initials stood for “Beyond Petroleum,” called Waxman-Markey “poorly-designed” and said it could be a more effective climate change advocate outside USCAP. This was before BP surrendered its green reputation for one based on polluting the Gulf of Mexico.

Republicans React

Corporate America’s love of Big Government is not lost on some Republicans. In May 2009 Politico newspaper reported that a memo by Republican staffers on the Senate Environment Committee accused USCAP members of “rent seeking—or the use of government regulation to gain competitive advantage, a practice that is, among many other things, anti-consumer and anti-market.” The memo said USCAP was writing parts of the Waxman-Markey bill and wondered whether the group’s carbon-emitting members “had a change of heart? Or have specific companies made decisions that depend on the success of cap-and-trade to achieve their strategic goals?”

Similarly, Indiana’s Republican Gov. Mitch Daniels warned special interests were demanding special treatment. Testifying about climate legislation in May 2009, Daniels said, “A lot of people will get filthy rich doing nothing for the environment.”

The political game is heating up and despite the left’s virulently anti-business rhetoric,

Democrats are siding with corporations while many Republicans stand against government handouts.

Grantsmanship, Falsified Data, and Scandal

You get what you pay for.

When activists like Gore prod government to fund studies into global warming, it should be no surprise that grant-seeking scientists, institutions, and agencies conclude that global warming is an imminent threat deserving more study. Beginning in late 2009, climate researchers have been hit by a series of scandals. In the past, there have been instances where scientific data was misinterpreted, leading to erroneous conclusions about the extent of climate change. It's thought that the celebrated "hockey stick" graph, which purported to show a leap in northern hemisphere temperatures consistent with the rise of modern industrialism, was based on misapplied models and methodologies that scientists were too eager to embrace. The controversy, which played itself out from 1999 to 2005, is an example of group think in which the desire to believe overcomes hard evidence.

More recently, however, it seems scientific data has been deliberately falsified to exaggerate the impact of humans on the climate.

It occurred in November 2009 when email exchanges among scientists at the Climate Research Unit (CRU) at University of East Anglia were discovered that suggested concerted efforts to doctor data. One scientist showed his colleagues a "trick to hide the decline" in global warming. Another unashamedly said, "We can't account for the lack of warming at the moment and it is a travesty that we can't." The CRU scandal is commonly referred to as Climategate.

Much of CRU's data has been used by the Intergovernmental Panel on Climate Change (IPCC) and U.S. government agencies to advocate for stringent global warming laws. Members of Congress also have used IPCC findings to argue for legislation such as Waxman-Markey.

According to Marc Sheppard in the American
June 2010

Thinker CRU received 55 endowments since 1990 totaling \$22.6 million. The grants came from agencies that run the gamut from the U.S. Department of Energy to NATO. (Sheppard's article from Nov. 22, 2009 is available at http://www.americanthinker.com/2009/11/cru_files_betray_climate_alarm.html.)

Some of the most notorious emails were sent by Professor Michael Mann of Pennsylvania State University. Mann was also implicated in the now-debunked "hockey stick" graph showing an increase in global temperatures. According to the National Center for Public Policy Research, Mann received \$541,184 in grants from President Obama's economic stimulus package. Tom Borelli, director of the National Center's Free Enterprise Project, says "It's shocking that taxpayer money is being used to support a researcher who seemingly showed little regard to the basic tenets of science - a dispassionate search for the truth."

Less attention has been given to the sloppy climate science of the National Aeronautics and Space Administration (NASA). In 2007 NASA became aware of errors in its historical climate data that were even worse than CRU's. NASA senior scientist Dr. Reto Ruedy told a USA Today reporter NASA's temperature data was inaccurate and that the agency was using "a modeling group and were forced into rudimentary analysis of global observed data in the 70s and early 80s." Apparently the newspaper didn't think (or didn't want to think) that this was relevant to the global warming debate. It wasn't until March this year that Christopher Horner of Competitive Enterprise Institute was able to obtain the information through a Freedom of Information Act request.

Another recent NASA climate study suggests data showing global warming is mistaken when it's not malicious. The study by physicist Edward Long ("Contiguous U.S. Temperature Trends Using NCDC Raw and Adjusted Data for One-Per-State Rural and Urban Station Sets") criticizes flawed methodologies used by NASA and the National Climatic Data Center. Long writes that NASA's Goddard Institute for Space Studies "over a 10-year period has modified their data by progressively lowering temperature values for far-back dates and raising those

in the more recent past." In April Sens. John Barasso (R-Wyo.) and David Vitter (R-La.) chastised NASA administrator Charles Bolden, writing, "With almost 10% unemployment, America cannot afford to base its energy policy on flawed data."

Could this simply be sloppy science or could the data be linked to NASA's budget? On April 1, the Washington Post reported that President Obama was expected to increase NASA's Earth Science budget by \$2.4 billion, or 62%, through 2015. The money would support 10 new NASA missions to collect information about ocean temperatures, ice coverage, ozone depletion and manmade global warming.

It's obvious many who push climate change regulation have a vested personal or institutional interest in touting the planetary menace of global warming. The laws they favor may be intended to stop global warming. But it's more likely they will increase energy costs and restrict marketplace competition, take money from taxpayers and give it to certain favored "clean energy" businesses whose prosperity will enrich their champions - investors like Al Gore.

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Your contribution to advance our watchdog work is deeply appreciated.

Many thanks.

Terrence Scanlon
President

PhilanthropyNotes

Sore loser: **ACORN** chief organizer **Bertha Lewis** blasted liberal charitable foundations—including the **Atlantic Philanthropies** and the **Rockefeller** foundations—as “enemies” in a March speech to the **Young Democratic Socialists**, which is the youth arm of the radical **Democratic Socialists of America (DSA)**. “Foundations in this country are just like corporations. They’re huge. They control a lot of public opinion and if you are progressive in any way they will be the first ones to come and crush you,” she said. “You can’t depend on the kindness of these strangers to support your program.” Yeah, especially when you cover up a \$1 million embezzlement for eight years and refuse to allow the crime to be investigated.

The **Lynde and Harry Bradley Foundation** has announced that its 2010 Bradley Prizes go to Washington Examiner columnist **Michael Barone**, Wall Street Journal editorial page director **Paul Gigot**, former Federal Elections Commission member **Bradley Smith**, and Hoover Institution economist **John Taylor**. Winners receive \$250,000 and will be honored at ceremonies in the John F. Kennedy Arts Center in Washington, D.C.

Up to 400,000 nonprofits were due to lose their coveted tax exemptions on May 15 this year because of an obscure legal provision, the New York Times reported. A 2006 federal pension reform law required all nonprofits to file tax forms the following year and ordered the IRS to rescind the tax exemptions of nonprofits that failed to file for three years in a row. Before the law took effect only groups with revenues of at least \$25,000 were required to file. “It’s going to be an unholy mess once these organizations realize what’s happened to them,” said **Diana Aviv**, president of **Independent Sector**.

The IRS is concerned that many public and private colleges benefit from business activities that they fail to declare as taxable income, according to the Chronicle of Philanthropy. A recent survey found that 45% of the large colleges (15,000 students or more) responding to a questionnaire indicated they had for-profit businesses on the side but only 26% of those respondents declared the income from those businesses. The IRS has launched audits of more than 30 institutions that replied to the survey.

In an article about the philanthropic goals of the **Koch** family’s charitable foundations, **Tim Mak** of FrumForum noted that even though the Koch name is frequently associated by the left with the Tea Party movement, the connection is tenuous. Koch prefers to focus on “modernizing to build a more governance-minded form of conservatism,” Mak writes.

We extend our condolences to **Meredith Hoover** on the death of her husband, **Herbert (“Pete”) Hoover III**, a member of the board of overseers of the **Hoover Institution**, founded by his grandfather, the 31st president of the United States. Pete Hoover was a longtime supporter of Capital Research Center.

Goldman Sachs WATCH

While she was dean of Harvard Law School, from 2005 through 2008 Supreme Court nominee Elena Kagan was a member of the Research Advisory Council of the Goldman Sachs Global Markets Institute. Ed Whelan, president of the Ethics and Public Policy Center, said Kagan’s ties to Goldman “would make even more farfetched any effort by the White House to depict Kagan as some sort of populist candidate who has a keen understanding of the challenges that ordinary Americans face in their everyday lives.”

Goldman Sachs is the largest shareholder in the Chicago Climate Exchange (CCX) and would make a killing in trading carbon emission permits if the cap-and-trade scheme President Obama favors becomes law. Investor’s Business Daily reports that it was the Chicago-based Joyce Foundation that laid the groundwork for the creation of CCX, which the newspaper editorial accurately labels a “carbon mafia.” In 2000 Joyce gave a \$347,600 grant to Northwestern University’s Kellogg Graduate School of Management where CCX founder Richard Sandor was a research professor.