

Salon

Thursday, Dec 15, 2011 2:05 PM Eastern Standard Time

Big Oil and Canada thwarted U.S. carbon standards

Emails show how a Washington lobbyist enlisted Canadian officials to beat back U.S. carbon standards

By [Geoff Dembicki](#)

When President Barack Obama decided in early November to delay a decision on TransCanada's Keystone XL pipeline until after the next election, America's environmental movement [celebrated](#) one of its biggest victories in recent memory. And no doubt the news came as a [blow](#) to Alberta's tar sands industry, and to Canada's [oft-stated dream](#) of becoming the next global energy superpower.

But behind activists' jubilation lurked a somber reality, an untold story with much wider implications. The broader fight to reform Alberta's tar sands, the one which actually stood a chance of breaking America's addiction to the continent's most polluting road fuel, has been quietly abandoned over the past several years. For that we can thank the planet's richest oil companies and their Canadian government allies, who've [together waged](#) a stealthy war against President Obama's climate change ambitions.

Their battle-plan is revealed in more 300 pages of personal emails obtained through a Freedom of Information request to the Alberta government. The story in the emails, reported for the first time here in Salon and [The Tyee](#), Canada's leading independent online news site, traces a year in the relationship of Michael Whatley, a GOP-connected oil industry lobbyist and his friend, Gary Mar, a smooth-talking and ambitious diplomat at the Canadian embassy in the Washington, DC.

The messages lay bare a sophisticated and stealthy public relations offensive, one designed to manipulate the U.S. political system; to deluge the media with messages favorable to the tar-sands industry; to sway key legislators at state and federal levels; and most importantly, to defeat any attempt to make the gasoline and diesel pumped everyday into U.S. vehicles less damaging to the climate. The goal of it all? "Defeat" Obama's effort to reduce carbon consumption and keep America hooked on Canada's [\\$441 billion tar sands industry](#), no matter what the cost to our planet's future.

That campaign has largely succeeded too, with only a small group of players any the wiser.

On Pennsylvania Avenue

Perhaps the best place to start is on December 30, 2009. It was a bad day for Michael Whatley, founding partner at a K-Street consulting firm in Washington called [HBW](#)

[Resources](#) that has close ties to Alberta's tar sands industry. The reason: 11 Northeast and Mid-Atlantic governors had agreed in writing to consider adopting one of the planet's most forward-looking climate change policies, something called a low-carbon fuel standard. Whatley thought his friend Mar would be interested. "Please let me know your thoughts," Whatley emailed him.

The world's very first low carbon fuel standard was adopted by California in 2007. It's a complex climate change policy based on fairly simple logic. If global warming is to ever get solved, it will mean radical changes to the transportation sector, right now the [second-biggest source](#) of carbon emissions, after electricity generation, in the U.S. economy. Many of that sector's emissions are pumped directly out of vehicle exhaust pipes. But the actual industrial process of extracting energy from the ground, and then refining it into road fuel, also releases vast amounts of carbon.

The goal of California's low carbon fuel standard, and others like it, is to reduce these so-called "upstream" emissions, thereby making every gallon of gasoline, diesel or biofuel pumped into an automobile 10 percent less damaging to the climate.

The Northeast and Mid-Atlantic governors had signaled their support for such a policy in the final days of 2009. Rising levels of greenhouse gases, they declared in their individually signed [Memorandum of Understanding](#), "pose serious risks" to human health, the environment and the global economy. They went on: "Developing alternatives to our continued reliance on petroleum-based fuels will foster economic growth and enable increases in fuel security and reliability."

Whatley interpreted this document as a dangerous attack on the oil and gas companies he helped represent. The very next day he fired off an urgent email to Mar, who had an office in the mammoth modernistic Canadian embassy on Pennsylvania Avenue.

The governors' plan, Whatley wrote, warrants "a very serious response on all levels."

"As we have discussed, this fight cannot take place within DC — and we need to get a team funded and on the ground in these 11 states as soon as possible," he wrote.

Less than a month later, the scale of that assault would grow larger still, when Whatley and Mar declared war on every low carbon fuel standard then under consideration in America. They had reason to worry. Certain road fuels would obviously fare much worse than others under a California-style standard, chief among them anything produced from Alberta's tar sands. The province's sprawling strip mines and toxic tailings ponds help result in a carbon footprint 23 percent bigger than most conventional oil operations, according to a recent [Stanford University study](#).

The upshot is that any state or region considering a low carbon fuel standard could become a [much more difficult place](#) for the tar sands sector to sell its products. If ever adopted by the United States nationally, such a policy might devastate the Alberta-based

industry, a [2010 Ceres-RiskMetrics report](#) concluded. “The U.S. transportation market could conceivably disappear” for those firms.

With so much at stake, Whatley and Mar, the lobbyist and the diplomat, developed what amounted to a declaration of climate policy war.

“On behalf of HBW Resources,” Whatley wrote to Mar and another Alberta government official on January 25, 2010, “I would like to submit the attached documents as a proposal to develop and execute [an oil sands] campaign.”

The memorandum of 11 governors to consider a low carbon fuel standard was just one part of the existential threat facing Alberta’s tar sands. Ten Midwestern states were also studying the policy, as were policymakers in Oregon, Washington and Florida. And in the U.S. Congress, it seemed like every few months some representative [proposed](#) to do the same. Senator Barack Obama himself, in fact, had [introduced](#) a low carbon fuel standard as Illinois Senator in 2007, and then [campaigned](#) on the policy during his bid for president.

So Whatley wasn’t taking any chances. With the support of the Alberta government, he said he would “defeat efforts” to develop fuel standards in “Northeast, Mid-Atlantic and Midwestern states” and fight anything similar at the national level. He pledged as well to “address potential efforts” to develop clean fuel legislation in “Washington, Oregon, Michigan, Minnesota and other states.” Whatley also mused about “conducting a grassroots operation” in “target states” that would “generate significant opposition to discriminatory low carbon fuels standards.”

(Mar himself does not appear to have responded in writing to the proposal. But sometime in the 2010/11 accounting year, Alberta’s environment ministry quietly [paid](#) Whatley’s consulting firm, HBW Resources, close to \$36,000 for “supplies and services.”).

Perhaps the reason Whatley was so confident in his ability to influence America’s political process, is that he was once deep inside it. Years earlier, Whatley [served as](#) attorney and senior policy advisor on George W. Bush’s first presidential campaign and transition team. And Whatley was later appointed chief of staff to Senator Elizabeth Dole, a former cabinet secretary and the wife of GOP elder statesman Bob Dole.

Then in the late 2000’s, Whatley’s firm created the [Consumer Energy Alliance](#), a “grassroots” organization [supported by](#) such prominent tar sands producers as BP, Chevron, ExxonMobil, Marathon, Shell and Norway’s Statoil. The group claims to [be providing](#) “a voice for consumers interested in vital public issues.”

Environmental groups, however, [dismiss](#) the claim, saying the grassroots look more like astroturf, and the consumer rhetoric is a guise. “They’re a front group that represents the interests of the oil industry,” said analyst Luke Tonachel of Natural Resources Defense Council in an interview.

The Consumer Energy Alliance has been one of the most outspoken critics of low carbon fuel standard legislation. In August 2009, it [began running](#) a series of [slick radio and TV ads](#) in Tennessee, Montana and the Dakotas, warning that such policies “threaten thousands of American jobs” and “would be disastrous for American consumers.” Each ad instructed viewers to complain to their state’s representatives in Congress, providing phone numbers to make it easier.

One of those numbers belonged to Tennessee senator Lamar Alexander, the plaid-shirted Republican who had once observed that a national low carbon fuel standard “makes a lot of sense.” Whatley orchestrated a classic pincer movement strategy. As the ads ran in Alexander’s home state, Whatley pressured the senator in Washington, D.C.

“I am working a deal to keep Lamar Alexander from offering an LCFS amendment,” Whatley wrote to Mar on September 30, 2009. “If we can keep him off of it — it will die an ugly partisan death on the Senate floor.” Less than two weeks later, Alexander [told Knoxville media](#) he was undecided on the policy he once favored.

The irrepressible Gary Mar

Mar, too, could also cite victories in the fight to keep America hooked on Canada’s oil sands. The [diplomat](#) first made his name as a minister in Alberta’s provincial legislature. He was known at the time for his oversize personality, sometimes [belting out](#) old Elvis songs during cabinet meetings, and once posing for a newspaper photo in front of portraits of Winston Churchill and John F. Kennedy.

As minister of international and intergovernmental affairs in 2006, and with the province’s tar sands industry booming, Mar oversaw the creation of Alberta’s Washington office, a home-base for provincial lobbying efforts located inside the Canadian embassy. Less than two years later, Mar himself was [appointed](#) as the province’s U.S. diplomat. Gregarious and talkative, he had no trouble making powerful friends. “It’s amazing he’s not cloned somehow,” the American Petroleum Institute’s Cindy Schild [said in an interview](#) last spring. “He’s everywhere. He knows everybody.”

Mar’s lobbying wasn’t just confined to the U.S. capitol. Anytime state policymakers tried to introduce global warming laws potentially bad for Alberta’s oil sands, Mar hit the road, ready to glad-hand and charm. One major victory came in early 2009, when he [apparently worked closely](#) with the Maryland legislature to remove a climate bill that would have banned sales of high-carbon road fuel.

“I found myself spending a great deal of time trying to influence state governments,” Mar [recalled later](#) on his website. “I have had influence in stopping legislation that would have been unfairly harmful to Alberta’s interests in Minnesota, Michigan, and Maryland.”

Despite their skills and experience, Mar and Whatley knew that defeating climate policy required allies. That’s why one of the first strategy proposals in Whatley’s January 25,

2010, campaign briefing to Mar was to team up with “affiliated energy coalitions and trade associations, thought leaders, elected officials, unions and key allies.” The goal was to enlist these players to “build opposition” towards low carbon fuel standards “in each of our target regions.” The campaign apparently needed “state-based and regional 3rd party advocates for Canadian oil sands” to give it legitimacy.

Who better to play that role than the “energy consumer groups” — the airlines, truckers, railroads, highway users, shippers — most dependent on oil? So item #1 on Whatley’s “Action Plan” was to develop “easy-to-read and user friendly informational briefs” for trade associations, unions and others. With the proper motivation, these groups could “generate op-eds and letters to the editor of regional and local newspapers,” reads the proposal. And they could also “write letters to governors and key elected officials.”

This supposed popular groundswell would then be legitimized further, it explained, by a select group of “thought leaders”, those public intellectuals with the ear of political power. Whatley’s proposal suggested engaging with seven prominent think tanks, two of which, the [Cato Institute](#) and the [Heritage Foundation](#), received millions of dollars in funding from [Koch Industries](#) to question the science behind global warming.

To keep everything moving smooth, HBW Resources (aka the Consumer Energy Alliance) would perform its traditional functions: running anti-fuel standard ad campaigns, coordinating with such “key allies” as the American Petroleum Institute, lobbying policymakers and political leaders and generating as much media attention as possible. If everything went to plan, Whatley’s briefing concluded, “HBW Resources will be able to successfully draw critical local, state and regional attention to the adverse impacts of efforts to restrict imports of Canadian oil sands into the United States.” In other words, let the assault begin!

“Thanks for being great to work with”

One of the campaign’s first victories came in mid-April of that year, when Wisconsin abandoned its low carbon fuel standard. Unable to visit public hearings in the state capital, Madison, because of a snow storm, Mar had gotten two Canadian consuls to [read a prepared statement](#) opposing the policy.

That intervention infuriated local scientist Peter Taglia, who [said in an interview last year](#) that he “was disappointed with the Canadians... They behave basically the same way the Texas oil companies do.” The Consumer Energy Alliance, meanwhile, was ecstatic about Wisconsin’s decision. “The removal of the economy-killing [fuel standard] is good news for consumers in the Badger State,” [read a statement](#) on its website.

Still, Whatley and Mar didn’t really get to test out their tar sands battle plan until two months later, in mid-June, when Alberta’s then-environment minister Rob Renner embarked on a “[Clean Energy Mission](#)” to the American Northeast. In between meetings with influential state policymakers, the minister [delivered the keynote address](#) at a Consumer Energy Alliance-sponsored fuel standard forum in Boston. His anti-climate

policy comments were reported on by E&E News ClimateWire and others, 18 reporters in total.

Whatley's forum also delivered the tar sands gospel to such attending trade groups as the Massachusetts Motor Transport Association and the Associated Industries of Massachusetts. "We have been assured by several of the participants in the forum that they will be willing to send letters to their governors, the federal Congress and the Obama administration opposing a discriminatory LCFS," Whatley reported triumphantly to Mar

Ten days after the update, Mar emailed some warm praise to his lobbyist colleague. "Thanks for keeping me several steps ahead of other advisors." To which Whatley replied: "Thanks for being great to work with."

But such backslapping shouldn't be confused with complacency. For on the same day as that email exchange, Whatley was marshalling forces against another climate initiative, one that threatened to bring his and Mar's entire campaign crashing to the ground. On July 16, 2010, oil industry lobbyists were aghast to learn the details of Congress' latest low carbon fuel standard proposal. This one was drafted by Senator Debbie Stabenow, Michigan Democrat, who intended to amend it to the comprehensive climate legislation then being debated in the Senate.

"Not sure if you are aware of this potential threat," reads an email sent from an unnamed ally to Whatley. "[The National Petrochemical and Refiner's Association] is implementing an aggressive media, grassroots and lobbying effort against this potential amendment."

Within a week the Consumer Energy Alliance had joined that effort, [launching](#) a two-week TV and radio ad campaign costing \$1 million in Michigan, Ohio, Indiana and Minnesota. Perhaps it needn't have bothered. Two days later Senate majority leader Harry Reid announced the Democrats were now abandoning their entire climate bill, legislation that had been years in the making. "We know where we are," Reid [told reporters](#). "We know that we don't have the votes."

And with that the best chance to establish low carbon regulations on America's fuel supply – and by extension, Alberta's tar sands industry – died a little noticed death. Of course, such legislation was still being considered by dozens of states. But the environmental zeitgeist behind it had clearly started to weaken, a process accelerated by that November's [Republican landslide](#) in the 2010 mid-term elections.

Whatley and Mar took full advantage of this political shift on November 15, 2010, by hosting "an informal breakfast to honour Governors and Governors-Elect", alongside Canada's U.S. ambassador, Gary Doer, at the W Hotel, near the White House. And the next month, an email update reported that the Consumer Energy Alliance "met with officials from the Governor's office, the Cabinet, and legislative staff in New Jersey and Delaware to discuss the implications on LCFS."

A lot happened over the next year. First, in mid-March, Mar [resigned](#) from his U.S. diplomatic posting in order to launch a [failed bid](#) for premier back in Alberta. (Now [appointed](#) as the province's representative to Asia, Mar "isn't answering questions about Washington", a government spokesperson said).

Then in the fall, a simmering debate over TransCanada's Keystone XL pipeline exploded onto the national consciousness. As America's environmental movement declared stopping the project its number one priority, the Consumer Energy Alliance fought back with what it described in the emails as an online "Echo Chamber."

Any time a "CEA or CEA member" creates a "Press Release, Call to Action, Blog, etc.", said a flow chart prepared by the group, that item would be "pushed to Media" and then sent "to affiliates for ECHO."

By the time November hit though, even the [best efforts](#) of the Consumer Energy Alliance were not enough to keep President Obama from [postponing a decision](#) on Keystone XL until 2013, well after the upcoming election. But while that news made headlines across the planet, the demise of America's fuel standard push continued to go virtually unreported.

These days California is the only U.S. jurisdiction implementing the policy. There's little support for the standard in the Midwest, where the economy is weak. And as for those 11 Northeast and Mid-Atlantic states? "The work continues," University of California-Davis transportation researcher [Sonia Yeh](#) said in an interview. "But they're struggling forward. So far there's no indication any of the states will go ahead and adopt it."

The Whatley-Mar plan had achieved its goal: helping to blunt President Obama's climate change agenda. And few outside of the Canadian embassy were any wiser.