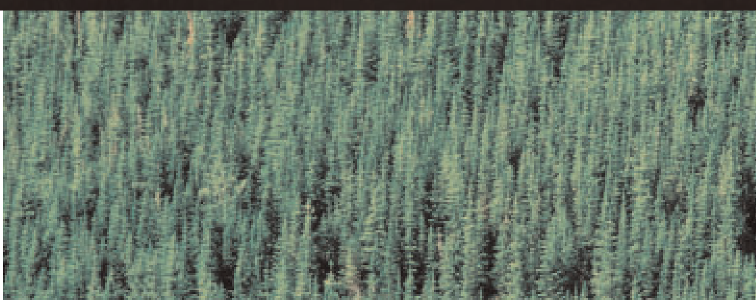
The US Climate Action Partnership:



A novel, pragmatic alliance for promoting legislative action on climate change

Ed Whittingham • Researcher and Author

July 2008

the PEMBINA institute
Sustainable Energy Solutions

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About the Pembina Institute

The Pembina Institute creates sustainable energy solutions through research, education, consulting and advocacy. It promotes environmental, social and economic sustainability in the public interest by developing practical solutions for communities, individuals, governments and businesses. The Pembina Institute provides policy research leadership and education on climate change, energy issues, green economics, energy efficiency and conservation, renewable energy and environmental governance. More information about the Pembina Institute is available at http://www.pembina.org or by contacting info@pembina.org.

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The Pembina Foundation for Environmental Research and Education is a federally registered charitable organization. The foundation supports innovative environmental research and education initiatives that help people understand the way we produce and consume energy, the impact of energy generation and use on the environment and human communities, and options for more sustainable use of natural resources. The Pembina Foundation contracts the Pembina Institute to deliver on this work. More information about the Pembina Foundation is available at http://www.pembinafoundation.org or by contacting info@pembinafoundation.org.

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Introduction

- *USCAP is unprecedented. This is the first time at this scale that major U.S. corporations and environmental NGOs have united behind common principles and recommendations.*
- *USCAP is calling for mandatory regulation, including a cap and trade system with fixed limits on emissions.*
- *USCAP is urging significant emissions reductions, relative to current levels, starting within a year of rapid enactment.*

From time to time, for-profit companies and non-profit, environmental non-governmental organizations form "novel, pragmatic alliances"[1] between each other to pursue sustainable development goals of mutual importance.

For example, the Clean Air Renewable Energy (CARE) Coalition and the Alberta Ecotrust Foundation are two Canadian coalitions of companies and ENGOs that are lobbying and grant-making respectively to achieve shared objectives. In the United States there is the Climate Savers program, a World Wildlife Fund initiative aimed at establishing partnerships with innovative companies to help them voluntarily reduce their GHG emissions. The U.S. Climate Action Partnership (USCAP) is also one such novel, pragmatic alliance.

USCAP is a coalition of 27 transnational companies and six major U.S. environmental non-governmental organizations (ENGOs) advocating for strong national legislation to reduce greenhouse gas emissions. It is novel because never before in the U.S. has a cross-sector alliance been formed with the explicit intent of lobbying federal lawmakers for effective, binding greenhouse gas legislation. The World Resources Institute (WRI), a founding USCAP member, sums up the uniqueness in the following way above:[2]

It is pragmatic in that it draws upon the strengths that both sectors bring with them to the table. Although still in its infancy – USCAP's founding members only publicly announced the partnership in January 2007, with its "A Call for Action" report – the group claims to have already influenced the thinking of lawmakers on greenhouse gas legislation, USCAP's raison d'être. Two representatives of USCAP member organizations described examples of the coalition's influence in this way:

To date, four legislative proposals before lawmakers are roughly within the range of targets outlined in "A Call for Action,"

"The Lieberman-Warner bill [a leading Senate climate change bill] is pretty obviously based on "A Call for Action." Lieberman-Warner is the vehicle on the Senate side, and we had a direct line of communication going with Lieberman-Warner staff. Everything in the bill is not necessarily agreeable to all USCAP members, but its details are clearly influenced by the Call."

1 S. Sanderson, "The Future of Conservation," Foreign Affairs 81, no. 5 (2002): 162.

2 www.wri.org/climate/topic_content.cfm?cid=4268

"Bingaman and Lieberman-Warner have all put bills within the USCAP context. The first hearing on the Congress side pulled USCAP NGOs and corporate CEOs in to testify. The Congress committee wants to be as close to USCAP as possible."

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as the figures[3] below illustrates, although it is important to note that all the bills were developed before USCAP came into being. Whether through its direct lobbying efforts, testimony at hearings, publishing position papers or serving as a consensus-based consultation body, USCAP aims to influence the progress of these bills.

In September 2007, the Pembina Institute decided to investigate USCAP, partly to

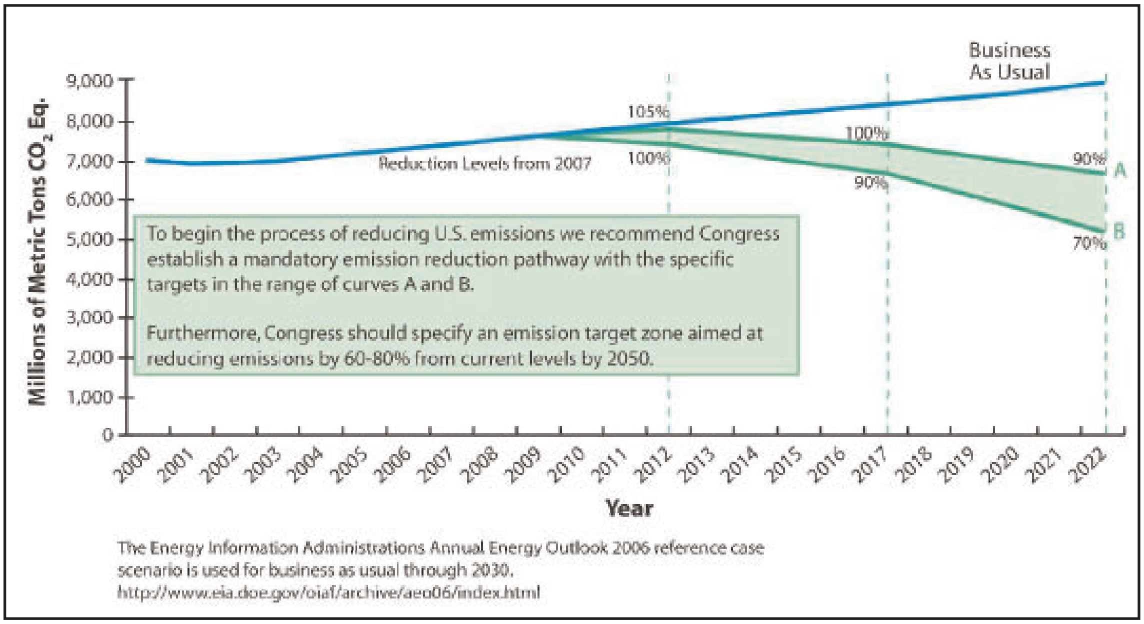


Figure 1: USCAP's recommended emissions reduction range, present to 2022

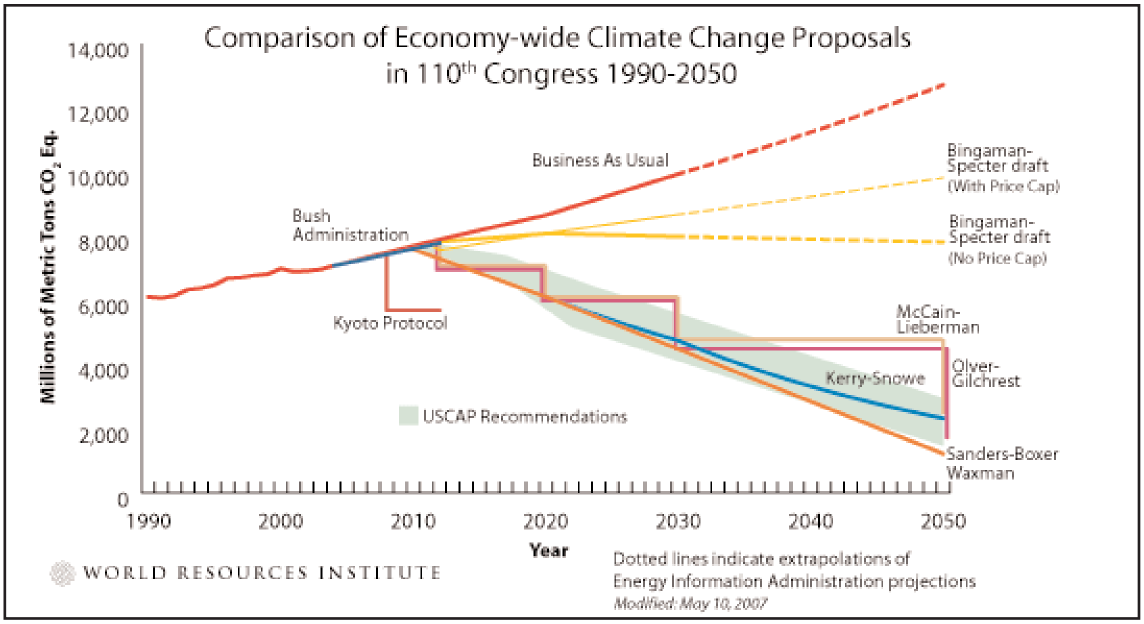


Figure 2: USCAP's recommended emissions reduction range relative to proposed U.S.> GHG reduction bills, present to 2050

3 Figure 1 is available at the USCAP website: www.us-cap.org/www.us-cap.org, while Figure 2 was prepared for USCAP by the World Resources Institute chart and is available at www.wri.org/stories/2007/01/uscap-recommendations.

understand it as one example of a cross-sector partnership for sustainable development[4] and partly to understand it as a potential vehicle for influencing climate legislation. Some key questions drove this investigation: How and why did this group of unlikely, counterintuitive bedfellows come together? How is it organized and funded? What have been the major developments in its short existence? What lessons does USCAP have to offer to those operating in other jurisdictions? Because of its newness the coalition has received little review or study by an outside party, and answers to these fundamental questions remain undocumented.

For those interested in both novel, pragmatic cross-sector partnerships and ways to influence greenhouse gas legislation, a primer on USCAP from an insider perspective would help in understanding the potential and limitations of the USCAP model in other jurisdictions. To produce the primer, Ed Whittingham, the co-director of Pembina's corporate consultancy, conducted semi-structured interviews in October and November 2007 and February 2008 with five representatives of USCAP member organizations and administrators. This report comprises the findings from the interviews.

The report is organized as follows:

- Section 1, "Why USCAP, Why Now?" presents some of the political and economic drivers that interviewees mentioned as contributing to the genesis of USCAP, in the context of other, documented success factors for cross-sector partnerships.
- Section 2, "USCAP Formation and Structure" briefly outlines the sequence of events in the establishment of USCAP, as well as key points on how the coalition is organized and resourced.
- Section 3, "A Call for Action" and Growing Pains" outlines the major steps in the development of the coalition's most key policy document to date. It also documents some of the challenges that the group faced in the post-"A Call for Action" period. Capturing the nature of the "growing pains" in the words of USCAP members is with the intent of helping others avoid the same in comparable jurisdictions.
- Finally, an afterword section, "Lessons from the USCAP Experience" presents interviewee recommendations for others considering similar initiatives in the context of the coalition's successes and challenges to date.

4 See www.corporate.pembina.org/partnerships for a summary of the institute's past research into cross-sector partnerships for sustainable development.

As an interview-based report, there are four things to note:

i) Throughout the report, interviewees are not identified by name to ensure confidentiality.

ii) Wherever possible the report uses the words of interviewees to tell the USCAP story. Direct (but unattributed quotes) are indicated by quotation marks and text boxes.

iii) It is worthwhile noting that the report is not meant to be exhaustive; rather, it is designed to provide brief, timely information not documented elsewhere to others contemplating the role of USCAP-like initiatives in their own jurisdictions.

iv) The report is not designed to present or critique USCAP policy positions. To understand USCAP policy the reader should read "A Call to Action" and the group's various policy statements, available at www.us-cap.org/.

Acknowledgements

The Pembina Institute and Ed Whittingham thank Alcan, the Alcoa Foundation, Dow Canada, Dupont Canada, General Electric Canada, the Institute of International Education and the World Wildlife Fund for their support and advice toward the preparation of this report. They also thank the following interviewees for their time and input: Larry Boggs (GE), Michael Parr (Dupont), Truman Semens (Pew Center on Global Climate Change), Jennifer Layke (WRI) and Tim Mealey (Meridian Institute). Any inaccuracy in the report is the fault of Pembina and Whittingham and not that of any interviewee.

1. Why USCAP, Why Now?

Before examining the mechanics of USCAP, it is worthwhile understanding some of the historical, political and business drivers for its origins. Specifically, why do participating companies and ENGOs feel that the particular USCAP model of partnership is their best route to achieving their organizational goals for GHG legislation, instead of acting independently?

After all, cross-sector partnering is not without its risks. For industry, it can be an act of "letting the hen into the fox house," i.e., exposing senior decision making to a traditional adversary. Further, businesses have a higher financial risk when collaborating with the non-profit sector, as typically they bear the lion's share of costs (although with USCAP costs are much more evenly allocated than is typical – see section 2.3, "USCAP funding model"). For an ENGO, reputation is critical to attracting donor funding and influencing stakeholders. Collaboration with the "wrong" for-profit organization (i.e., one that has a negative reputation within the ENGO community or among donors) can have detrimental effects on that reputation, with predictable repercussions for both influence and funding. For all parties, there is the ongoing risk of draining staff time, energy and expertise through pursuing collaboration that in the end does not live up to expectations or objectives.

Several drivers led to the willingness to attempt to overcome these risks, and ultimately to the emergence of USCAP:

More politically effective together than separate

Perhaps first and foremost, collaboration on pushing for GHG reduction legislation was seen as a means of increasing the political effectiveness of the two sectors in overcoming government cautiousness on the issue. Collaboration between groups with divergent views often grabs the attention of government and increases awareness of a particular issue. In this case, USCAP ENGOs and companies alike sensed strength in numbers could lead to a political win. In other words, strange bedfellow coalitions tend to be more powerful than sectors operating independently.

> *"It's very different to have companies and ENGOs walking together and presenting a common front. The strength of the Lieberman-Warner bill is because [corporate and ENGO] CEOs testified to conservative republicans that it's time to act. Warner said that he has to think about things differently because the CEOs together were making the ask."*

While the advantage for ENGOs working with companies is clear – such as being able to influence large emitters early in the legislative process, then joining forces with their corporate considerable lobbying clout and resources – the advantage for companies to work with ENGOs, particularly for those in jurisdictions where

ENGOs are poorly funded and small in size relative to U.S. ENGOs, may be less so. A corporate interviewee described the corporate side's incentive in this way:

"The other side [those opposing binding GHG legislation] will have more money and more everything, but there is sense of defeat on their side. There is a sense of inevitability because the NGOs' ground forces [i.e., their members] are so much more on USCAP side. With the NGO memberships with us, victory is inevitable. It's only an issue of timing, and everyone now knows it's inevitable."

Pre-regulatory engagement decreases risk

Interviewees acknowledged the risks associated with an adversarial approach during or after a regulatory consultation process. Early engagement between ENGOs and industry helps to create both a clearer understanding of the common ground and identify legitimate differences in goals, and in doing so mitigates risk. It gives more time and space for ENGOs to achieve buy-in to the solutions they are suggesting inside the tower of industry. For industry's part, it can avoid costly and undesirable arbitration or hostile action by ENGOs further downstream. One interviewee noted the risk of corporate inaction that ENGOs posed:

"For years industry espoused market solutions. Well, ENGOs started to use the power of the market themselves – either you can join us in market-based solutions, or we will use the market against you to shift you. If ENGOs can get customers to change their behaviour, the company will always follow. USCAP comes partly from a growing recognition that markets can be harnessed."

Right timing

Select companies have been voluntarily reducing their greenhouse gas emissions since the nineties. The first major ENGO-industry coalition program focused specifically on reducing corporate emissions was the WWF's Climate Savers program, established in 1999. While efforts like Climate Savers have helped to lay the foundation and set precendents for the recent spate of corporate action on climate change, recent political (such as state-level climate change initiatives) and cultural events (such as the popularity of the film "An Inconvenient Truth") have also provided propulsion. One interviewee suggested that the combination of public attention on the climate change issue and a shift in political power in Washington created a favourable environment for the discussions to get traction.

"Why now? Two reasons. One, the science and public awareness of the issue were growing considerably. Two, politically, the dynamic was changing. When this administration was first elected, there was no reason to work on the issue. Even people who thought something should be done went on to other things. Now, in the twilight of the administration, it's modifying its tone and paying more attention. USCAP is at the confluence of the political centre moving away from the White House to Congress and public attention [on climate change] solidifying."

Precedents for collaboration

There was also a historical precedent for this kind of collaboration. While USCAP is unprecedented as a cross-sector partnership to influence greenhouse gas legislation, it is arguably a "reemergence of an old model" of consensus and collaboration in the U.S. between environmental legislation stakeholders, one that has re-emerged with the climate debate. As one interviewee said:

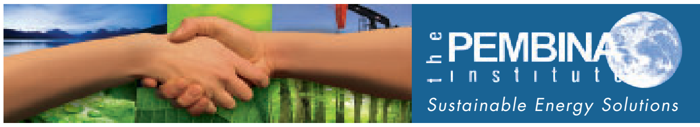
"Up to 1990, almost all environmental legislation in the U.S. was done through some form of consensus process and bipartisan approaches. The 1990 Clean Air Act was titanic – it cut across the U.S. economy. People tired themselves out, and in the process it opened up a divide. When the Republicans gained Congress in 1994, the approach became further divided. USCAP is actually a reemergence of an old model, but one that arose outside of the political process instead of within."

Enough trust and understanding existed among actors

All mentioned the high level of existing trust between key founding organizations. As is perhaps intuitive, trust is a key ingredient to partnerships with the other. At a November 2006 Pembina-hosted forum on cross-sector partnerships, participants identified maintaining trust and honesty between collaborating partners as at the core of separating successful from unsuccessful collaboration.[5]

Understanding of the other is also important. Some interviewees for this project specifically mentioned that each ENGO had its own corporate advisory committee. At the aforementioned November 2006 forum, when discussing "What are the best things that ENGOs and industry can do for one another?" industry representatives mentioned demonstrating an understanding of the business world as a key consideration on their list, while ENGOs mentioned trying to understand life as an ENGO as fundamental to them. The interaction created through bodies like corporate advisory committees can help to sensitize each side to working collaboratively with the other.

5 See http://corporate.pembina.org/pub/1377 for the full proceedings report on the 2006 "Thought Leader Forum on Environmental NGO-Industry Collaboration."



2. USCAP: Formation and Structure

2.1 EARLY GROUP FORMATION

Across the interviews, accounts of the order of events in early 2006 that led to the birth of USCAP suggest the following chronology. (Note that specific group and individual names have been omitted at the request of interviewees.)

- In early 2006, conversations were taking place among different actors on the potential for a cross-sector partnership for influencing emerging U.S. GHG legislation. One interviewee suggested that "four different simultaneous efforts were occurring around town," (i.e., Washington, DC), involving two founding companies and two founding ENGOs.
- One of these company-ENGO, CEO-to-CEO conversations dealt with operational opportunities at the company to reduce GHG emissions. While the ENGO CEO was supportive of the work, he also understood the need for a policy roadmap to allow companies that have reduced their emissions to succeed in the marketplace. Some time later, around spring 2006, the ENGO CEO and a counterpart discreetly approached the company CEO to ask him if he was interested in forming a small group to develop principles for action on climate change, specifically to influence emerging U.S. legislation.
- The company CEO agreed, recognizing the strategic opportunity that binding GHG legislation presented for companies producing GHG efficient products. Two other ENGOs quickly became involved. From there, the five organizations – the company and the four ENGOs – immediately invited one other company "at the top of their list" to take part.
- The initial group of six drafted a shortlist and discreetly invited other companies to become founding organizations. Of note, more companies were approached during those early stages of effort than the eventual eight others who "signed on" and endorsed "A Call for Action."
- One interviewee put the essence of USCAP's early formation in very simple terms: "All of them [founding CEOs] were running around talking to like-minded individuals. Once they bumped into each other, they decided to congeal into one."

Interviewees also generally agreed upon several key points relating to the early discussions:

- Early discussions were CEO-to-CEO, informal and unfacilitated at first. (The Meridian Institute was brought on as a professional facilitator only after an agreement in principle was reached by founders on the intent of the group.) Early discussions took time: in fact, the early group did not meet face-to-face until three to four months after discussions began.

Table 1: Founding USCAP Members	
Alcoa	General Electric
BP America	Lehman Brothers
Caterpillar Inc.	Natural Resources Defense Council
Duke Energy	Pew Center on Global Climate Change
DuPont	PG&E Corporation
Environmental Defense	PNM Resources
FPL Group	World Resources Institute

"By "informal" no one was recording conversations, synthesizing or reporting back. Rather, emails were sent back and forth; there was no synthesis, nor was there one set of documents that was circulating. All of it was done in very informal, unstructured way that became a big part of the trust building. Doing so gave all a sense of who the others were, and where they were coming from."

- Contrary to typical agenda-dominated ENGO-industry processes, USCAP was not a case of ENGOs coming to industry with questions or demands. Rather, the intent of the group was clear from the start: co-create and articulate principles for effective GHG legislation and work toward the enactment of legislation as close to those principles as possible.
- With six founding groups saying go, eight others were easy to get on board. As noted above, more companies were approached than just the eight who joined.
- While the founding companies were "seen as naturals" given their existing relationships with the founding ENGOs and interest in promoting greenhouse has legislation, from there USCAP aimed to add representation from key sectors to the coalition. By diversifying its membership, USCAP hoped to increase its influence with law makers.

This intent accounts for the large number of sectors that USCAP members collectively represent, such as chemicals, oil and gas, mining, consumer goods, power, power generating equipment manufacturing, and automobile manufacturing. Still, diverse representation brings with it diversity of interests, leading to some of the "messiness" discussed in Section 3.2.

Table 2: USCAP membership as of March 2008 – ENVIRONMENTAL NGOS
Environmental Defense
National Wildlife Federation
Natural Resources Defense Council
The Nature Conservancy
Pew Center on Global Climate Change
World Resources Institute

Table 2: USCAP membership as of March 2008 – COMPANIES
Alcan Inc.
Alcoa
American International Group, Inc. (AIG)
Boston Scientific Corporation
BP America Inc.
Caterpillar Inc
Chrysler LLC
ConocoPhillips
Deere & Company
The Dow Chemical Company
Duke Energy
DuPont
Exelon Corporation
Ford Motor Company
FPL Group, Inc.
General Electric
General Motors Corp.
Johnson & Johnson
Marsh, Inc.
NRG Energy, Inc.
PepsiCo
PG&E Corporation
PNM Resources
Rio Tinto
Shell
Siemens Corporation
Xerox Corporation

2.2 USCAP ORGANIZATIONAL STRUCTURE

When USCAP got going in early 2006, it had by one account "zero governance." As discussion progressed and subgroups were created, representatives realized that the coalition needed more structure and organization. This realization led to a more formalized structure, not unlike that of other policy-focused coalitions.

Typically, there are one to three representatives per member organization who serve USCAP in some capacity. The level of involvement in the different USCAP committees and working groups varies widely among the member organizations. While some are "always very involved, some just have one person who tracks progress at steering committee, and that's it."

CEO representatives serve as the coalition's board, at the top of the hierarchy. They meet infrequently, about once every

"Originally some companies were seen as naturals. We intentionally decided to have adequate sector breadth; for example, we needed an adequate blend of nukes, coal burners, energy intensive manufacturing, primary metals. We really wanted a coal mining company, and we really wanted autos in. Then we decided who would be best to approach and which companies."

few months. A steering committee is comprised of one representative from each entity. It meets every other week and makes policy decisions for board (CEO) approval. Within the steering committee there is a smaller executive committee, comprised of the heads of the various sub-committees. Sub-committees include a government outreach committee, a communications committee ("mostly staffed by communications pros") and a membership committee, and are open to anyone to participate. Representatives from both ENGO and corporate sectors chair the steering committee and all sub-committees. Beneath the steering committee sit four work groups: transportation, international, credit for early action and technology R&D. Work groups are typically small, made up of only two to three people.

The Meridian Institute and Lighthouse Consulting serve as "Coalition Co-Coordinators." Meridian handles administration and governance, while Lighthouse is responsible for public and government affairs work. (Of note, four people at Meridian work full-time on USCAP matters.) Powell Tate, a strategic communications and public affairs firm, was retained in December 2006 for communications work.

Figure 3 presents a visual representation of USCAP's organizational structure.

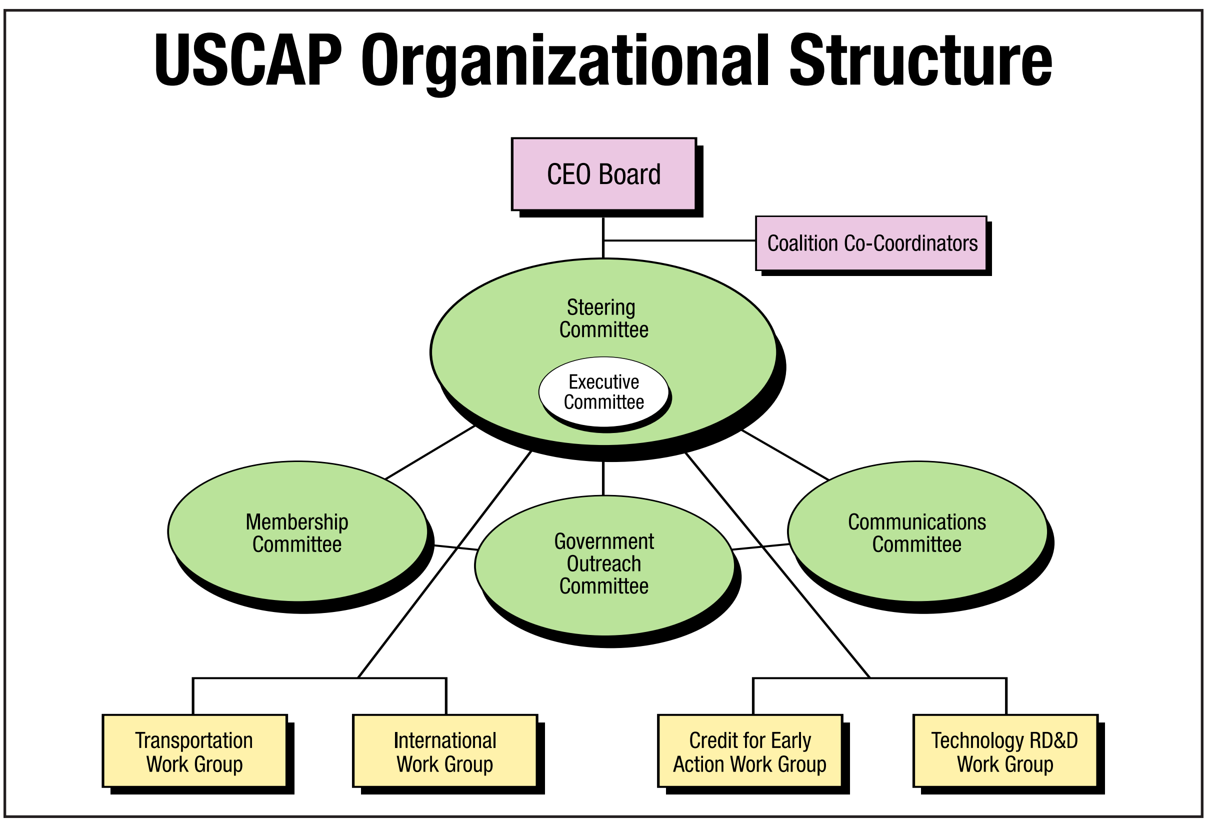


Figure 3: USCAP Organizational Structure

2.3 USCAP FUNDING MODEL

Before the formalization of USCAP's structure, to pay for group expenses such as facilitation fees, "for a long time [members] were just tin cupping." A coalition of USCAP's size and ambition is predictably expensive to run. As members recognized the need to secure more resources for organization and outreach, the steering committee developed a straw budget. USCAP's total annual budget for the period following the release of "A Call to Action," February 1 – December 31, 2007 is $2.35 million.

Contributions to the budget are required by all organizations, but not at equal levels. During the "tin cupping" stage it was decided that each company would pay one share, while each ENGO pays a half share. This same one share/half share formula is still used for the larger, longer-term contributions now required of members. Assuming 30 total shares – 27 full and 6 half – the 2007 budget would have required companies to contribute $78,333 each and ENGOs $39,166 each.

For a coalition of such considerable ambition, its budget is modest. Members consider themselves to be working on a slimmed down model relative to their opposition (considered by one interviewee to be "coal and oil, and less so the Chamber [of Commerce]"). The corporate-NGO pairing allows them to save on the PR front:

> *"USCAP companies are cheap – we're not extravagant spenders, because we have the NGO ground forces. It's amazing how thin the budget actually is. Most of the companies that participate in coalition are not big spenders on this issue – you don't see ads running on the airwaves. Instead, USCAP is playing the inside game."*

3. "A Call for Action" and Growing Pains

3.1 "A CALL FOR ACTION" DEVELOPMENT

With the founding 14 groups in place, representatives began meeting to develop what eventually became the "A Call for Action: Consensus Principles and Recommendations from the U.S. Climate Action Partnership."[6]

Developing the three specifics of the call, the six design principles that USCAP would come to espouse and the 15 recommendation categories proved no easy task: while membership meant that an organization had to agree to a mandatory system, "everything beyond that the group had agreed to deliberate about."

There are several points that interviewees noted about this period:

USCAP Principles:

1. *Account for the global dimensions of climate change*
2. *Create incentives for technology innovation*
3. *Be environmentally effective*
4. *Create economic opportunity and advantage*
5. *Be fair to sectors disproportionately impacted*
6. *Reward early action*

A Call for Action: Introductory Statements

- *We Know Enough to Act on Climate Change*
- *The Challenge Is Significant, but the United States Can Grow and Prosper in a Greenhouse Gas Constrained World*
- *We Need a Mandatory, Flexible Climate Program*

The development of "Call" principles was a "slog"

- Principles were developed and approved within the first six months of USCAP's existence. To make decisions on the principles, the full group at the staff level "slogged" through discussions to get to staff-level consensus. When no consensus was reached, staff and facilitators strove to get the options as narrowly framed as possible for CEOs, who subsequently made the necessary decisions.

Cap and trade was quickly chosen over carbon taxes or a hybrid system

- Carbon taxes as an option were dismissed at the outset of discussions. Both ENGOs and companies felt that a cap

6 The full document is available at the USCAP website: www.us-cap.org/

and trade system, and not carbon taxes or a hybrid of the two, should become the backbone of the "Call." According to interviewees, this was for three reasons: one, the political climate in the U.S. is not conducive to calling for the introduction of a new tax. (Said one interviewee, "no new taxes is the Republican mantra.") Two, environmental groups are skeptical of a carbon tax as in the absence of an emissions cap or high enough price, it does not guarantee the behavioural change necessary to reduce emissions. Three, the founding NGOs and companies argued strongly against a carbon tax, influencing those who followed:

> *"When membership expanded from the founding NGOs and other companies, there was a set of principles that all had to agree to join. Mandatory reductions were part, and they were not specified as coming from cap and trade, but it was presumed so. That presumption bore out very quickly."*

(Still, the spectre of select carbon taxing has not been completely dismissed by USCAP. The CEO of a company that joined USCAP in late 2006 has said publicly that taxes would be the better mechanism. Partly as a result of this CEO's efforts, the "Scope of Coverage and Point of Regulation of the Cap and Trade Program" section of the "Call" — the only part of the document that presents options — includes the option of "another policy tool applied to the carbon content of fossil fuels" used as part of a "hybrid" program. This implies a carbon tax specific to transport fuel and is apparently a point still being deliberated upon by USCAP.)

CEOs pushed for policy recommendations in addition to principles

- In July 2006, the idea of making policy recommendations in addition to principles was first proposed by CEOs. Up until this point, staff member representatives did not think that USCAP would come to consensus on policy recommendations and were planning to only go as far as articulating principles. In December 2006, CEOs met to agree on the proposed policy recommendations for a January 2007 unveiling.

Dealing with coal was problematic

- The group's position on coal-fired power plants attracted the first real press attention and political push back. Some organization leaked a story in December 2006 to the *Wall Street Journal* that USCAP would call for a moratorium on new coal-based energy facilities. The ensuing article caused a rash of last-minute meetings among CEOs, including the night before the January 22, 2007 release of the "Call", to clarify the group's position. Eventually the recommendation category dealing with new coal-based plants would be changed:

(An interviewee put the crux of the issue in plainer terms: "If the [carbon] price is too low, utility companies can still do pulverized coal, buy the allocation and go ahead with business as usual. The environmentalists don't want that to happen. That's why they are opposing coal that isn't IGCC [Integrated Gasification Combined Cycle, sometimes called "clean coal"] and with CCS [carbon capture and storage].)

The leak clearly challenged the still nascent coalition, requiring "the most intensive facilitation" of any point in its short history. Further, the issue of coal continues to be divisive and carry with it important political implications, as explained in the following section.

Why did USCAP decide to modify the section in A Call for Action relating to new coal-based energy facilities?[7] *Initial press inquiries revealed that there was confusion regarding the USCAP recommendation on new coal-based energy facilities. Some interpreted the original language to mean that USCAP was advocating a de facto moratorium on new coal-fired power plants. This was not the group's intent. Therefore USCAP decided to change the paragraph to state the members' expectation that coal will continue to play a role in our energy future, while also emphasizing that policies are needed to speed the transition to low-and-zero emission stationary sources that can cost effectively capture CO_2 emissions for geologic sequestration.*

3.2 POST-"A CALL FOR ACTION" PERIOD: CHALLENGES AMIDST GROWTH

All interviewees pointed to the period immediately after the "A Call for Action" launch (February–early April 2007) as a difficult time for USCAP, rife with confusion and a lack of clarity about what would happen next and the appropriate role for the facilitator (Meridian). Many comments addressed this period.

"Like a dog trapped in a car"

"December '06 to January '07 was no time to have discussion on what to do after launch. There were lots of issues still to resolve. There was a leak, etc. So, there ended up being different views among founding members on what to do next and control issues. Meridian ended up as an object in maneuvering – used by people to advance their own interests."

"[It was] extremely messy. We lost two months of momentum because of competing views and lack of clarity on roles."

"After the roll out, lawmakers said "great, help us to do these bills." We were kind of like a dog trapped in car. We were unprepared and ended up being slow to respond to calls for input from lawmakers."

"We hired people to facilitate dialogue, but not to structure a coalition. We didn't have structure and governance early on to make the transition smoothly. Plus, it was difficult to rush through policy conversations."

"We did not plan well for growth. Most people involved are government affairs lobbyists who have never managed anything in their lives."

7 From the FAQ section of the USCAP website: www.us-cap.org/faqs/index.asp

Diversifying and expanding membership while "not do[ing] any violence to the Call"

In addition to creating more structure and defining policy positions, member organizations decided to expand and diversify membership. The expectations of incoming organizations had to be carefully managed. One representative explained in plain terms how this was accomplished:

> *"The [incoming] CEO has to send letter to all existing CEOs endorsing the "Call for Action" and committing to stick to those boundaries. You agree to not do any violence to the "Call for Action." If it says green, don't wave blue. Still, if you say light green, and you say dark green, publicly you can say we're all green but here's my shade."*

Structuring while growing: "It turned out to be messy"

While the diversification strategy may be sound from a political perspective, growing while simultaneously creating and defining structure proved difficult. Further, interviewees mention that in hindsight it cost the group valuable time.

> *"There was no preconceived idea of what an expanded membership looked like. Before the launch, it was a case of here's what we think the agenda is and selling people on agenda items. Recruiting and setting agenda items at same time? It turned out to be messy."*
>
> *"The most difficult part has been growth – adding companies. Integrating them took longer than it should have – too long on arguing about organization, integrating new members, who should be new members. All this makes prospects for achieving legislation in this Congress harder."*

> *"At what point do you create a member that is just a flagwaver who does not participate actively? That of course brings with it issues, such as funding, how to prevent blockers, etc."*
>
> *"Founding groups spent the first 9-10 months in a small group locked in small room together. Now, with a larger group, [decision-making] is increasingly difficult. The new group hasn't spent the same degree of time together. We also now have variety of levels of experience and engagement."*

Further, growth and the accompanying increase in administrative and governance burden created other problems.

"Dealing with hard issues" amidst a sense of urgency

Although accounts are mixed, some think that USCAP is facing its most difficult period at the time of the writing of this report (March 2008). USCAP is currently at the stage of crafting fairly detailed policy recommendations on an interrelated set of issues: the cap itself, a timeline for the cap, allocation and allowances, cost containment, etc., all of which lacked detailed information in the "Call." Just as proponents behind the Lieberman-Warner bill [a leading Senate climate change bill] are attempting to define the quantitative aspects of GHG legislation, so too is the USCAP group.

"We're dealing with hard issues right now. It's a difficult time. We're dealing with issues that impact bottom lines, involving hard negotiations. Whether CAP comes out whole or not is in doubt. I'm not sure if it can reach consensus. And it will be hurtful to process if don't reach consensus."

While in the words of one interviewee there is still a "reasonable" prospect of reaching consensus on these issues, by most accounts it is taking longer than members expected. Still, one respondent thinks that USCAP is making "slow and steady progress" toward resolution because members feel a sense of urgency to fulfill their mandate of helping to enact GHG legislation quickly. A few comments speak to their sense:

"The other factor is that a recession is coming and it [passing a bill] will be harder to do under a recession. The enemies of climate legislation will push the cost issue much more in the next Congress, so it won't get any easier."

"Some people in CAP may prefer to wait, but our commitment was to enact legislation ASAP and that legislation was intended to be a balance."

"The legislative process is not waiting around for USCAP to finalize its details."

"Upcoming tank battles"

While USCAP members are confident that draft legislation will to come to a floor vote in the Senate in 2008, its chances of gathering the 60 votes that it needs is questionable. One interviewee thinks that "it can't get through Senate – CAP doesn't have 60 votes and that won't change, not in its current form."

What will happen in the House is also a question mark, as is whether or not the president will veto the bill.[8] Accordingly, while "legislation is inevitable... it will be a compromise. Lieberman-Warner will form the base as long as the Democrats control the Senate, but it will still need significant changes." The extent of the changes are expected to trigger a series of political skirmishes that interviewees characterized in military terms and predict will be fought between coal-producing and non-producing regions.

In preparation for the looming battle, USCAP member representatives have increased dialogue, with an equal emphasis on coming to internal consensus and external lobbying. Whether or not climate legislation will be passed in this last session of Congress, scheduled to end in December 2008, remains to be seen. All told, proponents of climate legislation "will have to make a lot of progress to get something passed by year's end." Were legislation not to be passed in this session of Congress, some draft form would be rolled over into the next session, but as illustrated above, USCAP members are keen to fulfill their primary objective sooner than that.

"The tank battles haven't yet begun. They will only come when there is a reasonable prospect of legislation actually happening. Then you will see the Congress fully engaged."

"Interestingly, GHG legislation is not an issue of party politics; it's an issue of regional economics. Look at a map and see how many states produce electricity with coal: 26 states have more than 50% of electricity generated by coal. This is where the battle line will be drawn."

8 All three contending 2008 presidential candidates at the time of the writing of this report – Senators John McCain, Barack Obama and Hillary Clinton – are on the record as supportive of binding climate legislation and are therefore unlikely to use presidential veto power. The choice that George Bush, the current president, would make is less certain.

Afterword: Lessons from the USCAP Experience

Over the course of the interviews, representatives referred to a number of aspects of USCAP that they felt have played important roles in the influence that they perceive the coalition to have had to date.

They also frankly discussed some of USCAP's organizational challenges, such as those presented in the preceding section. When asked for their recommendations for comparable initiatives, interviewees circled back to both as a way of framing their tips for others. As a concluding section, the following groups their recommendations into theme statements and provides supporting commentary, in no order of importance or frequency of reference.

Make it a CEO-driven process.

USCAP is at its core a CEO-CEO, peer-peer conversation about what they want to accomplish. Several interviewee comments speak to the importance of direct CEO participation in USCAP, in particular their role in creating a more aggressive "A Call for Action" than what would have been created without their participation.

"Was the differentiator from everything else, and is [USCAP's] single strongest asset. Staff (i.e., the lobbyists) from member organizations are always more conservative than the CEOs. CEOs also force timely work in what is a complicated process that can bog down. Therefore CEO-driven deadlines were also critical to success."

"At several critical points, CEOs have looked themselves in the eye and have taken leadership positions. On some things they fall in line with the positions of their organizations; on other points they've had more flexibility. It's really valuable when CEOs articulate when they are willing to task risks."

"CEOs were very engaged from day one. Typically, staff don't know how long the leash is. Staff would get so far in the process then bring in CEOs. CEOs would actually push the group further – for example, staff didn't want to set numerical targets to start, but CEOs forced them to do that. They charged and empowered individuals to cut deals."

"We maintained strict secrecy – negotiations were conducted in secret and were discussed with no one, almost to very last moment. There was one story that led to a little blurb before launch, but that's it. The goal was to not make the discussions a political event in and of itself."

"No CEO wanted to be quoted as having said something that he or she didn't say."

Maintain confidentiality in the formation stage

Several interviewees underscored the usefulness of keeping early discussions very quiet. While some knew that discussions around USCAP were happening, no one involved in the discussions talked externally about their substance.

Plan for a greater time commitment than what is first expected, and use professional facilitators

The USCAP process has proven to be very labour intensive. Many interviewees (and other representatives of member organizations with whom the author has had contact) said that they were caught off guard by the time demand. One corporate representative claimed that he could easily spend two full days per week on USCAP work; some ENGO members now have three dedicated USCAP staff. Without exception interviewees also pointed to the need for professional facilitation and were generally appreciative of the work of Meridian and Lighthouse.

Conserve resources for later work

Similar to planning for a greater time commitment than expected is the need to ensure that enough resources are available for any phase following a public launch of policy positions. "A Call for Action" proved more detailed than anyone expected, consuming both time and funding. The time required to replenish both impeded progress following the launch of the "Call."

Be expansive with membership early, and expand once policy positions are clear

One interviewee emphatically advised others to be expansive with its membership to start, instead of adding groups following a public launch of policy positions. This includes determining early what sectors to include and not include, and agreeing to a shortlist of target companies for inclusion per sector.

I'd very carefully select the 20 key NGOs and companies that will get you all the way through the policy deliberations. Be more expansive than you otherwise would have been at the outset, ride it all the way through, then plan for expansion.

USCAP continued to deliberate on policy and add structure, *while* expanding membership. By all accounts, attempting the three at once was inadvisable. As another interviewee put it bluntly: "You can avoid that hell that we experienced."

Plan for growth

During "Call" deliberations, USCAP spent little time discussing structure, governance and other organizational design issues. As evidenced in section 3.2, this cost USCAP momentum and could have been avoided with greater and earlier growth planning.

Maintain a "laser beam focus" on the issue and a sense of urgency

Last but certainly not least in importance, USCAP members and facilitators are credited with being very good at keeping a "laser beam focus" on the GHG issue, and not letting other matters get in the way of making progress on discussions. Further, representatives mention that the drivers discussed in the "Why USCAP, Why Now?" section help to "up the ante" for all involved, keeping the imperative for action as well as talk at the forefront of the group's work. Thus, in spite of the ongoing growth struggles, members are committed to continuing the novel USCAP approach toward influencing the U.S. climate change legislation debate.

No one wants to create an association or create a new bureaucracy, but adding structure can reduce transaction costs. Have a growth plan plus an organizational plan and someone who is trusted to be a manager. In hindsight we could have used an ED [executive director] earlier.

Ed Whittingham

Researcher and Author

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