KOCHLAND

THE SECRET HISTORY OF KOCH INDUSTRIES AND CORPORATE POWER IN AMERICA

CHRISTOPHER LEONARD

CHAPTER 19

Warming

(2008–2009)

Every year, in December, Charles Koch hosted a private party at his home. It was a gathering for the elite group of Koch Industries employees who donated the maximum legal amount of money to Koch Industries' political action committee. As the evening got underway, a parade of cars drove through the gates into the wooded compound of Charles Koch's childhood home. The attendees parked their cars in neat rows on the spacious lawn and walked up the driveway through the winter wind and into the warm, brightly lit entryway.

There was a cheerful cacophony inside, with about two hundred people milling around in large rooms and hallways. The attendees were employees, executives, and their spouses, dressed in their holiday best, eating heavy hors d'oeuvres from the trays carried by uniformed waiters. Charles and David Koch held court in the living room, sometimes standing side by side, as guests filed past to pay their respects. Charles was courteous and smiling. But he also had a habit of managing the party like a company meeting. When David Koch and a guest began talking at length about David's art collection, Charles Koch interrupted to remind the pair that there were guests waiting behind them in the line. "Charles says, 'David, you've got to move it along,'" one guest recalled. "That's kind of Charles. It's kind of like 'This is the process. We're greeting everybody. We're having pleasantries.' And then they move."

There was a sense of exclusivity, of special belonging, that animated the people in the room. The holiday party was held around the time of the annual board meeting, so many board members and senior executives found time to attend. To receive an invite, an employee needed to donate $5,000 during the year to Koch's PAC. The money was bundled and donated en masse to political candidates who were favored by Koch's

PAC officials. It was understood that the PAC always needed donations and that Charles Koch paid close attention to its performance. Having one's name listed in federal campaign disclosures was something akin to being listed in a country club directory. It looked good. There was another, unspoken perk to donating: it indicated that the employee in question had just finished a profitable year and had a big bonus to show for it. When employees didn't show up from one year to the next, it created suspicion that maybe their bonuses hadn't been so fat.

While the gathering was always festive, there was an air of tension hanging over the party in 2009. The attendees had put lots of money into the PAC during the previous election—a total of $2.6 million in 2008—and yet Barack Obama still won and Democrats held large majorities in Congress. Virtually every political cause that Koch Industries cherished was in retreat. The Republican Party seemed in danger of becoming a permanent minority. The Libertarian Party didn't even rate as a political afterthought.

In the corner of Charles Koch's living room, there was an elevated area that held a bookcase, filled with collector's editions of Charles Koch's favorite thinkers, like Hayek and von Mises. The collection seemed like a museum piece now, a collection of antiques that were being left behind by the march of history. The guests stood in clusters near the books, commiserating about the state of politics, the free-falling markets, and waiting to hear what Charles Koch might say about it all.

Every year, Charles Koch made a short speech at the party. Sometimes he was joined by Richard Fink, the top executive over Koch's political operations. Charles Koch's speeches tended to be anodyne and courteous. He thanked the gathered employees for their support and reminded them how vital it was to maintain economic freedom in the United States, both for the long-term health of Koch Industries and for the populace. In 2009, however, Charles Koch's speech was urgent. He felt that the future of America was imperiled. He thanked his guests for their contributions, but the guests understood that the political fight was just beginning.

One threat from the Obama administration seemed more dangerous than the rest. It was the threat of a massive new regulatory regime to limit greenhouse gas emissions that trapped heat in the Earth's atmosphere. The threat of such had been slowly building for decades, under both Republican and Democratic administrations. Charles Koch fought against it the entire time. Now the threat appeared to be imminent. While both Obama and his Republican opponent, Senator John McCain, campaigned on a promise to limit uncontrolled carbon emissions, Obama made carbon control a pillar of his platform. Since the very month Democrats took control of Congress in 2006, they started working on a carbon-control regime. That effort was well under way, with a proposed law working its way through Congress that was more than a thousand pages long. With their wide majorities in the House and Senate, Democrats were ready to hand the bill to a president who was eager to sign it.

There was a belief, within Koch Industries, that the carbon-control regime could put the company out of business. It was impossible to overstate the stakes of the coming fight. The bill in Congress sought to wholly reorganize America's energy system. If this happened, there was reason to believe that the world would follow America's lead. There were already two global treaties seeking to impose carbon limits worldwide—one signed in Rio de Janeiro in 1992 and the other in Kyoto in 1997—and the American regulatory regime could be quickly incorporated into this global framework.

A carbon-control regime would expose Koch to a brand-new regulatory structure, but it could also choke off decades of future profits as the world shifted away from burning fossil fuels. Koch's sunk investment in the fossil fuel business was measured in billions of dollars, reflected in the value of its two oil refineries, pipelines, and other assets. The future revenue to be derived from these assets arguably numbered in the trillions of dollars in future decades.

In 1989, Charles Koch was caught unprepared when the US Senate investigated oil theft on Indian reservations in Oklahoma. Charles Koch learned from the experience. Things were very different in 2009. As recently as 1998, Koch Industries spent as little as $200,000 a year on lobbyists in Washington, DC. By 2005, Koch was spending $2.19 million. When the Democrats took over Congress in 2006, the spending exploded, reaching $3.97 million in 2006, then $5.1 million in 2007. The prospect of an Obama presidency intensified the effort. Koch Industries spent $20 million on lobbying in 2008. Koch augmented these lobbying expenditures with campaign donations. In 1998, the Koch Industries PAC spent just over $800,000. In 2006 it spent $2 million. In 2008 it spent $2.6 million.

Even these expenditures didn't come close to capturing the size of Charles Koch's political machine. Since at least 1974, Charles Koch had envisioned a political influence machine that was multifaceted, including think tanks, university research institutes, industry trade associations, and a parade of philanthropic institutions to support it financially. The machine was a reality now.

The think tanks and academic programs were funded through nonprofit foundations such as the Charles G. Koch Charitable Foundation and the Claude R. Lambe Charitable Foundation. In 2008 alone, the Charles Koch Foundation gave out $8.39 million in grants and gifts, while the Lambe Foundation gave $2.56 million. These grants supported conservative scholars and paid for supposedly independent policy reports released by Washington think tanks. The libertarian Cato Institute think tank, which Charles Koch cofounded and continued to support, operated with annual revenue of $23.7 million in 2008, up from $17.6 million in 2001.

In later years, this political operation became known as the "Kochtopus," a name that evoked a many-tentacled entity that seemed to grasp every lever of policy making. This nickname gave the Koch political apparatus an air of invincibility, as if it were an unbeatable juggernaut with which Charles and David Koch could buy off politicians, write policies, and tame the federal government to their wishes. This caricature failed to recognize a central truth about the market for influence in Washington, DC: there is no straight line between spending money and getting what you want. The market for influence and policy outcomes was a murkier and more complex market than any other in which Koch operated.

That night, at his home in Wichita, Charles Koch made it clear that he was determined to win in this market, just as Koch Industries had won in so many others. The survival of the company seemed at stake.

At that very moment, the biggest source of trouble for Koch Industries was a small group of dedicated liberal congressional staffers working long hours in an obscure basement office in Washington. This team had been laboring for years to write the thousand-page law controlling greenhouse gas emissions. The team was composed of underpaid, overworked idealists. One of them was a workaholic named Jonathan Phillips. Phillips didn't know much about Charles Koch at that time.

Which helps explain why Phillips was still optimistic that history was on his side.

In a different world, Jonathan Phillips could have ended up as a Koch Industries employee. He fit the Koch mold. He was entrepreneurial, idealistic, and thoroughly midwestern. The first time he was old enough to vote for president, in 2000, he voted for George W. Bush. Like so many Koch employees, he was trim and athletic. Phillips had short blond hair, and his blue eyes projected an air of absolute sincerity when he spoke.

Phillips might have become a perfectly respectable conservative if he hadn't served in the Peace Corps, which took him from the cozy confines of suburban Chicago to a tent in Mongolia. He gained a broader view of the world and America's role in it. He lived amid extreme poverty and developed nuanced views about capitalism. He watched from overseas as George Bush launched an invasion of Iraq that was strategically disastrous and morally troubled. Phillips returned home from the Peace Corps and tried to figure out how he could help make the world a better place. He enrolled in the John F. Kennedy School of Government at Harvard and, after graduation, got a job on Capitol Hill as a congressional staffer in the House of Representatives. This is how Phillips found himself in the center of an effort to redraw America's energy system.

In the winter months of 2009, Phillips worked in the Longworth House Office Building, a towering stone complex near the US Capitol. The hallways inside the Longworth Building were austere and cold, lined with marble and capped with vaulted ceilings. Every morning, Phillips walked past these grand corridors to a stairwell that took him to the basement. Down there, the floors were made of varnished cement and the ceiling was covered in exposed ducts, pipes, and vents. Phillips walked to a set of doors that looked like they might conceal a utility closet. This was the headquarters for the Select Committee on Energy Independence and Global Warming.

The Committee on Global Warming was formed in 2007, one of Nancy Pelosi's first official acts after she became the Speaker of the House. Creating a select committee sounds mundane, but it was actually a radical act of rebellion, at least in congressional terms. To understand why, it's important to understand the structure of Congress.

It's common to think of the US House of Representatives as a single organization with 435 members who propose laws and then vote on them. In fact, the House is a collection of smaller governing bodies, each with its own authority, called committees. There's a committee to write tax law and another to write environmental law, for example. Each committee has a chairperson, who acts as the committee's CEO. Bills in the House are written by committees, then passed by a vote of the committee members. This structure gives tremendous power to committee chairs, and it explains why any bill to limit greenhouse gas emissions never had a chance of passing.

The committee that oversaw climate change was the House Committee on Energy and Commerce, which in 2007 was led by the Michigan Democrat John Dingell Jr. Dingell had been chair of the committee, or the ranking Democrat on the committee, since 1981, and he wasn't friendly to any bills that might limit carbon emissions. Dingell wasn't just close to the Detroit automakers in his home state, he *was* the Detroit automakers, owning more than $500,000 worth of stock in the auto industry.

Rather than push Dingell to pass a climate change bill, Pelosi just went around him and created the new House Committee on Global Warming and Climate Change out of thin air and stowed it in the basement of the Longworth Building. Dingell was less than enthusiastic. "These kinds of committees are as useful and relevant as feathers on a fish," he told a reporter. So Pelosi put the Massachusetts congressman Ed Markey in charge of her new subcommittee. Markey was a passionate advocate for environmental regulation, and from the very beginning, Markey seemed dedicated to getting real results. He hired in the most talented staffers he could find and he immediately set to work to break down the barriers that had prevented climate change regulation for years.

Ed Markey built a team that resembled one of those motley groups of experts who are drawn together to pull off a bank heist. There was Jon Phillips, an expert in renewable-energy legislation. There was Joel Beauvais, a well-paid attorney and Clean Air Act expert who took a horrific pay cut to help the committee write its carbon control bill. There was Ana Unruh Cohen, a onetime congressional staffer who later studied climate change policy for the Center for American Progress, a liberal think tank. There was Michael Goo, a congressional staffer who seemed to know everyone in the House. And there was Jeff Sharp, a onetime lobbyist and campaign worker who specialized in communications. Everyone on the team knew that they were overworked and underpaid. But they felt like they were part of something big. Lots of people came to Washington to change the world. This committee was on the precipice of actually doing it.

Almost immediately, the Committee on Global Warming started to agitate and provoke virtually everyone in Congress. The committee didn't have the authority to pass bills, but it had the authority to hold hearings, which it began to do at a militant pace. Phillips spent a great deal of his time booking hearing rooms and bringing in experts to testify. Sharp, the communications guy, helped calibrate the hearings to generate as much media attention as possible. Along with experts and politicians, the committee began inviting celebrities to testify. Phillips met the actor Rob Lowe and ushered him around the Capitol before Lowe testified at a hearing on electric cars.

"We were always looking for celebrities. We're always looking for, like, tearful stories," Phillips recalled. "We're always looking for ways to connect emotionally with people to raise the profile of the issue. It's as much a communications apparatus as it is a fact-finding mission."

Jonathan Phillips and his teammates weren't driven by the hunger for attention. They were driven by a cause. They truly believed that the future existence of human life on Earth was hanging in the balance. To understand their dedication to this cause, it is useful to consider the story that the committee was trying to communicate through its marathon series of hearings.

This was a story of an unprecedented geological event that was initiated by humankind. It could be described as the detonation of a gigantic carbon bomb. The essence of this story would become a contested battlefield in itself, with groups like Koch Industries spending millions of dollars to sow doubt about the basic facts of the matter and the broader meaning of those facts.

The fuse of the carbon bomb began to smolder sometime around the year 1800, when industrialized cities started burning coal to heat homes and power primitive engines. In 1850, about 198 million tons of carbon were released into the atmosphere.

Carbon is a curiously durable element. It can float in the sky for thousands of years without breaking down. Carbon has another important characteristic—it is translucent. That means that it blocks sunlight, just slightly, like a veil of smoke. This translucence is vitally important to life on Earth. A thin layer of compounds like carbon dioxide and water vapor in the atmosphere act like a shield, retaining some of the sun's warmth on the surface of the planet. The mechanics of how this works are simple and well understood. About two-thirds of the sun's heat hits the Earth, but then bounces off into space. The remaining third of the heat is kept on Earth because the thin layer of translucent elements trap it there. For about the past four hundred thousand years, carbon levels in the atmosphere bounced around in a very narrow band, between roughly 200 and 400 parts per million. This period of relative climate stability coincided with the rise of agriculture and the development of civilization.

The fuse of the carbon bomb was truly lit in 1859, when Edwin Drake hit his gusher of an oil well in Pennsylvania and began the age of oil in America. When a barrel of crude oil was burned, it released about 317 kilograms of invisible carbon dioxide into the air. In 1890, 1.3 billion tons of carbon were released into the sky. Some of it went back into the trees, some of it went into the oceans, but some of it stayed in the atmosphere. In 1930, 3.86 billion tons of carbon were released into the atmosphere. In 1970, 14.53 billion tons of carbon were released into the atmosphere. It was joined by other industrial gases that wafted up from factories, refineries, feedlots, and fertilizer plants, gases like methane and nitrous oxide that were also invisible and seemingly harmless. Some of these gases blocked far more light than carbon, on the order of thirty to fifty times more. As more of these gases were released into the atmosphere, more heat would be trapped. This is incontrovertible.

In the 1950s, a chemist and oceanographer named Charles David Keeling installed an air monitor on top of Mauna Loa volcano in Hawaii. Its measurements showed that carbon was accumulating in the atmosphere. In 1959, carbon composed 316 parts per million in the atmosphere. In 1970, it composed 325 parts per million. In 1990, it was 354 parts per million. Concurrent with this discovery, scientists tested air samples that were trapped in tiny bubbles in the glaciers of Antarctica. This proved that during the early millennia of human existence, carbon levels remained in the narrow band between roughly 200 and 300 parts per million. Now that carbon levels exceeded that threshold, it raised troubling questions: What would the world's climate be like at 360 parts per million? Or at 380? Or at 400? There was no certain answer.

In 1988, a group of scientists working with the United Nations formed a consortium called the Intergovernmental Panel on Climate Change, or IPCC, which set out to synthesize the research on global climate change occurring around the world. Initially, the IPCC was very cautious and even seemed to downplay the potential risks from higher carbon concentrations. The panel said that more study was needed, and that no rash actions should be taken that might dampen the prosperity that came from burning fossil fuels. Each ensuing IPCC report, however, became more certain than the last. Carbon concentrations were increasing, which inevitably trapped more heat in the atmosphere. Humans were responsible for the increase. The future implications were unpredictable, but could be severe. The world could expect more dramatic rainfall events and bigger storms in part because warmer air held more moisture. Areas that were parched would become drier. Weather data showed that the world was already getting warmer, as would be predicted when greenhouse gases increased.

While the scientific community was in agreement on these facts, the American public was in doubt. This wasn't accidental. As early as 1991, Charles Koch and other executives in the fossil fuel industry helped foster skepticism about the evidence of climate change. When George H. W. Bush announced that he would support a treaty to limit carbon emissions, the Cato Institute held a seminar in Washington called "Global Environmental Crises: Science or Politics?"

The seminar featured scientists who questioned the prevailing view that humankind's carbon emissions caused the Earth to warm, including Richard S. Lindzen, a professor of meteorology at MIT, Charles Koch's alma mater. A brochure for the seminar featured a large-print quote from Lindzen in which he said: "The notion that global warming is a fact and will be catastrophic is drilled into people to the point where it seems surprising that anyone would question it, and yet, underlying it is very little evidence at all."

The seminar was not a fringe event. Lindzen and other speakers at the conference were invited to join White House staffers in the Roosevelt Room while they were in town for the conference, according to an internal White House memo from Nancy G. Maynard, who worked for the president's Office of Science and Technology Policy. Maynard's boss forwarded the invitation to Bush's chief of staff, John H. Sununu, under the subject line "Alternative Perspectives on Global Warming."

Koch Industries, ExxonMobil, and other firms spent millions of dollars to support the idea that there was an "alternative" view about climate change between 1991 and 2009. These groups had a distinct advantage in the debate. It took many decades for firm scientific consensus to take shape. Scientists are, by nature, cautious and self-doubting. They were hesitant to push the narrative further than the data would support. And the mechanisms of climate change were impossibly complex and hard to quantify. It was difficult to estimate, for example, just how much carbon the world's oceans might be able to absorb over time, or exactly how many degrees the earth might warm over a hundred years if the atmospheric levels of carbon reached 400 parts per million. Even as the global scientific community slowly cohered around the understanding that human activity caused climate change, this cottage industry thrived—a cottage industry built to highlight all the points of uncertainty in the scientific debate.

ExxonMobil eventually abandoned this strategy, but Koch Industries persevered. In 2014, Koch Industries' top lobbyist, Philip Ellender, said that the evidence was in doubt. "I'm not a, you know, climatologist or whatever," Ellender said. "Over the past, I think, hundred years, the earth is warmer. Over the past roughly eighteen, it's cooler.* . . . Whether or not the increases and fluctuations are anthropologic or not is still a question."

In private, Koch Industries officials were even more dismissive of the science around climate change. One former senior Koch Industries executive, a trained scientist who only made business decisions after first analyzing reams of data, explained that he believed global warming was a hoax invented by liberal politicians who sought to use the fiction as a way to unite the populace against an invented enemy. After the fall of the Soviet Empire in 1991, this executive explained, American elites needed a new, all-encompassing enemy with which to frighten the masses, and

* This statement is provably untrue. NASA data shows that eighteen of the nineteen hottest years on record occurred since 2001.

so they invented one with global warming. All the data on atmospheric carbon levels and rising temperatures were part of this conspiracy, the executive said.

This is what lent the sense of desperation to Phillips and his team as they conducted their series of hearings on climate change. Phillips and his colleagues were painfully aware of the data underpinning climate change. They spent their days reading the scientific research about global climate change, and they felt like they had a window into a terrible truth that most people needed to see. This was the reason behind the parade of hearings and the celebrity appearances that they held on Capitol Hill. Their desperation derived from the fact that no one seemed to be listening.

When Markey's committee realized that hearings alone weren't changing the political dynamic, they took a more provocative step. They wrote a bill of their own. The Select Committee couldn't pass the bill or even introduce it for a vote. But the team knew that the mere existence of a bill would make the issue all the harder to ignore.

The shape of the bill reflected the politics of the time. There were many ways that the government could stanch greenhouse gas emissions. Congress could tax carbon emissions, incentivizing companies to use lower-carbon sources of energy. Or Congress could regulate carbon like a pollutant, setting strict limits on its release. Rather than take these straightforward approaches, the committee settled on a complicated, far-reaching regulatory structure that embodied the internal paradoxes of the neoliberal philosophy that dominated policy making from the Clinton administration onward. The bill sought to dramatically expand the reach of government, while harnessing the power of private markets. In this case, the approach was called cap and trade.

There was surprisingly little dissent within the committee against this approach. "Very early on, people got the sense that this is going to be a cap-and-trade bill," Phillips recalled. "The think tanks in town and everyone in the talking head community—no one was talking about a carbon tax. Everyone was talking about cap and trade as being the vehicle. At that time, there was sort of this consensus that it was the moderate, most economically efficient way of dealing with pollution."

Phillips said it was also attractive because it had the advantage of enjoying bipartisan support. "It was a Republican idea," he said.

The cap-and-trade policy was made famous under President George H. W. Bush, who used it as a way to combat acid rain. The concept was simple. The government capped the total amount of a certain pollutant that could be released. But then it gave companies a license to release that pollution. A company could pollute as much as it desired, but it paid the price to do so by purchasing pollution "credits." If a company cut the amount of pollution it released, it could earn credits for doing so and turn around and sell them. This created a "market" for pollution. Polluters paid to pollute, companies earned money by cutting pollution. All the while, government determined how much total pollution was allowed by setting the cap. The government could turn the screws and push the caps downward, making a stronger and stronger incentive to cut emissions.

Cap-and-trade gained support after Bush imposed it on power plants that released sulfur dioxide, which created acid rain. By 2008, emissions were 60 percent lower than they had been in 1980. More importantly, the cuts were made at much lower costs than people had predicted. The cap and trade system on sulfur dioxide was imposed in 1990.

With their bill, the Markey committee aimed to create the largest cap-and-trade system in history. The limit on greenhouse emissions affected virtually every corner of the modern economy, from automobiles, to power plants, to factories. The policy mechanisms to do so, laid out in the bill's thousand pages, were almost impossibly complex.

Ed Markey unveiled the bill in May of 2008, giving it the consumer-friendly name of "iCAP." After Obama became president, Nancy Pelosi became emboldened. She helped initiate a coup in the Energy and Commerce Committee. A usually perfunctory vote on the chairmanship went against Dingell. He was replaced by the California liberal Henry Waxman, who vowed to pass a law to control carbon emissions. Ed Markey and his committee, after years of agitating from their basement office, were now in a position to do more than agitate. They were in a position to govern. They had opened a pathway to push their bill through Waxman's committee.

The iCAP bill was put on the legislative operating table in 2009 and opened back up. It would become known as the Waxman-Markey bill, an ambitious cap-and-trade system that quickly became a centerpiece of Obama's legislative agenda. The bill had been in the works for years and had been the subject of hundreds of hours of congressional hearings. In the early days of the Obama era, even more hearings were held. The select committee worked even harder as it drafted new language and met with members of Congress and lobbyists from the energy companies and environmental groups.

The long days of grinding work in the basement office were thrilling, in a way, for Phillips. He had the sense that he was a part of history. And he wasn't the only one. At night, Phillips and his friends went out to drink at cheap bars. They must have felt something like the young staffers back in the 1930s, when the mighty legislative pillars of the New Deal were being put into place. They were laying the governing framework of future generations.

They were part of the strongest governing coalition in years, or perhaps decades. An acquaintance of Phillips's, a young speechwriter named Dylan Loewe, wrote a book during that time entitled *Permanently Blue: How Democrats Can End the Republican Party and Rule the Next Generation.* Galley copies were passed around Washington. People read Loewe's prediction that the Democratic Party was in a position to hold the White House and Congress for the next quarter century, and this prediction seemed entirely believable. The Republicans had been reduced to a factional minority with no clear path back to power. The Democratic Party had the force of history at its back, pushing it forward.

Koch Industries' lobbying office was located on the eighth floor of a majestic stone building two blocks from the White House. In early 2009, David Hoffmann—the environmental attorney who'd helped impose Koch's "10,000 percent compliance" doctrine at Invista's factories—was still relatively new to Washington, DC. After working for several years in Wichita, he requested a transfer to Washington in 2007 so that he and his wife could enjoy more big-city culture. He moved into an office at Koch's lobbying shop, even though he was still a compliance attorney. If Hoffmann sympathized with certain elements of the Obama revolution, he also saw the ugly side of the federal government—the complex bureaucracy, and the overbearing paperwork to comply with environmental laws. The Clean Air Act, he said, was a prime example. To comply with the law, there are "literally thousands of items that you need to go over to determine compliance. It takes a full-time staff, working around the clock, to get some of these compliance reviews completed."

Even though he wasn't a lobbyist, Hoffmann helped his peers in Koch's public affairs division by lending his expertise on compliance matters. That's why he got dragged into the largest lobbying fight Koch had ever waged, against the cap-and-trade bill that Phillips and his team were then constructing.

Before 2008, Koch's lobbying efforts had been fragmented. There was a team of lobbyists working for Invista, one for Georgia-Pacific, and another for the oil refining division, Flint Hills Resources. This fragmentation reflected Koch's commitment to maintain its corporate veil, organizing its various divisions under a legal structure that categorized each division as an independent business. This structure helped Koch contain its legal liabilities, but it also hobbled its corporate lobbying efforts. Because Invista and Flint Hills didn't coordinate closely, they might be duplicating their efforts or sending mixed messages to lawmakers. In 2008, Koch Industries consolidated its lobbying operations into a single, newly formed company called Koch Companies Public Sector. Now all of Koch's lobbyists worked side by side, sharing information and strategies as they worked toward common goals.

Hoffmann led an internal committee at Koch, studying how the company might not only adapt to a cap-and-trade regulatory scheme but how it might prosper from it. He came to this role almost accidentally. The newspapers were full of stories about the Waxman-Markey bill. Hoffmann knew that if the law passed, it would instantly become the most significant law that he and his compliance team at Invista would need to contend with. He formed the committee to study the issue. He thought that Invista might find novel ways to comply with the law that could be copied by other divisions at Koch Industries. He was steeped in the ways of Market-Based Management and believed that adapting to a cap-and-trade regime fit perfectly within the MBM framework. "Charles Koch wants to empower his employees to project where industry is going," Hoffmann said. "We felt like we were doing exactly what the Koch philosophy meant to us. Which is: hope for the best but prepare for the worst."

Hoffmann enlisted a handful of fellow Invista employees to help him. He consulted with Koch's lobbyists. And he quickly realized that there was reason to be optimistic about Koch's future in a cap-and-trade world—or at least there was reason to be optimistic about Invista's. Invista was already making investments that cut its carbon output. The company was refitting older factories with new furnaces, for example, fired by natural gas rather than coal. Such efforts saved money and increased efficiency, but they could also be transformed into carbon credits that Invista could sell. Koch Industries also operated smaller divisions that made pollution-control equipment. If cap and trade passed, those divisions could see a boost in business.

Hoffmann labored under the assumption that some sort of cap-and-trade bill was inevitable. What he didn't know then was that he held the minority opinion within Koch's lobbying office.

Every Monday morning, Koch's team of lobbyists gathered in a large meeting room just down the hallway from the office's main reception area. As the lobbyists filed in for their weekly meeting, they took their seats around a large wooden table in the center of the room. The table was set with thick leather coasters with the Koch Industries logo embossed on them. Other than that, the decorations were spartan. A pad of white paper stood on a tripod near the window, on which to write ideas and sketch out strategies. The only artistic adornment in the room was a small metal sculpture on the shelf of a lumberjack, an apparent homage to Georgia-Pacific and its past workforce.

The weekly meeting was led by Koch's top lobbyist, Philip Ellender. He didn't share the habits of a typical lobbyist. He lived in Atlanta, working out of Koch's offices there, and commuted to DC by airplane. While most lobbyists arrived for work around nine thirty or ten in the morning after spending late nights at dinner parties, Ellender operated on Wichita time. He arrived early and spoke frequently on the phone with colleagues in Kansas. He was also a true believer in Charles Koch's philosophy. "We're a bit philosophically more pure," Ellender explained, "in that we recognize that we are unabashedly free traders, that we believe in profiting by the economic, not political, means. We're against cronyism. We're against subsidies. We're against man-

dates." He peppered his speech with the vocabulary of Market-Based Management.

As Koch Industries became more politically influential, it became increasingly insistent that its lobbyists were pursuing a purely ideological mission. Koch's lobbyists and public relations teams said their goal wasn't to boost Koch Industries' profits, but to champion the ideas of freedom and prosperity. Ellender and others were quick to highlight the times when Koch lobbied against subsidies or tax breaks that might benefit the company. Still, Ellender and his team focused overwhelmingly on the issues that did matter to Koch's business, such as arcane rules about chemical safety, rate billing, and taxes on oil companies. Koch Industries also accepted the subsidies and tax breaks that were in place for it—Ellender said that refusing to do so would put Koch at an unacceptable disadvantage to its competitors.

For all the talk about ideological purity, Ellender's operation reflected a more complicated reality. The lobbying business didn't operate along clean partisan lines. There was a cartoonish image of a Washington lobbyist that most Americans held in their mind—the image of a well-dressed influence peddler who took politicians out to expensive dinners and cocktail cruises on the Potomac River. With enough steak dinners, enough cruises, and enough campaign contributions, the thinking went, any politician eventually succumbed to the lobbyist's wishes. If this view of lobbying was ever accurate, it was certainly irrelevant by 2009. The reason for this was structural: the number of corporate lobbyists had exploded over the previous thirty years. Thousands of lobbyists were trying to push their message, but the messages could only be received by a very narrow audience. There were only 435 members of the House of Representatives and 100 members of the Senate, a total of 535 channels into which all of America's special interests were forced to funnel their message.

The competition for those channels was more intense with each election cycle. In 1983, groups seeking to influence Washington policy spent about $200 million. By 2002, these groups—including corporations, labor unions, and advocacy groups representing retirees or environmental activists—spent $1.82 billion on lobbying, a sevenfold increase. By 2010, spending on lobbying had nearly doubled again to $3.55 billion. And this figure captured only a share of all lobbying expenditures—

the share that was reported under public disclosure laws, which didn't account for campaign contributions or issue-related advertising.

The rise in lobbying spending was not spread evenly across interest groups. Corporations and business groups far outspent other interests, like labor unions and consumer advocates. By 2012, corporations, trade associations, and businesswide associations were responsible for 78 percent of all lobbying expenditures, according to an analysis by the political scientist Lee Drutman. Business interests outspent other interest groups by a ratio of 22 to 1 in 1998, and 35 to 1 in 2008, Drutman found.

Even within these ranks of big corporate spenders, Koch Industries stood apart. The biggest corporations far outspent everyone else. About 90 percent of all US corporations did not even have one full-time lobbyist, and were only represented through trade associations. The biggest companies, like Koch, had a significant advantage.

In this environment, the primary job of Koch's lobbyists was to gather and analyze information. Inside information was perhaps even more important in the market for influence than it was in the market for crude oil. Congress was an impossibly opaque system, a complex pipeline network of policy ideas that flowed between 535 offices in the House and Senate. Minute-by-minute updates on the inner workings of Congress were extraordinarily valuable, and out of reach for most companies. Koch's lobbyists, like most other corporate lobbyists, spent their time gathering detailed intelligence. They determined which bills were originating from which offices, which bills had momentum and which didn't, which politician needed help with a campaign and where that politician stood on issues that were important to Koch. This need for inside information explains why so many lobbyists are former congressional staffers. The former staffers have personal relationships with lawmakers and their staffers. They know which bills will be debated and moved forward through the system. A lobbyist's value comes just as much from knowing about this process as it does from being able to influence it.

Ellender's team was small, considering the size of their job. Koch Companies Public Sector had only five full-time registered lobbyists in 2009. The defense contractor Lockheed Martin, by contrast, had an in-house team of thirty lobbyists that year.

Ellender's permanent team of lobbyists knew a great deal about Republicans in the House and Senate. Koch Industries had given generously to Republican candidates and conservative causes over the years—in the 2008 election cycle, Koch Industries gave $1 million to Republicans and just $186,500 to Democrats.

When Ellender and his team met in 2009, they needed to figure out a way to learn more about the newly empowered Democrats. This might seem like an impossible task for Koch's small cadre of lobbyists—the entire Koch team could fit around the conference table, with chairs to spare. But their lobbying power was bigger than their numbers might suggest. Each Koch lobbyist was like the regional manager of a franchise. They built expertise on certain policy issues, like climate change legislation or derivatives trading, and they had the ability to hire contractors from outside firms if they needed to beef up staff. This allowed Koch to build up or reduce its expertise on different topics as they arose in Congress. Sometimes, the outside contractors joined Koch's team for its Monday meetings.

One of the lobbyists at Ellender's meeting table was a woman named Kelly Bingel, a contractor with Mehlman Vogel Castagnetti, a bipartisan lobbying shop. Firms like Mehlman Vogel were a shock absorber that protected corporations from populist passion. When conservatives took over Congress, Mehlman Vogel hired out its Republican lobbyists to help negotiate the new environment. When liberals took over, Mehlman Vogel hired out its Democrats.

Koch Industries first retained Mehlman Vogel in 2007, when Democrats gained control of Congress, paying the firm $10,000 a month through 2008. By the end of 2009, Koch was paying the firm $20,000 a month and retaining thirteen of its lobbyists, including Bingel. She was a former staffer for Senator Blanche Lincoln, the Arkansas Democrat, and was on a first-name basis with many Democratic senators and staffers.

Bingel was part of a hidden political movement in 2009 that could be called "Democrats for Koch Industries." She spent time hanging around the cheap congressional cafeterias, like the one in the basement near Jonathan Phillips's office. When Bingel saw a staffer she knew, she sat down and traded gossip. She spent time on the phone, collecting tips. When her staffer friends wanted to get out of the office, Bingel took them out to lunch. Bingel became a liaison between Koch Industries and the liberal politicians whom the company had spurned for so many years. "My job was to introduce them to Democrats," she said.

There were two ways for a lobbyist like Bingel to get the attention of a politician. The first was to work for that politician and remain close to their staffers after leaving, as Bingel had done. The second way was to raise money for the politician. This is why lobbyists frequently host fund-raising lunches, banquet dinners, and other events. The issue of fund-raising had to be treated delicately. Bribery is illegal in the United States. If a lobbyist offered money to a legislator in return for a vote, then both people could end up in prison.

To compensate for this fact, an elaborate system of etiquette had taken root in Washington. A lobbyist showed up, made an impassioned pitch to a legislator, and then left. Later, the lobbyist called the legislator's office to say how thrilled the lobbyist would be to hold a fund-raising dinner for the legislator. If the lobbyists mentioned fund-raising in the middle of a pitch meeting, it would be akin to going shirtless to a formal dinner. Everyone in the room would be shocked.

When Bingel brought her colleagues from Koch Industries to meet Democratic politicians, they followed the well-honed lobbyist playbook. They focused on three factors that could sway the legislator's thinking. The factors were:

1. The Preferences of a Legislator's Voters. This was the most important factor to a lawmaker. A legislator cares, more than anything, about winning the next election. They seek to stay safely within the zone of voter approval.

2. The Broader Political Impact of the Vote. Because every legislator belongs to a political party, they also obsess about their standing within the party and their political future. A good lobbyist points out how any given vote fits into the party's goals.

3. The Personal Convictions and Idiosyncrasies of the Legislator. This was the most frustrating and most ambiguous factor. Legislators are only people, at the end of the day. Most of them ran for office for deeply personal, and sometimes irrational, reasons. It could not be overestimated how profoundly these personal motivations play into a legislator's votes. Good lobbyists were intimately familiar with a lawmaker's personal quirks and convictions.

During a typical meeting with a lawmaker, a Koch Industries lobbyist pulled all these levers of influence. To pull the first lever, the lobbyist highlighted the deep ties that Koch Industries held with the legislator's voters by listing the jobs that Koch provided in the state or congressional district in question. To pull the second lever, the lobbyist might talk about legislative issues that were important to the lawmaker's party. What was left unsaid, but understood among everyone in the room, was the sizable volume of Koch's political donations, which could help any politician's standing in their party. Finally, the good lobbyist catered to a lawmaker's personal quirks, talking about a given issue in terms of keeping taxes fair in one office, and talking about the same issue in terms of infrastructure investment in another.

Bingel and the other Democrats for Koch helped the company understand the intricate power dynamics within the Democratic majority in Congress. It was clear that most Democrats in the House felt empowered to push the Obama agenda. But talking with staffers in the cafeterias yielded important insights about it. Obama's chief of staff, the former congressman Rahm Emanuel, wanted Obama to push his agenda in three phases, with three major bills that would pass through the House and Senate like train cars in a row. First would be health care reform, second would be financial industry reform, and third would be climate change legislation. This was useful to Koch Industries, ExxonMobil, and other fossil fuel companies that wanted to derail the carbon control efforts. If the climate change bill was the caboose of the legislative train, then the opponents had more time to mount a fight against it.

As they worked through their long Monday morning meetings and sketched ideas on the white notepad, Koch Industries' lobbyists crafted a plan to do just that.

David Hoffmann worked for months on his study that explored how Koch Industries might adapt its business to a cap-and-trade bill. He was excited by his findings. Hoffmann's committee discovered opportunities for Koch to make money in a market for carbon emissions. Invista released huge amounts of nitrous oxide into the air, a chemical that trapped heat at a magnitude of 290 times greater than carbon dioxide. If Invista cut its nitrous oxide emissions, it could reap extremely valuable carbon emission credits. The future under cap-and-trade might not be entirely bleak.

In spite of these findings, Hoffmann wasn't sure that anyone at Koch was interested in his committee's work. It seemed like his reports and updates were being ignored. Hoffmann realized why after he was invited to attend a senior-level meeting of Koch's lobbying operation. The topics of the meeting were EPA enforcement of the Clean Air Act and the Waxman-Markey cap-and-trade bill.

The meeting convened in the same conference room where Koch's lobbyists held their Monday-morning strategy sessions. Hoffmann didn't usually attend such meetings, but was apparently invited to this one because of his role as an environmental compliance attorney. The first part of the meeting dealt largely with a new push by the EPA to strengthen air emission rules. Philip Ellender led the meeting, but the session was attended by some of the most senior people in Koch's political operation.

This included Richard Fink, who was second only to Charles Koch in the political shop. Fink had a hand in virtually all the facets of Koch's political influence operations, from the Cato Institute think tank, to the academic studies at George Mason University, to the registered lobbyists. Only a handful of people knew about the inner workings of all these groups, and Fink was one of them.

Also at the meeting was Laurie Sahatjian,* one of Koch's most senior attorneys, who specialized in environmental compliance. She was joined by Don Clay, a former EPA official who had worked for Koch's lobbying office since the 1990s.

Before he sat down in the conference room, Hoffmann believed that Koch's approach to the Waxman-Markey bill might be to mitigate its effects on the company, as he was trying to do. As the discussion got under way, he realized his opinion was in the minority.

When the meeting turned to the cap-and-trade bill, the discussion began with some banter and small talk. Most of the attendees let it be known that they thought climate change was "a hoax," Hoffmann recalled. This was difficult for him to absorb. The people in the room were very intelligent. Many of them had an almost encyclopedic knowledge of the emissions released from Koch's factories and refineries and

* Laurie Sahatjian married and changed her name to Laurie McCausland.

how those emissions interacted with the Earth's atmosphere. The science of global warming was not fundamentally complex: carbon trapped heat in the atmosphere, more carbon trapped more heat, and humans were releasing unprecedented amounts of carbon into the sky.

But Hoffmann realized that most of the people in the meeting doubted the underlying problem that Waxman-Markey sought to address. If global warming wasn't real, then there was no justification for the law to exist. The feeling in the room was that the Waxman-Markey bill posed an existential threat to Koch Industries. Koch's lobbying team was particularly aggrieved by the bill because it seemed as if the law was specifically targeting oil refineries in an effort to replace them with wind farms and solar panels.

Koch's lobbyists circulated a pie chart that seemed to prove their case. It highlighted a complicated provision of the cap-and-trade law that was seemingly being weaponized against Koch. The provision in question was the so-called carbon allotment. In essence, when the cap-and-trade law took effect, the government would instantly distribute allotments to the private sector that allowed companies to release a certain amount of greenhouse gases into the atmosphere. These allotments were the starting point of the carbon trading market; after a company used all its allotments, it would be forced to pay money for all the additional carbon it released.

Under the proposed law, roughly $1 trillion worth of carbon allotments would be allocated in the beginning. The biggest share of the allotments, totaling about 37 percent, would be handed out to electrical utility companies. The theory behind giving so many allotments to utilities was that it would ultimately ease the regulatory burden on most consumers, who didn't have a choice but to use electricity. The oil refineries, by contrast, would receive just 1.7 percent of the allotments. This tiny sliver of allotments was barely visible in the pie chart that Koch's lobbyists were circulating. Even Hoffmann was swayed by this graphic presentation.

"It was pretty clear that Congress was targeting the refinery industry," he said. "It did seem starkly unfair."

There was even more for Koch to worry about. The government could ratchet down the allotments over time, squeezing the refineries even harder. It looked like a plan to make oil refining a thing of the past.

As it happened, the carbon allotment provision of the Waxman-Markey law was written by Jonathan Phillips, the twenty-nine-year-old congressional aide who was toiling away in the basement of the Longworth Building. Phillips had no idea that he had just become Koch Industries' chief antagonist. He was too busy working.

During the spring of 2009, the long-held liberal dream of passing a cap-and-trade bill was starting to look like a reality. Henry Waxman was in charge of the House Energy Committee, Ed Markey was lobbying his fellow Congress members, and President Obama was speaking in favor of its passage. The Committee on Global Warming spent years provoking Congress into action, and now that action was here. Phillips and his coworkers knew that they had one chance to get it right.

Phillips was asked to write a significant portion of the bill that would create a mandate to spur energy production from renewable sources like wind turbines and solar panels. Creating an economically transformational law wasn't nearly so hard in 2009 as it had been in the early 1930s, when Franklin Roosevelt's administration laid the groundwork for the New Deal. The basic policy machinery of the New Deal was still in place, which created a self-propelling momentum to increasing federal power. As Phillips and his colleagues sought to construct a cap-and-trade system, all they had to do was tweak the massive legislative structure that was already in place. The entire Waxman-Markey law, in fact, was really just an amendment of the Clean Air Act, the Federal Power Act, and other existing laws. It wasn't even necessary to create a new federal agency to implement the law. The carbon cap could be imposed and policed by the EPA, and the renewable-energy mandate could be imposed by the Federal Energy Regulatory Commission, for example.

This was, in short, Charles Koch's worst nightmare. As the government became more powerful, it became easier to expand those powers.

The technical aspects of the bill were mostly settled by early 2009. Phillips and his colleagues were now working on another aspect of the bill: its politics. They needed to win support from a majority of Democrats, which was problematic. One inarguable fact about the cap-and-trade bill is that it would put a price on carbon and thereby increase energy prices, at least in the near term. Oil prices would go up. Coal prices

would go up. Electricity bills would go up. Congress members knew that supporting the bill would draw relentless political attacks when higher energy costs were realized. It was true that stemming carbon emissions might mitigate an eventual climate disaster, but this wouldn't help a congressman get reelected in two years' time.

Phillips and his colleagues needed something more than an argument to persuade hesitant Democrats. Luckily, they did have something: an immense pot of money called carbon emission allotments. When a cap was put on carbon, the right to pollute with greenhouse gases would instantly be worth at least billions of dollars. And the government would possess a newly invented piggy bank from which it could disburse the money.

Based in part on observations of carbon trading markets in Europe, most experts estimated that the price of carbon would float around $13 to $15 a ton in the first years of the market. The Waxman-Markey bill allowed for roughly $1 trillion in allotments during the first thirteen years of the law's enactment. The initial allotments might become even more valuable over time because the bill called for total greenhouse gas emissions to fall 17 percent from their levels in 2005 by the year 2020.

"We created a commodity out of nothing," Phillips said.

The committee invited conservative Democrats to negotiate how the allotments would be allocated, creating a windfall available to early adopters of the cap-and-trade system. Phillips and his colleagues held closed-door meetings with staffers for congressmen like Gene Green of Texas and Virginia's Rick Boucher, whose home districts were rich in fossil fuel jobs. The political horse trading gained intensity through April and May as Waxman-Markey gained support in the House. Phillips said that the energy-backed Democrats bargained hard for a big share of allotments. The committee couldn't help but comply. "The last thing we wanted to do was be responsible for shutting down US industry," Phillips said. "So they had a captive audience."

The biggest share of allotments—about $378 billion worth—was given to the electrical utility companies. Just 6 percent of the allotments would be paid to support renewable-energy sources and energy efficiency plans at the state level. That was less than the 6.5 percent offered to natural-gas-fired utilities.

Phillips said that the oil refiners pushed hard for more allotments, mostly through the office of Gene Green, who had multiple oil refineries in his home district in Texas. Ultimately, they agreed to a price. The bill would pay out $17.8 billion to the oil refiners. Phillips and his colleagues made this concession over the protests of environmental groups, who already claimed that the cap-and-trade system favored polluters. Even with that pressure coming from liberal Democrats, the subsidy to oil refineries seemed necessary to get the bill passed.

"They got a great deal," Phillips said.

His view was not shared by Koch Industries' lobbyists. While Phillips was using carbon allotments to target conservative lawmakers who were hesitant to support the bill, Koch's lobbying shop was employing different tactics.

David Hoffmann heard the strategy laid out during the meeting of Koch lobbyists. Koch decided to target moderate Republican politicians who might be tempted to support the measure. There were not enough Republican votes in Congress to kill the bill, but Republican resistance could help slow its passage and make conservative Democrats think twice about supporting it. These were the very same votes that Phillips and his colleagues were trying to secure in the early summer of 2009. If Koch could peel away support from the Republican side, the effort might collapse.

"It was all about identifying those representatives who were on the fence," Hoffmann recalled. "I just remember them talking about individual representatives they needed to reach out to."

There was no better target, in this effort, than a deeply conservative congressman from South Carolina named Bob Inglis. He was a close ally of Koch Industries, who had taken the company's campaign donations and toured its factories. But Inglis would later admit that he was a "heretic" on one issue: global warming. It would make him an example to his peers—and destroy his career.

Bob Inglis was a reliably conservative Republican with a solidly conservative voting record from one of the most conservative congressional districts in the most conservative state in the country. It went without saying that he didn't think global warming was real.

"For six years, I said climate change was nonsense. I didn't know anything about it but that Al Gore was for it," Inglis recalled. "That was the end of the inquiry for me. Al Gore's for it. I'm against it. Next."

Inglis might have remained rooted in this belief if he hadn't been elected to Congress and then become a senior member of the House Committee on Science, Space, and Technology. During his tenure on the committee, Inglis traveled to Antarctica and toured a laboratory that tested ancient air bubbles trapped in ice cores from deep inside ancient glaciers. The evidence from these tests astounded Inglis and seemed simply inarguable. The evidence showed that atmosphere carbon concentrations were increasing dramatically. Al Gore wasn't anywhere nearby to interject his opinion.

The facts just stood alone.

A slow change unfolded in Inglis's thinking. The change was fed by other trips he took as a member of the Science Committee. He visited coral reefs that were dying because of the increased carbon levels in the water, which made oceans more acidic. He studied the heat-trapping effects of carbon and the enormous levels of carbon emissions from industrial activity. He came to believe that carbon emissions were a slow-moving, man-made disaster that might eventually endanger life on Earth.

When he ran for Congress in 2008, Inglis ran on a platform that supported the renewable-energy industry. He saw it as a way to win jobs for his home district. Inglis didn't see any political danger in this position—he had a keen feel for his voters in the Fourth District of South Carolina, a largely rural area that included the small cities of Greenville and Spartanburg. He thought that betting on conservation and renewable energy was betting on the home team. General Electric manufactured wind turbines in his district, and a Michelin factory there manufactured tires designed to increase gas mileage in cars. When he ran for office, one of his slogans was "The road to energy independence starts in South Carolina."

When Inglis talked about controlling carbon emissions, he talked about it using the vocabulary of markets, and capitalism, and innovation. Pollution became a problem if the pollution didn't carry a price, he believed. This was the classic market problem of "externalities," when companies externalized the cost of their production, like pollution. Carbon emissions were arguably the largest externality in the history of humankind. The cost of the emissions would be born heavily for future generations, and companies burning carbon today didn't have to pay a dime for it.

"Coal-fired technology gets away with belching and burning into the trash dump of the sky without paying any tipping fee* for the damage that it's causing there," Inglis said

In spite of this conviction, Inglis couldn't get behind the Waxman-Markey bill. He felt like it was too complex and too sprawling to actually work. But Inglis couldn't let himself simply vote "no" on Waxman-Markey. "I had this rather Boy Scout notion that if you're going to oppose, you better propose," he said.

In late May, Inglis proposed a law called the Raise Wages, Cut Carbon Act of 2009. The bill was similar to many New Deal laws in that it was severe, far reaching, and elegant in its simplicity. It proposed putting a tax on carbon but matching it with a cut to payroll taxes. This meant that any tax increase on consumers could be offset by a tax cut on their earnings. And if people wanted to avoid the tax on carbon, they had the freedom to shift away from carbon-intensive fuels. The tax would feature a "border adjustment," meaning that it would be levied on imported products from China and other countries, ensuring that the cost of carbon wouldn't be unfairly heaped on US manufacturers.

In spite of this, Inglis was closely aligned with Koch Industries for most of his political career. After he was elected in 2004, Koch invited Inglis to tour the company's Invista factory in his district, which provided about a thousand jobs. Inglis remembered Koch's lobbyists flying in from DC to accompany him on the tour. He shook the hands of employees, learned about Invista's product line, and had a delightful time. The affection seemed mutual. Between 2005 and 2006, Koch's PAC donated $7,000 to Inglis's campaign, becoming his fourth-largest contributor. For the 2008 campaign, Koch's PAC donated $10,000 to his campaign, becoming his second-largest contributor.

In 2009, the impending vote on the Waxman-Markey bill put Inglis in a bind. He had long claimed global warming was a danger, but now his convictions would be put to the test.

The pressure intensified in late May, when the Waxman-Markey bill

* A tipping fee is the fee a person must pay to dump garbage at a private garbage dump.

was passed by the Energy and Commerce Committee, which had stifled the effort for so many years under John Dingell. Henry Waxman, the new chairman, pushed the bill through committee so quickly that it even surprised the staffers working on it. Phillips had believed that passing the bill through the committee would be harder than passing it through the entire House, because the committee was heavily staffed by conservative Democrats with deep ties to the energy industry.

"I got emotional [during the vote]. I remember looking around on the dais, and my eyes were welling up," Phillips recalled. "That really was the day where it was like, 'Oh, holy shit. This might happen. This is *probably* going to happen.'"

It looked like the bill would be voted on by the entire House in June. This was breathtaking speed in the world of legislation. Within a month of the bill passing committee, every member of the House would have to figure out where they stood on the cap-and-trade bill. Bob Inglis was no exception. As he tried to figure out if he would vote for Waxman-Markey, Inglis kept in close contact with his campaign donors. Like most congressmen, Inglis spent hours, every week, raising cash. He never had the luxury of focusing entirely on the job of policy making; the midterm election of 2010 was just over a year away, and Inglis needed to have plenty of money on hand.

Inglis raised cash in a small office building just a short walk from his office on Capitol Hill. The office was in a nondescript townhouse that was home to the National Republican Congressional Committee, the fund-raising arm of House Republicans. It was illegal for members like Inglis to use their own offices to raise money, so the NRCC provided them with a small call center for the task. Inglis and a staffer showed up at the NRCC and walked down the hall to a small, private office, which Inglis called a "cubby," that had two chairs and two phones. Inglis's staffer worked the phone until she had someone on the line, handed the phone to him so he could ask for money, and start dialing for the next donor.

Koch Industries was a reliable donor, so Inglis made sure to call them early.

Inglis called Koch's lobbying office to see if he could count on the company's support again. Calls like the one to Koch were the easier calls—he was maintaining a relationship rather than trying to build a new one.

The call went poorly from the beginning. The lobbyist whom Inglis usually spoke with wasn't there. He asked if a Koch lobbyist might be able to attend a fund-raising breakfast. He was told that that would not be possible. The call ended quickly.

"I just remember it being a little bit chilly," he recalled. He hung up and thought to himself, *They're not giving me any money this cycle.*

The phone call was just the first of many messages that Koch Industries would send to Inglis.

Jonathan Phillips stood in the gallery of the chamber of the US House of Representatives, looking down on the wide-open floor area with its concentric half circles of seats for the members of Congress. It was Friday, June 26, 2009, the day that the House would vote on the Waxman-Markey bill. Phillips wasn't at all sure that the bill was going to pass. Support was narrow, and any defections from the Democrats could sink it. It appeared that some defections were in the offing. Pelosi seemed to be working the crowd, making deals, quieting concerns. "Pelosi was doing I don't know what sort of horse trading," Phillips recalled. "Those are the type of tough votes where she's making promises, you know?"

Over the next several hours, Republicans and conservative Democrats voiced their opposition to the bill based on a shared foundation. They didn't attack the evidence about climate change or challenge the need to promote renewable sources of energy. Instead, they attacked the Waxman-Markey bill as an economic disaster; an expensive tax on everyone that would raise the prices of electricity, gasoline, and energy. The theory behind the cap-and-trade system, of course, was that market forces would help solve the price problem over time as companies invented new technologies that were carbon free and introduced them to the market.

After nearly eight hours of procedural maneuvers and debate, Ed Markey rose to speak. He didn't seek to rebut many of the attacks one by one, but answered them with a call to take part in history. "This bill has the ambition of the moon landing, the moral imperative of the Civil Rights Act, and the scope of the Clean Air Act all wrapped up in one," he said.

After exhausting their arguments, the Republicans prepared to make

their closing statement. They reserved the privilege for a rising star in the House, a former conservative talk-radio host from Indiana who was first elected to the House in 2001, named Mike Pence.

Pence walked to the rostrum and looked down for a moment before beginning his speech. He was a striking figure, a handsome man with a square jaw and stark white hair. His training in show business was apparent the moment he started to speak. While other congressmen stumbled through their speeches, reading awkwardly from a script, Pence was at ease.

"It's hard to know where to start," he said, shaking his head. And then he paused, a long, dramatic pause that ate up much of his allotted speaking time but had great effect.

Everyone was listening. "This economy is hurting. American families are struggling under the weight of the worst recession in a generation," he said, with great sadness and great compassion in his voice. "In the midst of the worst recession in a generation, this administration and this majority in Congress are prepared to pass a national energy tax that will raise the cost of energy on every American family."

And then Pence did something that none of his colleagues seemed to have done during the course of an eight-hour day. He looked directly into the C-Span camera and talked directly to the viewers there, whoever they might be. He pointed his finger at them and exhorted them to get up and make a difference. "If you oppose the national energy tax, call your congressman *right now*!" he bellowed. "Alexander Hamilton said it best: 'Here, sir, the people govern.' We can stop this bill. We can do better. And so we must."

It was an impassioned speech, but Pence's rallying cry seemed oddly out of place. There didn't seem to be some great crowd of voters in the C-Span audience ready to mount a rebellion against the Obama agenda. Pence finished his speech and stepped back in the gallery, looking like a pied piper with no one to follow him.

After several hours, the debate was finished, and the roll call vote began. Phillips and his colleagues watched as the votes were tallied, and their elation grew with every minute. The margin of victory became insurmountable. A one- or two-vote margin turned into a seven-point margin. The bill passed 219 to 212. Gene Green, the conservative Texas Democrat from oil refinery country, voted for the bill, as did Rick

Boucher, from coal country. Remarkably, eight Republicans broke ranks to support the bill, more than Phillips or anyone on his committee might have expected.

When the vote was tallied, Phillips and his colleagues went to the staff office of the Energy and Commerce Committee. These were nice offices, a big space that was far removed from the basement warren where Phillips had worked for years. Bottles of champagne were popped open, glasses were passed around. Both Waxman and Markey were in the room, talking with staffers. Both men gave a speech. There was a tremendous sense of accomplishment in the room. As they drank and laughed and clapped each other on the back, everyone seemed sure that the bill would pass the Senate within months, probably by Christmas.

"We did what we set out to do," Phillips said. "I totally felt like this is what I came to Congress for."

Every quarter, Charles Koch held meetings in the company boardroom to evaluate the progress of each major division in his company. He peppered the business leaders with questions, probing their presentations for weak points and questioning their plans for the future. By the middle of 2009, Charles Koch was getting similar presentations from his political operatives. He sat at the large, polished wood table and listened as top operatives in his political network walked through the events of the past months, shared their analysis of the landscape, and laid out their plans for the future.

In the middle of 2009, the news from the political operation was unrelentingly bad. The Waxman-Markey bill had passed the House and was fast-tracked toward the Senate. To make matters worse, Obama's stimulus bill was doling out billions of dollars to Koch's emerging competitors in the wind, solar, and renewable-energy industries.

As with any business unit, Charles Koch absorbed this information with apparent dispassion. He asked for data and analyzed it closely. One senior political operative recalled sending Charles Koch a spreadsheet with polling data on voter attitudes. The presentation included "top line" figures, showing broad voter attitudes that were accompanied by several "cross tabs" of detailed data that broke down the results by demographic group. As the operative was presenting his findings to Charles Koch and other directors of the company, Koch interrupted to question them about the data.

Charles Koch asked about figures in the cross tables. He wanted to know why women in one geographic area felt the way they felt. The operative was shocked at the level of granular knowledge behind the question. Charles Koch was paying just as close attention to his political efforts as his corporate endeavors.

It seemed even more surprising that Charles Koch could keep all of these political operations straight in his own head. The contours of Koch's political machine were intentionally obscured and complex. Outside analysts would spend years trying to piece together all of its various pieces. The political machine consisted of at least dozens of shell groups funded by anonymous donors, some of them staffed by current and former employees of Koch Industries. The network included the main lobbying office in Washington, DC; all of the contract lobbyists it hired; a relatively obscure activist group called Americans for Prosperity with chapters in several states; at least several private political consultancies; the Koch Industries corporate PAC; various think tanks; academic programs and fellowships; and a consortium of wealthy donors that Charles and David Koch convened twice a year to pool large donations for Koch's chosen causes. And these elements were just the most visible pieces of the Koch political machine.

The entirety of the political apparatus could only be viewed from the top, by a handful of people with the authority to see the entire operation. These people were Charles Koch, David Koch, and their top political operative, Richard Fink. Of the three of them, Charles Koch unquestionably had the most authority. It was Charles Koch, then, who had the most influence over how this political machine would react to the surprising momentum behind the Waxman-Markey bill. His reaction might have been unsurprising to anyone who knew him well. Charles Koch had been unyielding in his years-long legal battle against his brother Bill. He had been unyielding in his battles with relatives and shareholders who wanted to take the company public. He had been unyielding in his battle against labor unions. He was unyielding now.

Koch's political machine was deployed, in 2009, in ways that it had never been deployed before. Millions of new dollars would flow into a new political network at the state level. Hundreds, possibly thousands, of new activists would be brought on board. New attack campaigns were launched. New political candidates were chosen and supported.

In the fight that Charles Koch was about to wage, there would be no compromise. There would be no effort to amend the Waxman-Markey bill or win subsidies through the emission allotments. There would be no effort to suggest an alternative path to lower carbon emissions, such as a carbon tax. There would not even be an acknowledgment that climate change was real.

The central strategy would remain the same as the one conveyed in Koch's lobbying office earlier in the summer. The primary target of Koch's campaign would be Republicans who supported the Waxman-Markey bill, and any Republicans who stood against Koch on the issue of climate change.

These Republicans were the primary targets for a reason. Koch's long-term plan was to reshape the Republican party, and these members would be made an example of. The strategy wasn't necessarily new, but the means that Koch used to pursue it were unprecedented.

After the Waxman-Markey bill passed, Phillips and the other members of the Global Warming Committee handed off most of their work to their colleagues in the Senate. Congress was called into recess for the Fourth of July break, and members went back to their districts for the annual tradition of constituent meetings and parades.

During the holiday recess, the Global Warming Committee's communications director, Jeff Sharp, kept working, monitoring media reports about the Waxman-Markey bill. The Senate would pick up debate of the measure in the fall, and Sharp wanted to stay on top of the story in the meantime. Over the Fourth of July holiday, Sharp started getting some disturbing phone calls and e-mails. There were protests. And the protests were remarkable. Protestors were standing along parade routes, on Independence Day, waving placards and shouting at the members of Congress as they passed by. Sharp couldn't remember anything like it happening before.

"At each parade, there is a group of four to six people in the parade screaming and yelling: 'No cap and trade! No cap and tax!' Like, viscerally angry on that issue. In the parade. This is a parade, right? Most parades, as you go through the parade, at that time, people were not yelling and screaming about an issue, let alone a very specific issue like cap and trade."

The protestors were also showing up at the congressional members' town hall meetings, those boring civic obligations that never drew more than a half dozen people or so. The town halls were crowded now with angry constituents who hectored the congressional members with shaking anger in their voices. These protestors didn't look like typical protestors. They were middle-aged people. Mostly white. Affluent looking. Not the kind of people that most Congress members were accustomed to seeing protest in public.

Sharp received a video from the town hall meeting held by a Delaware Republican named Mike Castle, who'd voted in favor of the Waxman-Markey bill. Protestors lined the back of his town hall. They hooted and bellowed. They repeatedly brought up the cap-and-trade plan.

"On this energy thing," one protestor said, "CO_2 emissions have nothing to do—and the greenhouse effect has nothing to do—with global warming. It's all a hoax! Personally, for the life of me, I can't understand how you could have been one of the eight Republican traitors."

At the word *traitors*, loud applause broke out. Castle, standing at a podium, dutifully took notes as the protestors made their arguments. After the event, a woman in the crowd pigeonholed Castle and informed him that the Earth was, in fact, cooling. She asked if he knew how much the "cap-and-tax" system was going to harm the poultry industry in Delaware.

Sharp watched these videos over and over. The comments struck him as odd. Cap and trade and global warming had never elicited such visceral anger from the public. People didn't normally show up at parades and yell about one single issue. And he kept hearing the same phrases, the same talking points, again and again. The protestors talked about "cap and tax" and a "hoax" and an "energy tax." It was as if the protestors had been coached or handed a script. This wouldn't have been groundbreaking—Sharp had seen such tactics used up close during his years in the PR and lobbying businesses.

When he saw these protests, Sharp saw a coordinated campaign. "I remember watching that and [thinking]: *Something is Astroturf–smelling about that event*," he recalled. "It did not feel organic."

Sharp kept watching the video of Mike Castle getting berated at the town hall. And he kept thinking about the protestor in back who called climate change "a hoax."

"I remember watching it, and being like, *Where did that guy get that from?*"

CHAPTER 20

Hotter

(2009–2010)

If sufficiently developed and organized, public sentiment, as manifested in Congress, can prevail over presidential intransigence.

—Jon Meacham, *The Soul of America: The Battle for Our Better Angels*, 2018.

As hot as it is today, if we keep working this issue, it's going to get even hotter for Barack Obama and Harry Reid! Because I think the American people are fed up! Don't you?

—Tim Phillips, president of Americans for Prosperity, speaking at a rally outside the US Capitol, August 7, 2010

This was unmanageable. Bob Inglis was standing in an auditorium, in front of a very large crowd, trying to make himself heard. He was hosting a town hall event and had a microphone in his hand, but his words were drowned out by heckling and shouting. He seemed dazed, like he couldn't quite make sense of what he was seeing.

The first thing that didn't make sense to Inglis was the sheer size of the crowd. There were roughly five hundred people in the room, maybe more. This was incomprehensible. Bob Inglis had been holding town hall events for years and was lucky to draw fifteen or twenty people to each event. Americans simply didn't turn out for civic events, even if you provided free food. But one of his meetings that summer drew an estimated seven hundred people. The fire marshals arrived at that one and turned people away.

The second thing that didn't make sense to Inglis was the rage. The crowd, all of them, were boiling with anger. At most political events, it was rare for anyone in attendance to stand up and speak into a micro-