

Part III

Market Makers Share Their Views on Clean Energy and Climate Change

Funding Solutions to Climate Change: A Philanthropy Panel

James Gustave Speth (*Moderator*)

Dean, Yale School of Forestry & Environmental Studies

Stewart Hudson

President, Emily Hall Tremaine Foundation

Mr. Hudson has been active in the public policy arena for nearly twenty years. Prior to joining the Tremaine Foundation, which makes grants in the areas of art, environment, and learning disabilities, Mr. Hudson was the Executive Director of the Jane Goodall Institute. He also worked at the National Wildlife Federation, initially in the International Programs and ultimately as Vice President for Educational Outreach. At NWF, he worked on international conservation projects and was a lead architect of the movement to connect international trade with environmental concerns.

Michael Northrop

Program Director of Sustainable Development, Rockefeller Brothers Fund

As the Fund's Program Director, Mr. Northrop focuses on climate change, forest protection and marine conservation issues. He is also a Lecturer at the Yale School of Forestry & Environmental Studies. Mr. Northrop's previous experiences includes: Executive Director of Ashoka, investment banking at First Boston, and teacher at Anatolia College (Greece) and Gadjah Mada University (Indonesia). He serves on the Advisory Boards of Climate Change Capital and The Climate Group, and on the Board of Directors of Oceana, SmartPower, and Princeton in Asia.

Ted Smith

Executive Director, Henry P. Kendall Foundation

Mr. Smith guides the Foundation's strategy and funding as it commits its resources to climate mitigation and adaptation activities. A Montana native, his previous experience includes: Smokejumper for the U.S. Forest Service, Country Representative for Indonesia for the Ford Foundation, President of John D. Rockefeller 3rd's Agricultural Development Council focused on Asia and Africa, and Founding Director of the Consultative Group on Biological Diversity.

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Tremaine Foundation

Center for

BUSINESS ^{AND} _{THE} ENVIRONMENT

at Yale

Chapter 7

Funding Solutions to Climate Change: A Philanthropy Panel

James Gustave Speth, Yale School of Forestry & Environmental Studies (Moderator); Stewart Hudson, Emily Hall Tremain Foundation; Michael Northrop, Rockefeller Brothers Fund; Ted Smith, Henry P. Kendall Foundation

EDITORS' REMARKS

This presentation occupies a unique space in our series, providing an inside view of how the foundation world is responding to the challenge of climate change. The actions of the three distinguished panelists indicate that “yes,” it is responding, and responding mostly through highly strategic efforts that work to build from the base of the pyramid.

Nonetheless, the prevailing sentiment is that more needs to be done and that foundations generally don't realize how much is at stake with the climate issue. This, of course, is not a sentiment solely applicable to the foundation world for, as Ted Smith points out, “People tend to move and to act in the face of perceived danger or perceived losses. We're talking about a time span here that is very hard to bring front and center in terms of the immediacy of what's going on.” A greater sense of urgency and responsibility is, however, felt by this panel, as typified by Michael Northrop's comment that “I just don't think there's a way to be too radical about what we need to do on climate change.”

Though it doesn't dispel the adage that “if you've met one foundation, you've met one foundation”, this chapter does fulfill Stewart Hudson's hope that we “learn a lot about foundations here.” The audience was grateful for the directness with which this panel spoke, and moderator Gus Speth's closing words are still fitting months afterwards, “let's thank the panel for their wisdom and their candor.”*

*To gain further context, read related articles, order a bound copy of this publication, or download pdfs of the publication or the recorded version of this presentation, please visit: www.yale.edu/cbey/carbonfinance2008

INTRODUCTORY CONTEXT

Ted Smith: I didn't want to create a new organization. It's awfully hard to start from the ground up. And yet, climate change was something that I thought touched every sector of society. It was not an environmental issue in our judgment. We were faced with making a judgment early on that, in fact, the climate issue was going to be a broad-ranging issue. As a result, we went ahead and created a new organization at that time and named it Clean Air-Cool Planet.

That organization has now grown to the point where it has a \$2 million annual budget. One of its distinguishing hallmarks is that there are now over 800 colleges and universities that are using its computer program to calculate their carbon footprints. In creating a new organization, we hoped to begin to get the word out in such a way that people would begin to notice that there is change going on and begin to see how that change can be measured.

We also thought tactically that if we started in New England with a grassroots approach – this comes from a reflection on the American political system – and if we were able to build a base in New England for a climate change lobby of some kind through our delegation in Washington, we would ultimately begin to affect national policy. We had a strategy to begin at the base and work toward a national policy. I think what you'll find out from the other presentations on this panel is that we all three share a common concept that the American political system can be built from the base to influence national policy. If you need one marker to ask yourself if that is the right strategy, ask yourself how much Al Gore was able to do for eight years in the White House without that backing from below. My answer to that would be very, very little. It's interesting to see, now that he's not in the White House, what he's been able to do.

I think what you'll find out from the other presentations on this panel is that we all three share a common concept that the American political system can be built from the base to influence national policy. If you need one marker to ask yourself if that is the right strategy, ask yourself how much Al Gore was able to do for eight years in the White House without that backing from below. My answer to that would be very, very little. It's interesting to see, now that he's not in the White House, what he's been able to do.

Another thing we did was to put a stake in the ground early in 2003 and say, "We're going to do green school construction throughout New England." Why? Strategy-wise, what institution really matters in communities? Well, there are several. There are churches, schools, city offices, and so on. We thought that schools would be a very influential place to begin an introduction of climate and also, as we saw energy prices going up, of energy concerns.

In this case we borrowed from California's high performance schools that had already established, to a great extent, how to go about this. We decided to move that strategy to New England and adapt it for New England. We then found that each state is adapting this strategy to suit its particular purposes. Again, the strategy behind that, and from the perspective of a foundation that is proactive, was to see if we couldn't influence the broader community at the grassroots level in terms of where the world was going.

Another thing that we did was to put a stake in the ground early in 2001 and say, "We're going to do green school construction throughout New England." Why? Strategy-wise, what institution really matters in communities? We thought that schools would be a very influential place to begin an introduction of climate. Again, the strategy behind that, and from the perspective of a foundation that is proactive, was to see if we couldn't influence the broader community at the grassroots level in terms of where the world was going.

We soon found a young man named Billy Parish who had stepped out of his curriculum at Yale and had decided that climate change was going to be a really important subject for the future. We picked him up with a small amount of funding at that time, and he's gone on to do really wonderful things in terms of a nationwide climate challenge that some of you (will) know about. That's rank opportunism. When an opportunity came along, we just picked up on it.

We have now, as a foundation, become totally 100 percent climate and energy focused. We've done that over the last three years. We moved in that direction and persuaded our trustees to do that because we saw no greater issue before the century and before the body politic than the climate/energy issue. I'm saying climate/energy because a lot of where you get to climate is through energy policy.

We have now, as a foundation, become totally 100 percent climate energy focused. We moved in that direction and persuaded our trustees to do that because we saw no greater issue before the century and before the body politic than the climate/energy issue. And I'm saying climate/energy because a lot of where you get to climate is through energy policy.

Just to tell you a story, today the lead editorial in the Boston Globe was about the electricity grid of New England that provides electricity for the six New England states. Ratepayers had been taxed to build a fund of some \$5 billion to be able to supply electricity so that the lights in this room don't go off. We got in there two years ago by funding five organizations which have been referred to as "junkyard dogs."

They were the best NGOs (non-governmental organizations) working on energy in New England and they went after the Federal Energy Regulatory Commission to see if we couldn't get into the bidding on that \$5 billion for demand side reductions. It's one thing to increase supply, which is what presumably the fund was going to do, but we said, "We can make that easier and not have you build new coal fired plants if we can wedge into that and promise to deliver reductions in the demand for energy." We were successful in that. The bidding has gone on, and the lead editorial in the Boston Globe today touted the fact that demand side reduction is now a part of the equation. Here's a case where a foundation got in early and was able to make some kind of change that matters.

One other thing that I've learned strategy-wise is that energy is its own field. There are very few foundations in our entire nation that have any energy competence. It's a specialty. Until I could hire a Vice President, which I did, with deep business side energy experience as well as public experience in renewables, we couldn't be valid to play a real role in energy.

I should take one minute now to say what we're doing in Cambridge, Massachusetts. This is innovative in a sense. We're trying to make Cambridge a model for the nation by implementing a massive energy reduction scheme that we have established through a new NGO, the Cambridge Energy Alliance. Two innovations are a part of this. One is a city-wide campaign that will take place over the next four or five years, neighborhood by neighborhood, almost mimicking a political campaign, to cause people to register the fact that they can reduce energy consumption.

The second part is leveraging private finance. We have invested \$250,000 in this to create the new institution. We are hoping to leverage as much as \$100 million into Cambridge alone through private financing for investments in energy efficiency. Why energy efficiency? It is the low hanging fruit in terms of emission reductions at this time. Renewables are coming along, and they will come along, but it's going to be a long and slow process in many cases. Energy efficiency is right there to be tackled in the major urban centers, municipalities, and in the universities, for that matter, as Yale can demonstrate.

Why energy efficiency? It is the low hanging fruit in terms of emission reductions at this time. Energy efficiency is right there to be tackled in the major urban centers, municipalities, and in the universities.

Let me come to the end of my introduction by articulating the two major themes of climate change, and then we can hear from the other panelists and from the audience through questions.

One of the major themes is mitigation – reducing greenhouse gases. You'll hear much more about that. It seems to me that if we are able to come to a regulated market, both domestically and internationally, my own behavior ultimately will be affected in terms of the kind of car I buy, the kind of fuel I buy, and so on. Daily life

is going to be impacted by a regulated energy economy that pushes the price of carbon way beyond where it is now. I'm happy that the market is going to make major inroads on that side.

For the second major component of climate change – adaptation – there is no market mechanism that's going to handle very easily what is already forecast to come down the road in terms of changes. There's going to be chaos. I could mention Katrina as one example, not necessarily attributing it to climate change, but giving you a sense that we've really got a challenge. That challenge will play out in many different ways, and it will play out at a pace that is faster than any of us imagined, I think. I'm speculating now, and the speculation goes this way – the change that's coming in human disease, in hydrological systems (that is, fresh water), in forests, in agriculture and crops, and in a variety of other things, is going to be faster than we are able to encompass in our traditional research designs and protocols. My belief is that we're going to need ways to monitor this faster change and ways to get feedback loops working into adaptation that we simply don't have available today. We do have interactive technology in a way we didn't, however, and there are ways to get feedback that we didn't previously have. What we don't have, I'm afraid, are the governmental structures at all levels that will allow us to nimbly respond to those changes as quickly as we must.

For the second major component of climate change – adaptation – there is no market mechanism that's going to handle very easily what is already forecast to come down the road in terms of changes. There's going to be chaos. I could mention Katrina in that chaos as one example, not necessarily attributing it to climate change, but giving you a sense that we've really got a challenge.

I'll leave it right there just to give you a sense that we're working on the frontiers and that we don't have answers to a lot of the questions that are coming along, but we're biting into them.

Michael Northrop: With climate change – just a little issue – it's hard to know where to start, actually. I came to the foundation community out of the NGO community, where I had to fundraise and had gotten to know foundations a little bit. I ran and helped grow an organization for six years called Ashoka, which is a phenomenal organization. Its founder is a Yale Law School graduate, Bill Drayton, who some of you may even know about. He's become kind of famous. It's amazing. For such a shy and unusual guy to have become such a famous man is, I think, really striking, and it's the power of his ideas that make that happen.

I left because we were having a baby and I couldn't travel six months anymore, and I thought, I should go to graduate school. I went and, while there, became interested in the environment. I had previously been interested in it, but I was never a card carrying member of Greenpeace or anything like that as a kid. I was 32 years old or

so after becoming a late graduate student, and started realizing that I was writing all my papers about the environment and trade, the environment and economics, and the environment and politics. I thought, well, this is telling me something. I tried to think about where to go and what to do, and I knew about these weird foundations because I had had to raise money from them. I thought that would be a great gig – I could go out and do cool stuff and not have to raise money. That would be great. If only I could find a foundation that would be proactive and let me go do stuff and provide the capital so I could do it.

Luckily, I hit the foundation community just at a moment when I think, at least in the environmental field, we were making a shift from a very academic focus where there were a lot of PhDs running programs to people who were activists and had come out of the NGO community. It was just pure luck, and I managed to convince the foundation president at the time, a guy named Colin Campbell who was the president of Wesleyan University in Connecticut before he came to the Rockefeller Brothers Fund (RBF), to let me be a proactive grantmaker.

In the early days at the RBF, I thought of myself as a kind of a plant in the foundation world; I'm really an NGO guy. Now, 15 years later, I've been doing it for a while and I guess I'm really a foundation guy. I do still feel like it is a very unusual opportunity to go out, make things happen, create opportunities, and to be proactive. We are not one of those foundations that waits for the mail to come in and opens it up and says, "Yes, No, Yes, No." I think that's the conventional wisdom about what foundations do. I guess we're an example of one that does not do that.

When I got to the RBF, amazingly there was a preexisting interest in climate change. The RBF had had the foresight in the mid-1980s to start exploring the issue, and I think laid the groundwork, to some degree, for the UNCED meeting in Rio¹ in 1992. It was a pretty significant accomplishment that was achieved with a couple of hundred thousand dollars over a few years.

I learned about all of that after I got there. The program was fairly broad-based when I arrived, and I made it even more broad-based, thinking I wanted to work on everything. We did landscape conservation, forestry, marine conservation, trade and the environment – a whole bunch of stuff – and we did that for about ten years. Then about five years ago, we realized that of everything we were working on, probably the major, major threat to everything was climate change. We needed to be devoting every dollar that we had and every ounce of our resources to climate change to try to make sure that marine resources, forest resources, large ecosystems, and everything else didn't go to hell. We had been working on climate change, but it was incremental and it was up and down, and it wasn't that significant, frankly.

About five years ago, we realized that of everything we were working on, probably the major, major threat to everything was climate change. We made the very conscious decision to just take every dollar we could muster and move it to climate change.

¹ United Nations Conference on Environment and Development (UNCED) in Rio de Janeiro from June 3-14, 1992, often referred to as the "Earth Summit."

The program that I now administer is essentially a climate change program. We still call it the “sustainable development program,” but it really is a climate change program. We have some grants that still live in these other spaces where we used to work, but essentially everything is climate.

If I had to define what we’re doing, I’d say we have two goals and four strategies. Goal number one is to create a global system to deal with this problem of climate change. That’s kind of a big goal, and we do work on that in all kinds of ways. But goal number two is really where we’re spending our time, and that is that we need a U.S. federal response to climate change. We can’t get an international response to climate change that deals with it in a meaningful way unless we get U.S. federal policy on climate change.

That’s really what we’re trying to do. It’s a terrifying prospect because I hate the idea that we’re dependent on what Washington does. It’s just misery to think that that’s where we have to spend our time. And more and more over the last five years, we’ve been getting closer and closer to actually working in Washington itself.

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The four strategies get us to Washington, but we’re only just getting there now after five years. It’s hard to even know what the order is of these strategies because they really all intersect. Nonetheless, the first strategy is to make the case that climate action is economically possible, even beneficial. That’s to counter the myth – and it is a myth – that if you take any action on climate change, you’re going to ruin the economy. That may be the major thing that holds us back from taking action on climate change politically. If you’re a politician and you’re going to do something that’s going to harm the economy, you’re going to lose your job. You can’t do that. Politicians are very scared of the charge that somehow they’re going to hurt the economy. And business leaders are in exactly the same position. If you’re a CEO and you’re going to hurt your bottom line results this quarter, you’re going to lose your job. Your shareholders are going to get really angry at you, so you’re not going to do it.

In a busy world where people don’t have time to think very hard about a big, complicated issue and hear over and over that climate action is going to hurt the bottom line or hurt the economy, they don’t do anything. That’s been the case for a long time. But as you look around over the last 10 to 12 years of experience, you realize that, in fact, a lot of people somehow, even despite the fear that they were going to hurt the economy, took action. When you look at what they did, whether it’s the few federal governments, state and provincial governments, cities, or companies, every single one of those categories is represented by leaders who have been able to take action, reduce emissions substantially, and do it in an economically beneficial way.

In a busy world where people don't have time to think very hard about a big, complicated issue and hear over and over that climate action is going to hurt the bottom line or hurt the economy, they don't do anything. That's been the case for a long time. But as you look around over the last 10 to 12 years of experience, you realize that, in fact, a lot of people somehow, even despite the fear that they were going to hurt the economy, took action – leaders who have been able to take action, reduce emission substantially, and do it in an economically beneficial way.

When we began to figure that out, we thought that we ought to tell that story because when you tell that story, you make action more politically possible. We've done that over and over again. Someone is here from The Climate Group. We created that organization five years ago essentially because we needed a voice out there saying that it's possible to take action on climate and do it in an economically beneficial way.

We've worked with many other organizations to make that case. In every other aspect of our climate change grantmaking, we make sure that this is an integral part. Unfortunately, the environmental community doesn't spend a lot of time in the economy; they spend a lot of time in the environment. It's a problem, because they keep losing politically and it's because they just don't work in the economy. Making the economic case is an incredibly important part of what we do and I've got to say we don't do enough of it. We need a lot more of it because it is still the number one issue that's going to stop us from getting an effective climate policy in the United States.

Our second major strategy has been supporting sub-federal action on climate change. We've done a lot of work with states, but also with cities. You may not know it, but there are almost 30 states in this country with comprehensive climate plans. They're not all implementing them, but it's the first step. In the analysis that they've done, they've been able to show that they can reduce emissions substantially while saving money and generating economic opportunity. These are Republican and Democratic governors saying this across the United States.

We have been supporting sub-federal action on climate change. You may not know it, but there are almost 30 states in this country with comprehensive climate plans that they have built. There are more than 800 mayors in this country who have committed to taking action on climate change to a level that would get them to the Kyoto commitment.

We've also worked a lot with cities. There are more than 800 mayors in this country who have committed to taking action on climate change to a level that would

get them to the Kyoto commitment, which specifies a 7 percent reduction below 1990 levels. A lot of them are just getting started, but they're all talking about it. It's very politically significant to have this group of mayors that people trust saying those things, and in many cases taking steps to reduce emissions.

We're now working hard to try to figure out what we can do to make sure that those experiences, at the state level in particular but also at the city level, get integrated into federal policy-making in this country. Unfortunately, in Washington there's very little conversation about how to integrate state action with federal policy – they're two parallel tracks, and we've got to somehow find a way to get them together.

Our third strategy has been to develop the non-environmental constituency call for action on climate. We've felt for some time that the climate issue has been locked inside the environment box. In part it's because the environmental community has done such a great job of really raising the issue. Unfortunately in America today, the environmental community does not rule the roost and cannot make federal policy by itself, and in fact, can do harm in many parts of the country if they are the ones carrying the flag.

For the last three or four years, we've worked very hard to support non-environmental voices that can carry the flag on climate change. Among them are the evangelicals and admirals and generals – you probably saw the report last year of the admirals and generals.² I think it's one of the most significant things that's happened in the national political debate on climate change. Business leaders, like the ones who work with CERES, are also now out front on the issue. So are investors. The renewable energy industry is already a \$60 billion industry in America and has real political heft. Mayors, women, builders, labor are out there too. This broad array of non-green interests has made an important difference politically in America on climate. Getting these constituencies into the game, building the political diversity that we need in the country, has been a big part of what we've been doing.

Our fourth and last strategy has been to try to take all those pieces and put them together and build an effective national campaign that will really drive the issue towards a successful federal policy conclusion. And boy, that's the complicated part. That's the part that's really dependent on Washington, and that's where we are now. It's a really tough place to be.

There are some good signs. There is a new organization called iSky,³ which you should all look at . . . I think iSky is the only organization in the country today that aspires to be a kind of choreographer of all the public voices on this issue. We need a heck of a lot more of it, and we need to find a way to get the environmental community folded in, in a way that they're not threatened, and to get the business community in, and many, many others.

And maybe, just maybe, we'll have a President in six months or so who will really get it, and who will really want to lead on this issue. That is probably the key thing. If any of you can do anything to push on presidential candidates, do it. That's really important because all those other building blocks of a successful federal policy will be meaningless if we have another George Bush in the White House or a President who is intimidated into not taking action.

² "National Security and the Threat of Climate Change", put out by the CNA Corporation, can be found at: http://securityandclimate.cna.org/report/SecurityandClimate_Final.pdf

³ www.isky.org

The last strategy is to try to take all those pieces and put them together and build an effective national campaign that will really drive the issue towards a successful federal policy conclusion. And boy, that's the complicated part. That's the part that's really dependent on Washington, and that's where we are now. It's a really tough place to be.

So that's kind of how we are thinking about it. It's very holistic and systemic. We can't do any of that well enough to make a difference on our own – it's only through the efforts of lots of others that it will make a difference.

Stewart Hudson: You've been patient, so I'll be brief. I'm really curious as to what brought you out this evening. You could be home making dinner and getting ready for "American Idol" or whatever is on tonight. So please, think about that in your questions. I'd really like to know what makes people interested in attending these talks.

I also know that if I were to sit up here and tell you how smart we are or how smart I am at the Emily Hall Tremaine Foundation, then, because I know too many of you in the audience, you'd call me on it. Hopefully we can exchange what we do know about foundation work and climate. And in that regard, I want to thank Yale for pulling this group together. Earlier, Gus Speth mentioned an article that he wrote in 1981, which ironically is the year I graduated from Yale. I can tell you I wasn't thinking about climate at that time. I didn't even know what climate and energy were. Like Michael, I wasn't an environmentalist. I doubt there's a student on campus today who doesn't know something about climate change, and therein lies hope.

1981 came and went, and I became gainfully employed and took a job at the National Wildlife Federation. In 1986 this guy walks into my office – Ted Smith – who's from a foundation. I just saw dollar signs, but actually Ted brings a lot of expertise. I should tell you that in the foundation world, with regard to climate change, he's known as the optimist. (Not really.)

In the future, we will be dealing with a lot of different issues here. One of them that Michael just alluded to is trade issues and trade and environment. In 1990 Michael and I were having a talk – I think it was somewhere in a nice place in France – about trade and environment. So, I have learned from each of the three here on this panel, and really appreciate being here and continuing to learn from them.

I doubt there's a student on campus today who doesn't know something about climate change, and therein lies hope.

It is in fact a privilege to be in the funding community. I sometimes think it's an act of cowardice, having been in the nonprofit world, but really and truly you have so many different options available to you. We all mean to make the most of them.

I came late to climate. In 1986 when former Senator Al Gore, Senator Tim Wirth, and Senator John Heinz were holding hearings on these issues, I didn't get it. I just didn't get it. But now that we have grown up with this issue a bit, we all know how critically important it is to address this. To have the opportunity to do so in the guise of being a foundation officer is a great gift. Every other Wednesday I have to remind myself of that because the other occupational hazard you fall into is that you forget how hard people work on the front lines. Many of you I see in the audience are on the front lines.

I would say that part of what makes success is doing well with the hand you're dealt. I've told this story publicly, but we all work for families. I work for the Tremaine family. In 2001 when we were trying to figure out what the environment program should be, we had a Hummer driver and a Toyota Prius driver on the board. Therein lay opportunity, because our approach had to be a big tent approach. There was no way we were going to get away with any kind of rigid, ideological approach to this issue, and thank God.

I will also acknowledge that I wish I could take credit for focusing our grant making on Connecticut because Connecticut has served as an example of what states can do. Connecticut serving as a model is very, very important because it takes away the argument that we can't do this at a federal level, or that we can't do this in other states. I'm glad that California has followed our lead. (I had to put in the plug.)

One of the things that's important as well – and this might involve some maturation on my part – is understanding what tools are now available to us in this year, in this time. I think many of us have talked about finance. I can guarantee you that in 1986 when I started in the environmental world, there was “us” and there was “them.” People who had money on Wall Street – they were “them.” They are still “them,” but, as you've probably learned through this wonderful series, there's now an opportunity, given the realities of the world, to apply finance and apply capital in ways that are environmentally productive.

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Another observation is that many of the people who are in the financial community want the same things as those who consider themselves environmentalists. So finance is a new tool, though I don't want to overstate it. You can still have your own skepticism about the degree to which capitalism works productively in these issues, but we are about forming markets so that capitalism can work in a

productive way. We're also about people, and that's another very important thing that the environmental community forgets at its own peril. Further, we're about different kinds of people, whether it's Hispanic communities along the border in Texas or whether it's about the environmentally stressed communities in our own backyard here in New Haven. We have to be about all people. And, by the way, as all of you know, that's not just Americans.

While we haven't done a lot of work internationally at Tremaine, it's because, as Michael said, the first step to "getting in the game" is to get the U.S. pointed in the right direction. The way to do that has been to support state and local movements, and that has been really the engine of progress in the last six years.

The first step to "getting in the game" is to get the U.S. pointed in the right direction. The way to do that has been to support state and local movements, and that has been really the engine of progress in the last six years.

There's more that can be said but I'll just end with this. I interviewed one of my dearest friends for a job. Since you have to do this the same for everybody, I asked the same question I asked everybody else. I said, "What are your weaknesses?" And she gave me an answer that I think is appropriate to your consideration of foundations. She looked me in the eye, she sighed, and she said, "Ah, weaknesses – there are so many."

I hope you do learn a lot about foundations here and let us know what you're interested in. Thanks for coming out.

Question and Answer Session

Gus Speth: I was asked as the moderator to start the questioning, but I don't think I'm going to do that. There are too many interesting-looking people out here in the audience that I'm sure have their own questions. You all came a long way to hear these people and to ask them questions, so let's throw the floor open.

QUESTION 1: Insurance industry⁴

My brother is head of Chubb Insurance in New York, and the insurance industry has made major statements on climate change. It strikes me, and no doubt you've all thought about this, that the insurance industry is a major partner for climate change. Many of them need to be brought out as leaders so that the American public will understand what's at risk, and not just along coastal waters. I think many of them would be happy partners on this in terms of awareness, and they see it as a moral issue, too.

Michael Northrop: We work with insurance companies less than I'd like to. Munich Re and Swiss Re have been the most vocal European big reinsurance firms, and they have the most to lose.

It's a little shocking how little direct intervention there is in the policy debate by insurance companies anywhere. A lot of them have been approached on this for a number of years, and it still mystifies me that they aren't doing more about it. I think they feel they're so good at managing their own risk that they think they can get out of the way of the liabilities that are coming their way.

There's been a huge flight of insurance companies away from risky clients, and it's really hard to insure a house in a coastal zone in the United States now, which is a real shame. I think in part this is a result of a lack of good public policy. There needs to be more intervention to create safe harbor for insurance companies to help guarantee that they'll be made whole if they continue to provide insurance for those who are at risk. But I can't say there's been a huge rush. I think AIG might be the most substantive of all the insurance firms. The person who staffs the work who's based in New York is terrific, and she's really helped move the company in a big way. I remain hopeful about other firms, but there hasn't been a rush to being as active as we might like.

QUESTION 2: Expanding regional, state, and local efforts

At least two of your foundations have focused clearly on regional, state, or local efforts. I think that's really important, and I think you've pointed out accurately that that's where some real progress has been made. What have you done to take that experience to try to do more outreach to the other states and spread that message around the country?

Stewart Hudson: Well, the first thing that comes to mind is how much Michael Northrop has done in that regard. There was a meeting January 6th and 7th that Michael convened with environmental commissioners from a variety of states who are like-minded. We have tried to have a regional focus and bring people together among regions – the Northeast, the Southeast, the Midwest, the Pacific, and

⁴ Also see Ralph Mucerino's article, Chapter 11, for more information on the insurance industry's response to climate change and what AIG is doing.

Mountain West, for example. In that regard, there is an increasing sense among the states of what other states are doing. It's nowhere near where it needs to be, so you do raise a good point.

What I thought you were going to ask was what's being done to take all of that state progress and inform and adjust federal policy so that it takes advantage of the state progress rather than getting in the way of it. That, of course, will be the subject of the Yale Conference of Governors on Climate Change⁵ that will be held in April 2008.

⁵ www.yale.edu/climateleaders

Michael Northrop: There's a terrific group called the Center for Climate Strategies.⁶ They are the ones who have been providing the technical assistance to governors to design their responses as states. It's been a very quiet effort; they're not very public. They serve really as technical assistance providers, not as advocates.

⁶ www.climatestrategies.us

They're working right now with almost 20 states all over the country that are designing these comprehensive plans. Their argument works with governors because their first step is to talk to the governor and say that if you want us to come help you, we will, but we need you to sign off on this work and to get behind it. And if you do so, you're going to find that you can save a lot of money because of the energy efficiency measures that will, by necessity, be a big part of your plan. Further, if you're clever, you're going to find ways to bring all kinds of new enterprise development opportunities to your state – new industry creation, like other states that are in real leadership positions, such as California and Connecticut.

It's a terrific message, and it's why so many governors have moved so fast over the last four or five years to take the step of designing these climate action plans, which are very comprehensive, get us to the place where scientists think we need to be, and also lead to positive economic results. Find the Center for Climate Strategies; they've got a nice web site. They have a map that shows you which states are moving and tells you what they're doing.

Gus Speth: All right. This is too much of a love-in.

QUESTION 3: Water and geological carbon sequestration

Thank you, Gus, for the invitation to be a little bit harder hitting. Stewart, in regards to what you said about foundation weaknesses, I think that there's been tremendous progress made in terms of the understanding of the climate issue, in terms of the messaging, of getting individuals to change their behaviors, and trying to have the private sector change their behaviors.

But thinking about the adage that we're only as strong as our weakest link, I'm very concerned about the reliance on carbon sequestration as a major piece of climate change response without looking at the implications of carbon sequestration on our drinking water supplies. There's rule making that's on a fast track at the Environmental Protection Agency (EPA). I have not found one foundation that's willing to support a hard look at that practice. I think that while we're under the guise of protecting our air, we have to be very forthright about looking at the drinking water supplies as well. Why is there this major gap?

Stewart Hudson: I thought you were going to talk about weaknesses in the foundation world, which gives me the opportunity to say I don't think that foundations in America have a clue as to how much our fat's in the fire in this issue.

We will contribute in a meaningful and visible way to helping this problem be solved over time, or I think Americans will say, “Now, why is it you guys get a tax break?”

So, I’m sorry that you didn’t ask that question, but thanks for letting me answer it.

Ted Smith: Let me give you an interpretation and then a positive cast. My interpretation is that there are too many silos. Those who work on water, work on water generally, and those who work on forests . . . you and I know that they need to cross over. It seems to me the optimistic thing is that the climate change agenda tends to bring all these silos under the same umbrella. As we’re looking at carbon sequestration and carbon storage in forested landscapes, we’re also looking at ecosystem services at the same time. There’s a real two-for-one as this carbon market begins to emerge and if we get it right, we can manage those forests for that double objective.

QUESTION 4: Human elements of adaptation

The issue I want to raise is related to the people impacts. Obviously it’s going to take people to solve this problem – businesses, labor, other sectors. But if you look at the progress made thus far reflected by the Lieberman-Warner bill, there’s hardly any effort in the allocation of resources through this cap-and-trade system to deal with the human impacts of climate change, either in a domestic sense or in an international sense. Recently there was a UNDP (United Nations Development Programme) report that acknowledged that it would cost \$86 billion a year to deal with the adaptation required to deal with the already realized consequences of climate change. Yet it doesn’t seem to be an area that foundations are very interested in funding or addressing. Most of the resources, most of the political debate, most of the lobbying is focused on the mitigation strategy. I’m curious why not. If we’re really concerned about the security consequences, the ethical considerations, the economic consequences, why can’t we seem to get this issue on the table?

Michael Northrop: It used to be that if you talked about adaptation, the sentiment was that we can’t do that because it means we’re not really trying to solve the problem. It was seen as a dodge. There was this very strong reaction in the NGO community in particular, and the foundations I think probably followed suit, to just not do it.

It’s been interesting in the last couple of years to see more people talking seriously about adaptation. The Rockefeller Foundation announced a big program a year ago to put a large amount of money, about \$50 million, into adaptation. They’re working hard on it, and it’s just a drop in the bucket compared to what’s necessary.

So I don’t think there’s a good reason. The first thing to say is there is some movement finally, and that things are headed in the right direction. People are starting to look at it seriously and pay attention to it because they’re realizing that climate change is here now and we can’t avoid dealing with the human impacts.

I was just out in Utah with the former mayor of Salt Lake City, Rocky Anderson, who’s a climate hero who reduced Salt Lake City’s carbon footprint by 30 percent over the last four years. It’s really just amazing what he did. He’s just stepped down from being mayor.

He has started an organization which is going to very deliberately link the human impact of climate change and populations around the globe, particularly in

developing countries, as a human rights concern. It's shocking to me that that issue has not been more forward in our consciousness, and I think it's partly because of this hangover of not wanting to deal with it – it meant we weren't mitigating and thereby not solving the problem.

Two billion people in this world are at risk from climate change. How anybody can't be just totally overwhelmed by that – not that that necessarily means you're going to do anything about it – escapes me. I don't see how the United States foreign policy establishment can't be directly concerned about this because, as the resulting refugee crisis does develop, we're going to be directly impacted by it economically, politically, militarily, you name it. It's the biggest crisis coming down the pike for the world.

Maybe people are waking up to it. Maybe Rocky Anderson can help make some of that happen. Maybe Oxfam International can make some of that happen. I hope so.

Ted Smith: Just one short comment – we can learn from others, too. I don't know that there's any institutional representation of climate change adaptation in this country. What I'm saying here is that the Australian National University has established a center for climate change adaptation and has been working on adaptation for some five years or so, well ahead of us, and there are opportunities beyond our boundaries to pick up what others are doing.

Stewart Hudson: I just want to add a couple of things. Think of carbon allowances, which create a lot of revenue or will create a lot of revenue, as a mail train. Everybody wants to rob the mail train. When it comes to adaptation, you're quite right that the human elements of adaptation have gotten short shrift. Most of what's in Warner-Lieberman is about wildlife, and it's about wildlife because the group that represents wildlife issues got in there and worked really hard. That's what any group who wants to advocate their position will have to do.

Think of carbon allowances, which create a lot of revenue or will create a lot of revenue, as a mail train. Everybody wants to rob the mail train. When it comes to adaptation, you're quite right that the human elements of adaptation have gotten short shrift.

But beware that, when you say adaptation and the human elements of it, you have in mind what that money should go toward, and not just in the United States. If you look in practice at how others might be using adaptation and trying to rob the mail train, which, by the way, we're all trying to do, you might find adaptation dollars going to – I don't know – land acquisition. Is that really where that revenue should be going? That's a question.

Michael Northrop: Stewart will know the numbers, but our friends in the evangelical community actually fought very hard to make sure that some of the allocations from the auction and the most recent negotiation around the Warner-Lieberman bill go towards adaptation in developing countries. It may be that the evangelicals are the ones who are going to push this the hardest. They were successful doing so – they got some more money in the pot.

QUESTION 5: Role of universities and support for science

I have two questions. What do you see as the role of leading universities in the United States and around the world in addressing the climate change problem? And secondly, as a follow up to the question about how carbon sequestration affects our water supply, it appears to me that many of the foundations are focused on policy, but what about the science? Where do you see support for the basic sciences?

Ted Smith: I'll take the first part of the question – the role of universities in this. I would argue, and have argued, that the emergent generation that is in our universities today is absolutely critical in terms of moving toward a political constituency that ultimately is going to deal with this over the next several decades. It's not a quick fix, as we know. If our universities here and abroad aren't really preparing these citizens in some way to take activist roles, it seems to me a huge opportunity is being missed.

We can see the emergence of something of a movement on college campuses across the nation. I'm not familiar with Europe and how it's gone there and elsewhere. But, boy, I am counting very heavily on this generation to repair or ameliorate some of the sins that have been created to this point.

A second point is very obvious to those of you here at Yale, and that is that the university administration can put stakes in the ground and assert itself very strongly in this way. There is a nationwide movement in that direction in terms of going toward carbon neutrality. We should be careful how we talk about that, but clearly there is a push in the direction of becoming carbon neutral.

The second part of your question has to do with the funding of science. I spoke to an MIT (Massachusetts Institute of Technology) crowd a couple of weeks ago. My observation was that the private foundations by and large had moved away from funding universities and university science. I don't have the data on that, so I can't prove it. But over the last decade or so, as I've watched it, there's been more movement to policy and toward activism – working with NGOs and away from universities. I'll allow you to speculate on that a little bit, but I think to some extent universities have priced themselves out of the market. The overheads that go with this, at least for small foundations, which I can speak for, are just beyond what we can do even though we have enormous respect for science. We're gobbling it up in any way we can in order to tutor and inform our own decision making, but we simply don't have the resources to be a part of it. There may be other answers.

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Stewart Hudson: I've got to agree with Ted. We had a grantee (a non-profit) who gave us a proposal with no overhead, and I said, "Why not? You should put some in."

This was a \$100,000 proposal, and then he put in \$300 for overhead!” I’ve got to laugh when I get some of the university proposals that are over 100 percent; I still can’t figure out the math on that. The interesting thing is that universities have done a great job on the science. The untold story – and Gus Speth is part of this as much as anybody – is that the science on climate has been just blue chip science. It’s really a story that will last for a long time. Foundations are kind of limited in terms of the amount of dollars we could make available to that.

The science is coming from universities and the science is coming from other places. We have lots of science. What we hadn’t had a lot of are two things – policy work and project work. There’s a variety of different ways that foundations can invest – not even just from their endowments, but also in grants that are in the form of project-related investments. We were lucky to find our way into some project-related grants in Connecticut. Science has been a guide, and always will be. We’ve done some policy work that we funded, but also projects. As to university leadership, Yale’s President Richard Levin is doing it, and he’s taking some risk in doing it, which makes it more valuable.

QUESTION 6: More programmatic endowment investments

I have a question about the potentially positive business and investment opportunities around climate change. In foundations, you have the program side and then you have your own endowment side. On the endowment side, have you looked at any investment strategies in this area? I know it’s a sensitive topic. On the foundation side, oftentimes you’re investing in non-profit sorts of entities, but what about social ventures or things that have a for-profit and nonprofit side to them in this area? Are you seeing more of that? Do you find those sorts of things?

Stewart Hudson: Every time we’ve raised that issue with the Tremaine family, which, by the way, consists of a couple of different generations, it’s sort of like Bambi meets Godzilla. We just haven’t agreed on an approach. That doesn’t mean we’re not going to keep trying in different ways, and it’s interesting across generations because the younger generation has an individual who runs a hedge fund and invests in some of this stuff. But I will be open and honest and say that we have not been successful. As I tell people, it may be the one thing that, whenever it is I move on to something else, I’ll say, “Gosh, I wish I could have got that.”

Michael Northrop: Someone will fund a campaign that will beat up foundations to invest in the right things. It will happen because it would be really easy to do. I’ve heard several foundation people mention this in the last few months. Foundations are vulnerable because they are easily embarrassed. There is a public trust and tax benefit to maintaining their asset values.

Speaking as a program person concerned about climate change, not as someone who manages our financial portfolio, I see this as a real problem – 95 percent of our assets could be put to better use. The reason why it persists as a problem is that we have a Chinese wall in foundations, for lots of good reasons. But as a result, it isn’t those with the program perspective who manage the assets. It’s the people who are on the finance committees who often live a little bit outside the foundation, who are

charged with maintaining their fiduciary responsibility to the return profile of the invested funds. They tend to be fairly conservative folks, and the worry they have is that, if we do this, we're going to sacrifice returns.

There is a need for more information as to whether we can avoid sacrificing returns. Everything I read as a non-expert indicates to me that some people out there think it's possible to invest wisely programmatically and financially. But I admit I am not an expert. My intuition is that this will change. It's overdue. Foundations have been talking about it for 15 years.

Ted Smith: This goes back to my point about lack of accountability of foundations. If you want to cause this to happen, how do you make it happen? There isn't an easy mechanism to do it.

The one modestly hopeful note is that there is, within the foundation community, a movement toward what they call "mission-related investing." If you look at the Bill & Melinda Gates Foundation, the Hewlett and Packard Foundations, there is an enormous amount of money that could be directed in ways that would be additive to the kind of agenda that we're following. You've really hit a sore spot there, and I'm glad you did.

The one exception that I've seen recently, and maybe it's intelligible, is Google. The owners of Google really are gangbusters for renewable energy. They're taking some of their wealth and investing it as venture capitalists, if you will. I can tell you that's not a model that everybody else is going to follow.

Stewart Hudson: I just want to say as well that there are foundations that are taking the lead on this. The F.B. Heron Foundation⁷ is one. Also, if you don't know Steve Viederman as an advocate, he doesn't let go easily and he's another leader getting in front on this. There are people that are doing the right thing.

⁷ www.fbheron.org

QUESTION 7: Mayors, university presidents, and citizen engagement

My question is about, Salt Lake City notwithstanding, the 791 signatories of the U.S. Conference of Mayors Climate Protection Agreement. There's something like 951 cities listed on the Sierra Club's "Cool Cities" campaign. They have adopted the ICLEI framework, and they're all stuck on three. That means they've signed an agreement saying we're going to move on this. There are also 492 college and university presidents who have signed the Presidents Climate Commitment.

Their timeframe for action is pitifully slow compared to what we know we have to do. Where are cities and universities? How are they engaging the citizenry, who we know are responsible for anywhere from 50 to 85 percent of carbon? Where is the action to help citizens recognize what is possible? Where is the urgency? How do we help these university presidents, chancellors, and mayors escape the political cover of knowing that their plans will outlive their tenure?

Michael Northrop: Everything has a beginning, a middle, and an end, and I guess we're at the beginning with the mayors and the university presidents. The fact is that the vast majority of those 800 plus mayors don't have the resources to staff a person in their city office to lead this work. It gets really complicated, and, as a mayor, there are so many other things you're dealing with, and many of them are life and death, here and now.

It's really tough, but the leaders in that community have shown that it's possible. We need to find other ways to support cities to follow through on their good instincts. There's no good model in the country of a state that supports its municipalities to take action. I think that's an opportunity that we've just begun to look at. Something along these lines is just getting going in Florida to try to help design a support system for municipalities. Up the political food chain, there is no integration between states and the federal government on climate policy; there is even less integration between cities and states or cities and the federal government on climate policy.

If you were serious as president of this country about climate change, you would start a city program for climate action. I suspect that the first president that we have that's serious about climate change will do that. It's such a smart thing to do. It's a political win, so let's hope we get to that point. I think with President Bush we just haven't had the opportunity.

The political rhetoric has been very important and let's take advantage of that to the best we can, while waiting for the day, soon to come I hope, when we can get the resources and all the other things we need to really make it all happen.

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Ted Smith: There's an intellectual challenge here that perplexes me. People tend to move and to act in the face of perceived danger or perceived losses. We're talking about a time span here that is very hard to bring front and center in terms of the immediacy of what's going on.

The one way that we've tried to bring that forward is by funding the Union of Concerned Scientists to do scenario work showing what might eventuate on the land, given different temperature levels through the balance of this century.⁸ They did it first in California, and they've now done a study in New England using scientists from throughout New England. If you don't like the climate here (i.e. New England) now, the projection would be that you'll be in Virginia or possibly in North Carolina in 30 years with the projected temperature increases. Trying to find ways to get people to think about what's going to come down the road 20, 30 years ahead, or maybe even sooner than we know, is a really tough challenge. Scenarios would seem to be the best option we have now, but they have their limitations as well.

QUESTION 8: Foundation collaboration

The NGO community has become very savvy in coordinating their activities. I congratulate the foundation community in spurring that coordination between the Green Group and USCAN (U.S. Climate Action Network) and now iSky's guiding

⁸ www.climatechoices.org/ca and www.northeastclimateimpacts.org

principles. To what degree do you think the foundation community is working together to make sure that their activities are complementary?

Stewart Hudson: Well, I'm a recovering Washingtonian, so it's good to hear that the groups are working together. I think you're right. I don't know that I would credit the foundations with that as much as the individual leadership of some of these organizations who have recognized that, with an issue of this historical import, you have to put the issue ahead of your ego, and they found a way to do so.

That having been said, there are some substantive differences on political strategy between some of the green groups and some of the groups working at a local level. I wouldn't overstate the ability of the foundations to influence that.

As far as the foundations working together, good question. There is a word called "collaboration" that is defined differently by different foundations. You can see here that we're not just making nice here; we (i.e. the panel) work together. Sometimes we fund the same thing and sometimes we don't. Michael recently served, and I continue to serve, on the Climate and Energy Funders Group. That's one way of bringing it forward.

When I came to the Tremaine Foundation (and there's business people on the board), I just kept shaking my head because I kept thinking that these banks can get together and do multi-million if not billion dollar deals in a week. It takes us a little longer, and for a lot less. It is a problem about how the foundation community moves, and I think we ourselves need to feel a greater sense of urgency and responsibility, as Ted has said.

QUESTION 9: Sustaining mildly effective organizations

My question perfectly ties into the last question. Foundations are the life blood of all the NGOs that are out there at the moment. There are a lot of NGOs, and some research by a professor here, Garry Brewer, suggests that a lot of them are sustained, despite mild effectiveness, by the ego of the funder, whereas a market economy might let them fail. In what ways do you think that the foundations can, should, or are trying to aggressively cull these mildly effective organizations to pool the money towards really effective organizations and not sustaining things that are just making the slight improvements that we see?

Michael Northrop: Luckily, I think most groups are not dependent on foundations. And foundations can actually make a move to get away from a group for whatever reason – maybe just because they've been funding them long enough that it's time to cycle and do something else. A lot of these groups will find alternative mechanisms for raising funds, which in many respects is a good thing.

There is something to be said for the over-proliferation of groups and for the value of trying to bring more groups together and do more mergers inside the non-profit community. It doesn't seem, though, to be the trend that I find out there. Fortunately, it's not our role to try to pick the ones that should be disbanded and put back together again.

So, I don't know that we have that much of a role, actually, in fixing the problem.

QUESTION 10: Over-politicization

How do foundations avoid getting over-politicized so they can continue to solicit new types of grant recipients in states or in sectors that might not seem natural fits for climate change policy?

Stewart Hudson: You can be overly politicized in so many different ways. You can be ideologically bound and blinded so that you don't make certain grants. Actually, Ted (Ted, I never told you this) awakened me to the idea that we could make grants to state agencies. I never knew that. That's not in the playbook, especially the playbook I learned in the early 80s. It led to these wonderful relationships. I always think of it as a headline, something like "State Bureaucrat Becomes Climate Hero." It's not a headline you read, but you should. There are ways of understanding that whatever tool in the toolbox works you ought to use it.

The other part is that we should talk a lot about boards. Even in a family foundation, the boards can constrain or expand your choices.

DISCUSSION OF FUNDING TRANSFORMATIVE CHANGE

Gus Speth: *I have a question for you. Are you funding things that are radical enough to address successfully what a lot of people are now perceiving as an emergency situation on climate? You're doing great things, you're doing very innovative things, and you're moving this system along, thank goodness, and God bless you. But what if in fact we are on the cusp, as, say Jim Hansen and others believe, of a true disaster – a planetary disaster? If you accept that, do you think that you're operating in a way that sufficiently challenges the system? Someone once said good government is just plain old government in a hell of a fright. Is the foundation community in the U.S. putting that hell of a fright into our system?*

Ted Smith: I think the foundation community, if you want to call it a community, operates within the American system. It responds to boards consisting of people largely coming out of the business community and out of the higher tier of wealth. Cultural values are brought to the foundation by who brought the money forward. As a product of the University of California, Berkeley in the sixties when I really was radicalized, I don't see that radical movement at all today in America. What it would call for would be for us probably to expend all our money at the student level to see if we couldn't radicalize an emergent generation. Maybe others have a better suggestion for that, but you don't see that happening at all.

Stewart Hudson: I guess the way I feel about it is that it is always a good reminder, because whether it's 450 parts per million or, as Jim Hansen says, a hell of a lot less, we will inevitably be facing a future where we will have to tighten whatever legislation comes out of Congress or any of the states. We are gaining some ground on it as the state-based climate movement is going to be forcing the feds to go further than they otherwise would. You may not believe me now, but a year from now we'll check in on this approach. Because some of the states have gone so much further, it raises the bar.

The other thing to think about is that when you teach a kid to ride a bike, the first thing is to keep peddling. The presidential candidates left in the race are committed to doing extensive work on climate. One of them who has done a lot is John McCain. But I think now there is an opportunity to say, "Well, that's great that you brought it from here to there, but this bill only does 60 percent of what's needed." Maybe there are some other folks around in that pool who will raise the bar even higher.

That's not really a radical approach, but I think it's akin to the constant state of improvement that needs to be built into this system.

Michael Northrop: Gus, no, I don't think so. At all levels of society you're finding people who aren't being radical enough about this issue – the citizenry, the policy makers, the NGOs and the foundations. I think we all need to be more radical about it. I can point to individual things we've done that have been really edgy, though, and could be described as radical.

Gus Speth: I thought the 1Sky initiative was gutsy, though.

Michael Northrop: It's definitely gutsy. There are other things that we need to be adding into the mix, but we could do a hell of a lot more. We live in kind of a conservative time, too, where marching down the streets or chaining yourself to a coal-fired power plant isn't necessarily socially acceptable behavior, and people worry about that. We are getting to the point now where, as Gus has said himself, we have to start thinking about that stuff. I think the kids are radicalized on college campuses today, and they are offering some sense of really putting themselves on the line to try to make some real change in a hurry. Let's hope there's more radicalization. We need it.

QUESTION 11: Spending more on climate change

There's a little bit of a trend with some foundations – Belden and Atlantic Philanthropies – that they're just going to spend out. At what point do you say, "It's bad enough that we're going to spend 30 percent, or it's bad enough that we're going to spend 50 percent over the next couple of years and see what we can really do?"

Ted Smith: One quick response to that is that it's almost bordering on the criminal for foundations to look at that 5 percent IRS rule at this time, in this era, facing what we're facing. In my case, I went to our trustees and said, "We need to invade the endowment now. Now is the opportunity." They in fact did go into the endowment, and added 40 percent to my budget a couple of years ago. I think every foundation that's working on climate change should be doing that now. There's no excuse not to do it as far as I'm concerned.

Stewart Hudson: When you're working in a foundation environment where you have a lot of different board members with a lot of different perspectives, or like the Tremaine Foundation which funds in the areas of art, learning disabilities, as well as climate, you're always making political judgments. Even if your heart is in the right place – and this issue is not like any other environmental issue and frankly not like any other social issue – it's the realm of the possible that matters.

I want to say that my other colleague Ashley Sklar here – she and Nicole Chevalier have emboldened me and our Environment Committee to say we ought to try to run this up the flagpole for the Tremaine Board to consider. Then I say, "Well, Kendall did it." So, wish us luck. But it is something where I think we are gaining on it, and people understand that this is an unprecedented social, historical, and economic as well as environmental issue.

QUESTION 12: Funding the youth

I'd like to direct this towards Mr. Smith and Mr. Northrop in particular. You both have referenced the movements on college campuses and the need to bring the youth into this movement, and that's where you think the future lies. How ready are you and your

foundations to walk the walk and fund new organizations run exclusively by students who haven't been indoctrinated into the status quo?

Michael Northrop: I can say that in the last two years we've made a major investment in a group called the Energy Action Coalition and its founder, Billy Parish, who Ted referred to earlier. We are so pleased by what they're doing. I was in Washington in the fall, and they brought 6,000 students from around the country, 3,000 of whom went up on the Hill and held meetings. Those kids really shook people up. It was great. They went in and argued for what scientists say we need. They did it in a way that I think was extremely useful, powerful, and politically salient. They were so strong they even got resistance from some of the environmental groups as they did it, who thought their message was too politically untenable; but in the end it seemed extremely powerful. I heard many people say they stretched the envelope of what was politically possible by being so strong. I went down and volunteered for the weekend to observe on my own time, and it was great. I was very moved by everybody who was there. These young people are so impressive. So, we're already on that road, we would like to do a lot more, and we will do more.

Ted Smith: We're doing about ten different things with student groups, and I want to push down below the college level. Middle school students are probably the best age to do their school's carbon footprint. The downloadable program is something they could do a lot better than I could, actually. I'm trying to look for ways now to energize bringing that into the public schools in Boston and Cambridge, and then I know what will happen. They'll take it home because there are home calculators for those kids. If you go down to the fourth and fifth grade, these are the kids that told their parents to stop smoking. I have real hope that we can bite them at that stage, and that by the time they get to Yale or elsewhere, they'll be flaming radicals in terms of what has to be done.

QUESTION 13: Unintended consequences

I think one of the problems with radical action is that even if your heart is in the right place, oftentimes that sort of action can lead to unintended consequences. Organic farming and fair trade programs sometimes have economic and environmental detriments that outweigh their benefits. It's great to drive your Prius, but ten years down the road what are you going to do with the battery? As foundations responsible for financing NGOs and environmental initiatives, you're removed from the final consequences of each of these actions. How do you ensure that programs you fund end up avoiding those unintended consequences?

Stewart Hudson: I think the Patriot Act took care of some of the worst stuff you're worried about. But, more seriously, this discussion seems to suggest a lot of "either/or" choices. Things that are radical are as important as things that are pragmatic and successful. Some foundations like to do radical, some foundations like to do pragmatic, and some like to do both. I have seen hardly any examples of things that have been funded that are so out of control that one would say, "Why did you do that, and why didn't you rein it in?" I'm sure there are examples out there, but what I also think is that this issue has forced itself upon us such dire distress that what might have seemed radical 10 or 20 years ago is hardly radical now.

I'll also end by saying that I am uncomfortable with any of us defining for your generation what your role is in all of this. Frankly, what I have seen – and this is an observation not a prescription – in the difference between my generation and yours (beyond the age difference) is that yours brings so much more to the party. There are people who like a radical approach. There are people who understand how the world of finance connects to all of this and the discipline that is associated with that. There are people who are great scientists who are young. What is most impressive about young folks now who are working on this is they have a lot of different tools in play. I think that's a very rich thing because it gives you a lot of choice.

CLOSING REMARKS

Ted Smith: We have really challenging occupations, and very interesting and wonderful ones. We have to be up on science. I read Science and Nature every week. We have to be up on the political scene and understanding where that is going. We have to be diagnosticians with respect to organizations. Are they really up to the roles that we want them to play? We have to make judgments of human flesh. Has that CEO really got the vision in his/her head to take that organization where it should go? We have to respond to boards, as you've heard already, and so on.

I think what you're seeing is three of us who are reaching and reaching, and doing the best we can, probably making mistakes along the way. But it's a worthy profession. If there's anybody here who's interested in it, I wouldn't warn them away from it. But like a venture capitalist, you are taking risks when you make grants. You go out there if you want to be out on the front edge, and we do that. Some things come out better than others.

I've just enjoyed the opportunity to talk frankly about some of the things we do. Thank you.

Michael Northrop: It's fun to be here. Climate change is so terrifying. I don't let myself go to that place very often because I am solution-oriented and I'm very much an optimist about things. I see so many good things going on and I can only be hopeful. But this discussion about being radical – I don't think we can be radical enough on this issue, given what's going on. I'd like to leave that message with you.

Stewart Hudson: Well, I think “radical,” “impact,” and “informative” – think of Ceres,⁹ which has done all these wonderful shareholder resolutions and actions which have had a great impact. Or think of the Carbon Disclosure Project¹⁰ and things like that. For those of you who might be interested in foundation work, I would strongly encourage people to get experience in the non-profit or for-profit sector ahead of time for a variety of reasons.

As Ted said so well, you have to bring a lot of different things to the foundation world. It's more of an assembly process than anything. It's important to develop some of those skills in the non-profit world or the for-profit world because you will bring more to the foundation world.

⁹ www.ceres.org

¹⁰ Carbon Disclosure Report 2007 is available at http://www.innovestgroup.com/images/pdf/cdp5_ft500_summary_report.pdf