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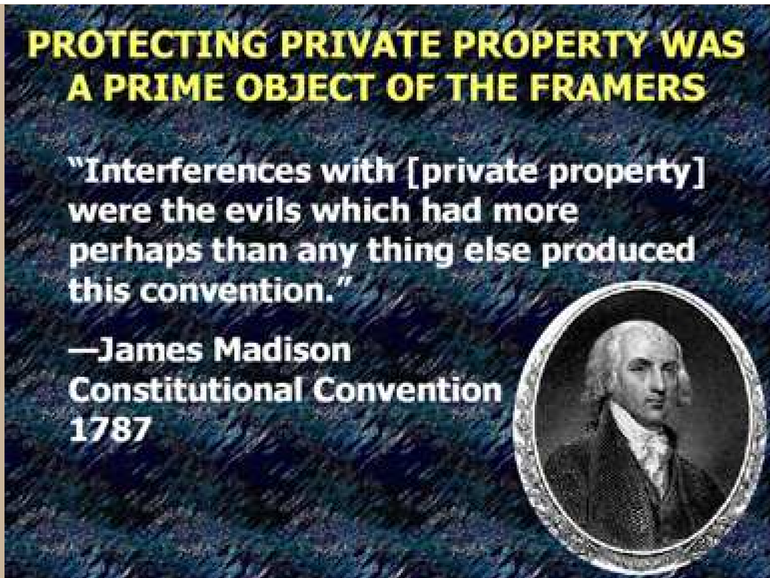

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BIG GREEN : Inside the Nature Conservancy - Nonprofit Land Bank Amasses Billions - Charity Builds Assets on Corporate Partnerships
http://www.citizenreviewonline.org/may_2003/corporate.htm

By David B. Ottaway and Joe Stephens

Washington Post Staff Writers

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First of three articles

The Arlington-based Nature Conservancy has blossomed into the world's richest environmental group, amassing $3 billion in assets by pledging to save precious places. Known for its advertisements decorated with forests, streams and the soothing voice of actor Paul Newman, the 52-year-old charity preserves millions of acres across the nation.

Yet the Conservancy has logged forests, engineered a $64 million deal paving the way for opulent houses on fragile grasslands and drilled for natural gas under the last breeding ground of an endangered bird species.

The nonprofit Conservancy has traveled far beyond its humble beginnings, when it relied on small donors and acquired a few small plots at a time. Its governing board and advisory council now include executives and directors from one or more oil companies, chemical producers, auto manufacturers, mining concerns, logging operations and coal-burning electric utilities.

Some of those corporations have paid millions in environmental fines. Last year, they and other corporations donated $225 million to the Conservancy -- an amount approaching that given by individuals.

Today, the million-member Conservancy itself is something of a corporate juggernaut, Big Green. It is also the leading proponent of a brand of environmentalism that promotes compromise between conservation and corporate America.

While the Conservancy has done much to preserve green spaces, its strategy of combining conservation and business, including its own pursuit of for-profit ventures, has led to some costly misadventures and awkward positions:

• The drilling foray, on the Texas Gulf Coast, turned into a fiasco. Not only did some endangered birds die after the Conservancy started drilling, but the charity also sold natural gas owned by someone else and kept the profits. The Conservancy and its partners settled a resulting lawsuit last year for $10 million.

• In Virginia, the Conservancy has invested in a number of for-profit businesses on the Eastern Shore: a bed-and-breakfast, an oyster-and-clam farm, an "heirloom" sweet-potato-chip operation, a seaside home development. The businesses failed, leaving a $24 million debt.

• The Conservancy has profited by selling its name and logo to companies, which use the image to gain what one corporate executive calls "reputational value." A Conservancy focus group study found that a few participants said accepting corporate cash in certain cases would be "the equivalent of a payoff."

• The charity engages in numerous financial transactions with members of the Conservancy family -- governing board members and their companies, state and regional trustees, longtime supporters. The nonprofit organization has bought land and services from board members' companies, and it has declined to release property appraisals from the deals. It has sold choice Conservancy land to past and present trustees through its "conservation buyers" program, which offers steep discounts in exchange for development restrictions. It has lent cash to its executives, including $1.55

million to its president.

• The Conservancy's mission makes it reluctant to take positions on some leading environmental issues, including global warming and drilling in Alaska's Arctic National Wildlife Refuge. Corporations represented on the Conservancy's board and advisory council have lobbied nationally on the corporate side of the issues. A Conservancy official said the group avoids criticizing the environmental records of its corporate board members.

• Some of the charity's scientists have complained that the organization has drifted from its stated commitment to the "best available science." One scientist complained in an internal 2001 Conservancy study: "Science is not understood or supported by senior managers and state directors. [The] entire focus is on land deals." Said another: "I am not convinced [the Conservancy] is science-based, as we claim."

While Conservancy officials now acknowledge that the charity made mistakes in Texas and Virginia, they dismiss them as isolated incidents and stoutly defend their philosophy and initiatives as a pragmatic strategy for conservation in the 21st century.

Conservancy officials say their approach -- which falls under a larger environmental philosophy known as "compatible development" -- allows them to leverage corporate America's wealth to achieve conservation on a massive scale. Instead of insisting in every case on the pristine preservation of land, the charity practices the art of the possible, its officials said.

"There are trade-offs in conservation," Conservancy President Steven J. McCormick said in an interview. "We make a judgment that less than 100 percent is acceptable."

Along the way, the Conservancy hopes to entice companies into more environmentally friendly practices. Alliances with logging companies, for example, have protected thousands of acres from development, even though logging on the land often continues, McCormick said.

"Some of our brethren say we're dealing with the devil, but I say quite the contrary," said Conservancy official Michael Horak. "Some of the deals we're making are quite extraordinary."

Today, the organization says it manages 7 million preserved acres through a variety of means and owns 2 million outright. Much of that land is held in 1,400 nature preserves, which it describes as the world's largest private sanctuary system.

In late 2000, the nonprofit purchased the Palmyra Atoll, 15,500 acres of coral reefs, islets and lagoons 1,000 miles south of Hawaii. Last year, Conservancy researchers on Borneo discovered a large number of orangutans, which the organization said increased the known population by 10 percent. Also that year, the Conservancy acquired the 100,000-acre Baca Ranch, the final step toward creating the Great Sand Dunes National

Park in Colorado.

Supporters say that the organization's enormous wealth has enhanced its influence, within the environmental movement and with the government. Last year, the Conservancy received $105 million in government consulting fees and other payments.

Respected naturalists praise the Conservancy's programs. Along with the chief executive officers, the Conservancy's board has included prominent scientists and academics. Even some critics acknowledge that global environmental health would suffer without the charity's resources devoted to land preservation. Still, some former high-ranking Conservancy officials believe the organization has grown too close to business.

"It was the wrong decision to get so close to industry," said David Morine, who headed the charity's land acquisition for 15 years and helped pioneer the group's corporate ties. "Business got in under the tent, and we are the ones who invited them in.

"These corporate executives are carnivorous. You bring them in, and they just take over."

Morine now says letting them in was "the biggest mistake in my life."

Becoming Big Green

The Nature Conservancy opened its doors in 1951 with a handful of staffers laboring out of a Washington office shared with another environmental group.

Early on, the Conservancy settled on buying land as its special niche in the environmental movement. In 1955, the Conservancy chipped in to help buy 60 acres of river gorge in New York and Connecticut. That simple strategy -- raising cash to buy raw land -- became known within the group as "bucks and acres."

Environmentalism bloomed with the publication of Rachel Carson's "Silent Spring" in 1962 and the sixties' activism that would result in the first "Earth Day" in 1970. In those days of turmoil, the Conservancy grew slowly but steadily and kept to its quiet land-acquisition strategy.

In the 1980s, the Conservancy's nonconfrontational approach paid off. The numbers tell the story. That decade, its revenue grew from $58 million to $222 million, and its staff surged from 77 to 933 employees.

In the 1990s, the age of the bubble economy and lavish corporate largess, astonishing growth occurred. Corporate donations mushroomed from $1.8 million in 1993 to $225 million last year. (The Washington Post Co. is a regular contributor, last year giving $1,500.) By 2002, Conservancy revenue had reached $972 million, more than 10 times the size of Sierra Club revenue.

Today, the Conservancy oversees 3,200 employees in 528 offices scattered across every state and 30 countries. The organization has many of the trappings of a Fortune 500 company: global reach, consumer focus groups, meetings with world leaders, sophisticated marketing and cost-benefit analysis applied to conservation. The group's "worldwide" headquarters is in an eight-story, $28 million building in Arlington.

"I really believe that in the next century that the most influential institutions on the planet will be nongovernmental organizations," McCormick said in a speech at the Conservancy's 50th anniversary meeting in October 2001. "I believe the Nature Conservancy will set that pattern."

The Conservancy now boasts 1,900 corporate sponsors. Eastman Kodak Co. vice president Hays Bell recently described the Conservancy as a "natural choice" for partnerships because there was "no conflict potential." The Conference Board, a nonprofit that advises businesses, said in a report on partnerships with environmental groups that the Conservancy is especially popular with corporate executives because of its "dependability in joint ventures."

McCormick said: "By working with corporations, which control a lot of land, which are very influential, we think we make a big difference."

The Conservancy's relationships with Fortune 500 corporations have become institutionalized. Its unpaid 38-member Board of Governors has included past and present executives and directors of major industrial corporations: John F. Smith Jr., chairman of General Motors, the world's largest car manufacturer; E. Linn Draper Jr., chairman of American Electric Power Co., the nation's largest electricity producer; A. D. "Pete" Correll, chairman of Georgia-Pacific Corp., the country's second-biggest paper products business; and A.W. "Bill" Dahlberg, former chairman of Southern Co., another leading power producer.

Some of these companies face pressure from more confrontational environmental groups and from government regulators.

A recent study of utilities by the Natural Resources Defense Council and others named American Electric the largest U.S. air polluter. American Electric's operations in Cheshire, Ohio, have turned that quaint river town into a ghost. Sulfur dioxide emissions from one of the company's plants have at times enveloped Cheshire, prompting the utility to buy out most of the 221 residents, who agreed not to sue. A utility spokesman said the plant is clean, but its operations were encroaching on the community.

Elsewhere, the utility is fighting a lawsuit filed by the Environmental Protection Agency alleging Clean Air Act violations.

American Electric has joined the Conservancy in an $11 million forest preservation initiative in Bolivia. If the concept were approved by federal regulators, the project one day would supply the company with "pollution credits." That would lessen its need to install costly emissions controls at its U.S. plants.

Opponents of the Conservancy's approach argue that corporations have seized control of the charity from within.

"The Conservancy brings in corporate board members who don't know much about conservation -- or even care that much about it," said Huey Johnson, the former head of the Conservancy's western U.S. operations and a founder of the Trust for Public Land. Two years ago, he won the United Nations' top environmental award.

The Conservancy offers corporations seats on its International Leadership Council for $25,000 and up. Once there, executives can "meet individually with Nature Conservancy staff to discuss environmental issues of specific importance to the member company," Conservancy literature states.

Council members include Pacific Gas and Electric Co., which paid $333 million to settle claims that its plants polluted water and caused cancer among nearby residents, a legal battle dramatized in the film "Erin Brockovich."

Another member is Dow Chemical Co., owner of Union Carbide. Last year, the Conservancy's Louisiana chapter gave Dow its conservation leadership award for expanding a greenbelt bird sanctuary around its plant in Plaquemine, La. The plant also has drawn the attention of a grand jury investigating vinyl chloride contamination of area water, Dow officials recently confirmed.

Avoiding Controversy

Sometimes, the Conservancy's nonconfrontational approach puts it on the sidelines of the major environmental issues of the day.

In Alaska, the Conservancy has stood silent as environmentalists battle proposed oil drilling in the Arctic National Wildlife Refuge. The decision to skirt the fight followed intense debate in 2001 by the Conservancy's board, which yielded in the end to the wishes of its Texas and Alaska chapters, senior Conservancy officials said.

Two major oil companies that support the Alaska drilling -- BP and Exxon Mobil -- hold Conservancy leadership council seats. Exxon Mobil has donated $5 million to the Conservancy. Another supporter of drilling, Phillips Alaska Inc., has given at least $1 million, records show.

McCormick defended the Conservancy's refusal to choose sides between what he called "ideological factions" in the Alaska debate. He described the issue as "not an argument for the Nature Conservancy." Getting involved, he said, could "completely drain our credibility." He concluded: "It's more courageous to stay on principle and get conservation through some concessions from those who use the land."

The Conservancy also has been among the last environmental groups to recognize global warming and the need to reduce greenhouse gas emissions. Two of the Conservancy's strongest corporate supporters, Exxon Mobil and GM, have opposed stiff emission-cutting efforts.

Exxon Mobil for years led the Global Climate Coalition, an industry group that debunked global warming. Exxon Mobil has long been a leading lobbyist against the Kyoto accord to reduce emissions.

One environmental group, Environmental Defense, has dubbed GM "Global Warmer Number One" because its vehicles are a major source of carbon-dioxide emissions. GM Chairman Smith headed the Conservancy's $1 billion fundraising campaign, and over the past decade the company has given the Conservancy cash and vehicles worth $22 million.

"Twenty-two million dollars is going to go a long way to help preserve biodiversity," said Terry Pritchett, GM's director of global climate issues.

McCormick finally took up the global warming issue in the Conservancy's bimonthly magazine in the fall of 2001.

"Typically, the Conservancy has avoided the political debate over global warming," McCormick wrote. "But we haven't buried our institutional head in the sand."

He said that climate change was "real," and the Conservancy needed to figure out how to confront it "with a cool temper and a vigilant eye for solutions."

Last year, the Conservancy launched an initiative adopting the approach that would supply corporations with pollution credits.

GM contributed $10 million to the plan.

Greenwashing

Scientists rate the conversion of land to human habitat -- urban sprawl -- as Earth's greatest menace. "Sprawl is without a doubt the most pervasive threat," an unidentified Conservancy scientist wrote in response to a survey in 2001, obtained by The Post. "Failure to recognize and address this threat on all levels, not just buying land, will result in a mission-critical policy failure."

Despite such assessments, the Conservancy has forged a close partnership with Centex Corp., one of the nation's largest residential construction firms. Centex and its subsidiaries have built almost 400,000 houses, many at 28 sites ringing the District of Columbia.

Centex and its divisions have given and pledged $3 million to the Conservancy. Centex sits on the Conservancy's leadership council, and the chairman of Centex Homes served on a Conservancy advisory board. Two years ago, a Conservancy chapter in Texas gave Centex Homes its Conservation Leadership Award for "corporations that have shown leadership in and dedication to conserving natural resources."

Centex also has helped the Conservancy retain its claim of having 1 million members. The charity handed out more than 40,000 free memberships to Centex employees and customers, a November 2001 Conservancy memo said. Other corporations, including Enron, also have given away memberships.

Although its advertisements feature photographs of dense forests, the Conservancy is allied with two of the nation's biggest tree consumers, Georgia-Pacific Corp. and International Paper Co.

The Conservancy defends its partnerships with loggers by arguing that it has persuaded them to adopt more conservation-friendly methods -- reduced clear-cutting, fewer access roads and wider buffer zones along rivers and streams. The Conservancy says it has also made loggers more sensitive to endangered species, such as the red cockaded woodpecker. Company spokespersons agree.

The Dogwood Alliance, a coalition of 70 grass-roots environmental groups, says the change in methods is superficial and the damage remains considerable. Further, the partnership gives loggers a public relations boost from "greenwashing," Dogwood and other environmental groups charge.

Georgia-Pacific and International Paper have used the Conservancy "to pull the wool over the public's eyes," said Trevor Fitzgibbon, Dogwood's former spokesman. "It makes it seem they are doing great things for the environment when what they're doing is destroying the South's natural heritage."

For nearly a decade, the Conservancy helped Georgia-Pacific manage environmental risks arising from its logging along North Carolina's Lower Roanoke River.

"It has absolutely changed GP's image," said Georgia-Pacific Chairman Correll, a Conservancy board member.

For its part, Georgia-Pacific has been generous to the Conservancy, donating $3 million in 2000 alone.

International Paper is on the Conservancy's leadership council. In 1998, the company sold 185,000 acres of Maine forest to the Conservancy for $35 million. The Conservancy then contracted with a Maine company to log 136,000 acres of the land to help offset costs.

McCormick sits with International Paper on the American Forest and Paper Association's Sustainable Forestry Board, a panel set up by the industry to certify that loggers are being eco-friendly.

Such ties create a "commonality of interest" between the Conservancy and International Paper, said Tom Jorling, a company vice president. "This enables us to get more legitimacy because the Conservancy has the kind of reputation it does."

Board Conflicts

The Internal Revenue Service requires charities to disclose all business deals they do with board members or their corporations. At the Conservancy, the list of such conflicts of interest is long.

Millions have gone toward property deals with such companies, including $7.88 million in transactions with Georgia-Pacific. In 1999, the Conservancy paid a Georgia-Pacific subsidiary $380,000 for 1,100 acres in Maine. In 2000, the Conservancy paid $7.5 million to the same subsidiary for 9,500 acres in Louisiana, much of it stripped of trees by clear-cutting, Conservancy documents show. The charity got a $1 million discount, according to an internal document.

Conservancy officials said the land purchases were guided by "the best available science" and based on an independent appraisal and scientific review, which they declined to make public. They said Correll recused himself from voting on the purchases.

The Conservancy's business with board members and their companies also extends to purchases of products, legal assistance and even development rights.

The Conservancy paid Orvis Services Co. $649,000 in 1998 for placing some development restrictions on its private, 1,600-acre Florida hunting preserve, records show. The chief executive of the closely associated Orvis sat on the Conservancy's board.

The Conservancy also allowed S.C. Johnson & Sons Inc. to use the Conservancy logo in ads for toilet cleaner and other products, receiving $100,000 in return. The corporation's chairman sat on the nonprofit's board.

The Conservancy told the IRS that the board members in those instances recused themselves from voting on the transactions. Since July 1, 1998, the Conservancy has reported that 11 of its board members or their companies have engaged in one or more financial transactions with the charity.

In a written response to Post questions, the Conservancy said that each deal was "entirely appropriate" and that most included discounts or donations. Such deals are permissible under IRS rules if the charity documents that its board members and their companies have not profited unduly.

Conservancy Board Chairman Anthony P. Grassi, retired chief financial officer of Credit Suisse First Boston Inc., said he sees nothing unethical in the Conservancy's doing business with board members.

Still, such financial transactions are discouraged in the nonprofit world. Known as "self-dealing," the arrangements can lead to revocation of an organization's tax-free status if the charities cannot show that they have guarded against potential abuse.

Guidelines established by the nonprofit advisory group BoardSource say: "Good judgment is affected if [a] board member's personal or professional concerns conflict with the best interest of the organization. . . . Even the appearance of a conflict of interest can damage the organization's reputation."

Credibility and Trust
While publicly enthusiastic about working with industry, Conservancy officials remain privately concerned about image. Recently, the Conservancy contracted with Worldwide, a consultant on consumer tastes, to conduct focus groups on the issue.

A June 2001 Wirthlin report, obtained by The Post, reassured Conservancy executives that the participants considered corporate partnerships "generally good." But it cautioned about the potential downside of selling a nonprofit's credibility and trust.

"There was a general feeling that some partnerships are created to fool or manipulate," the report said. Some of those polled worried the Conservancy might be helping the companies present a "false image to the public."

The participants were tested on their reactions to the Conservancy's hypothetical relationships with various companies: Bristol-Myers Squibb Co., Anheuser-Busch Cos., Wal-Mart Stores Inc., BP Amoco, Intel Corp. and Cadillac.

Among the results: most participants expressed negative feelings about partnerships with Anheuser-Busch ("bad"), Wal-Mart ("absurd") and BP ("inappropriate"). There is no indication that they were told BP sits on the Conservancy's leadership council.

"Many feel a relationship between [the Conservancy] and an oil company is inherently incompatible," the report said.

The study focused in part on industries with which the Conservancy had what researchers described as an "inherent conflict of interest." Not only oil, but logging, mining, and power generation. Some participants considered taking cash from such industries unethical.

"There is a minority who feel that by accepting a financial contribution, [the Conservancy] would be sending out a message that they condone the business practices of that company," the report said. "To this minority, accepting financial contributions from these types of companies is the equivalent of a payoff."

Logo for Sale
Toilet cleaner is not the only product associated with the Conservancy.

The Conservancy has rented its name and logo for use on neckties, breakfast cereal, coffee and credit cards. Companies pay six-figure fees to stamp the Conservancy's oak leaf on their packaging. Conservancy vice president Michael Coda, who developed the program, describes logo sales as a "very good deal" for the nonprofit.

"A partnership with the Nature Conservancy is good business!" Conservancy literature says, stressing that its members are "upscale, urban, and have annual incomes averaging $50,000."

The practice offends some consumer activists. When affixed on a raisin bran box, the logo does not guarantee the product inside is more environmentally friendly than the next brand on the supermarket shelf, activists say.

"That's misleading -- a consumer is going to think that that breakfast cereal was produced with some kind of sustainable agriculture," said Urvashi Rangan of Consumers Union, a watchdog group that tracks logo usage and publishes Consumer Reports magazine.

General Mills' Nature Valley granola bars have displayed the Conservancy logo since 1998. "There is nothing more environmentally friendly" about the product, Rangan said. "We have a big problem with that."

There is also no disclosure on the snacks that, until last fall, a General Mills Inc. corporate director sat on the Conservancy's board. "That's a huge conflict of interest," Rangan said. Senior Conservancy officials said they were unaware of Nature Valley's ties to their former board member.

Staff researchers Alice Crites and Lucy Shackelford contributed to this article.

Nature Conservancy gas drilling placed endangered birds at risk

http://www.citizenreviewonline.org/may_2003/nature.htm

Tax Favortism for Nature Conservancy

http://www.citizenreviewonline.org/may_2003/tax_favoritism.htm

Nature Conservancy gas drilling placed endangered birds at risk

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Further Links To Nature Conservancy Destruction of Freedom For

Environmental Extremism

http://citizenreviewonline.org.master.com/texis/master/search/mysite.html?q=nature+conservancy