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## Marching With a Mouse

By THOMAS L. FRIEDMAN

There aren't a lot of environmental groups with their own investment bank consultants, so when you hear that Environmental Defense has just hired the boutique Wall Street firm Perella Weinberg Partners, you know that we're in a new world. Every college activist should study this story, because it is the future. In the old days, when activists wanted something done, they held a sit-in or organized a protest march. Now they hire an investment bank.

O.K., maybe every activist group can't afford Goldman Sachs, but such groups should nevertheless analyze how Environmental Defense and the Natural Resources Defense Council used the Internet and the market to save the planet from tons of CO<sub>2</sub>. The story started last year when a giant Texas power company, TXU, announced plans to build 11 coal-fired, CO<sub>2</sub>-belching power plants, raising the ire of environmentalists worried about climate change. Fred Krupp, president of Environmental Defense, which has an office in Texas, wrote to John Wilder, TXU's chairman, and asked for a meeting, but was brushed off. TXU made it clear that it was on a fast track to build its plants and had the governor of Texas on its side.

Talk about not knowing what world you're living in.

So Environmental Defense and its allies turned to the Web and created the Stoptxu.com Web site, which put out regular electronic newsletters on the TXU plans and built a national constituency opposed to the deal. They also took TXU to court.

None of that might have been enough, though, had the big buyout firms Kohlberg Kravis Roberts and Texas Pacific Group not teamed up to offer to buy TXU in February -- a deal valued at \$45 billion that would be the biggest leveraged buyout ever. But there was a catch: "The buyers did not want to take over a company enmeshed in a war with environmentalists," Mr. Krupp said, "so they came to us and said, 'We only want to go forward if you and NRDC will praise what we are trying to do here.' " Mr. Krupp and NRDC were ready to engage, but only if the deal could be made more climate-friendly.

"The negotiations involved talks over 10 days," Mr. Krupp said, "and the key session was compressed into 17 hours in the Oriental hotel in San Francisco from 8 a.m. to 1 a.m. the next morning."

Eventually, the private equity group agreed to cut the number of new TXU coal plants from 11 to 3, to support a U.S. cap on greenhouse gas emissions and to commit TXU to plowing \$400 million into energy-efficiency programs and doubling its purchase of wind power. In return, the environmentalists blessed the deal, but Mr. Krupp also hired Perella Weinberg to negotiate the fine print.

That is a pretty good day's work for people who had no money on the table. There are a lot of lessons here.

First, Mr. Krupp said, "what is the message when the largest buyout in history is made contingent [by the buyers] on winning praise for its greenhouse gas plan? The markets are ahead of the politicians. The world has changed, and these guys see it."

TXU not only didn't understand that the world was getting green; it didn't understand that the world was getting flat. "Going online," Mr. Krupp said, "we shifted this from a local debate over generating electricity to a national debate over capping and reducing carbon emissions." So, what TXU had hoped would be just a local skirmish was instead watched on computer screens in every global market.

The Internet age is an age of transparency, when more people than ever can see right into your business and judge you by your deeds, not words. TXU could not manage its reputation by just hiring a P.R. firm and issuing a statement -- because, thanks to the Internet, too many little people could talk back or shape TXU's image on a global basis through the Web, for free.

"The reputations of companies are going to be less determined by the quality of their P.R. people and more by their actual actions -- and that empowers more of an honest debate on the merits," said Mr. Krupp, adding, "It's just harder to keep bad environmental news secret and expect the public to sit on its hands in the Internet era."

Message to young activists: If you do your homework, have your facts right and the merits on your side, and then build a constituency for your ideals through the Internet, you, too, can be at the table of the biggest deal in history. Or as Mr. Krupp puts it: the TXU example shows that truth plus passion plus the Internet "can create an irresistible tide for change."

Paul Krugman is off today.

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