

## **Brussels think tanks persist in funding secrecy**

### **ExxonMobil covertly funds EU climate skeptics**

***Corporate Europe Observatory (CEO), December 2006***

The results of a new survey undertaken by Corporate Europe Observatory (CEO), demonstrates that, despite increased calls for the financial transparency of EU think tanks, secrecy prevails. Also large EU corporations, known to be major financers of EU think tanks, fail to disclose their funding for these institutions. Clearly, enforceable EU rules are needed to ensure that think tanks and their corporate backers abide by basic transparency standards.

The debate around the European Transparency Initiative (ETI) appears to have by-passed most EU think tanks. In March 2005, EU Commissioner Siim Kallas launched the ETI, in part to tackle concerns that the transparency of lobbyists working to influence EU decision-making “is too deficient in comparison to the impact of their activities”.<sup>1</sup> Think tanks are included in the Commission’s definition of ‘lobbyists’.

CEO’s survey – which involved 20 think tanks – demonstrates that a large majority do not live up to basic standards of transparency.<sup>2</sup> For example, very few disclose their sources of funding on their websites. When contacted by CEO, a few think tanks did agree to name their corporate sponsors, but refused to disclose the amounts they receive from each funder. Many others failed to respond to our repeated requests or explicitly rejected providing any funding information whatsoever. The survey illustrates that little progress has been made since 2005, when CEO presented the results of a similar survey in the briefing “Transparency unthinkable?”.<sup>3</sup> Set against the background of the ETI debate, the general lack of improvement in the transparency of think tanks, is both surprising and disappointing. For a detailed overview of the survey results, see the [appendix of this report](#).

Think tanks in the EU are involved in both setting the policy agenda and influencing the content of policy debate. Their influence and perceived authority is apparent when considering the wide coverage they receive in the European media and their growing presence in Brussels. The potential impact of think tanks in influencing political developments has been clearly shown in the US where neoconservative think tanks were instrumental in preparing the ground for the Bush government.<sup>4</sup>

There is mounting evidence that many EU-focused think tanks are heavily funded by corporations and this raises serious concerns about their agenda and their independence. Obliging think tanks to disclose their sources of financing would enable greater public scrutiny of the interests behind these organizations.

As in the 2005 survey, radical neoliberal think tanks like Centre for the New Europe, the European Enterprise Institute and the International Council for Capital Formation reacted most hostile when asked to reveal details about their financial backers.<sup>5</sup> Within this category, there have been modest transparency improvements by the Stockholm Network and the International Policy Network (IPN). The Stockholm Network, highlighted as an absolute laggard in the 2005 survey, now publishes on its website the names of the companies funding it (including Eli Lilly, ExxonMobil, Merck, Pfizer and Philips), but not the amounts involved.<sup>6</sup> The IPN very grudgingly released some information. After several weeks of initial silence, executive director Julian Morris told us that he would send us a short reply “at some point”. He explained that “it is not a priority to answer your request. You don’t seem to focus on issues that are of importance / relevance to us.”<sup>7</sup> Eventually, IPN’s response was a brief message informing us that they have over 160 donors, most of whom private individuals, and a total income for 2005 of just over US\$1.5 million.

Exceptions to the dominant culture of secrecy are: The 'Brussels European and Global Economic Laboratory' (Bruegel), which in the 2005 survey also proved to be the most transparent EU think-tank; the European Policy Centre (EPC), which, over the past year, has significantly improved its financial transparency; and Notre Europe, a new addition to the survey pool and relatively forthcoming with names and figures that revealed a sizeable chunk of government funding.

Notre Europe is part of the European Policy Institutes Network (EPIN), an alliance of 25 think-tanks which seems at least in principle to recognize the risks of continued secrecy. In October 2005 an EPIN task force meeting on transparency issues concluded that "the think tank concept... risks being increasingly associated with notions of behind-the-scenes influence". Participants at the workshop agreed that "funding is the key transparency issue, as it affects think tank's ability to think independently if strings are attached to specific funds" and that "a particular concern is the growing share of funding by large corporations."<sup>8</sup> These pressing questions unfortunately continue to be ignored by most Brussels think tanks.

### **The hand that feeds you**

EU think-tanks continue to depend heavily on corporate membership fees, grants and donations. This is illustrated by data from some of the think tanks that do disclose a degree of information

- In 2005, 47% of Bruegel's total income of € 2.1 million is from corporate membership.<sup>9</sup>
- In 2005, the Center for European Policy Studies (CEPS) declared revenue income of € 5.9 million, of which 39% came from membership fees; "essentially corporate sponsorships" and a further 14% from the private sector.<sup>10</sup>
- In 2005, Friends of Europe's total income of just over €1 million, included over 60% (€ 649,625) from "...membership and/or sponsorships by a variety of some 170 companies or trade associations in various sectors."<sup>11</sup>
- In this context it is also relevant that the European Policy Centre has taken action to diversify its funding base and limit its dependency on membership fees from 43% in 2004 to 31% in 2006.<sup>12</sup>

### **Exxon-Mobil: oil dollars against EU climate policies**

Climate campaigners consider oil giant ExxonMobil one of the world's most controversial oil firms for its opposition to the Kyoto Protocol and its role in convincing the US government to abstain from effective measures to combat climate change. Despite growing pressure, the company continues to fuel the work of climate skeptic think tanks and lobby groups in North America and Europe. According to the Worldwide Giving Report published annually by the ExxonMobil headquarters in the US, the oil giant distributed \$2.9 million to 39 such groups.<sup>13</sup> The report reveals that the Competitive Enterprise Institute, a Washington think tank that aggressively challenges the need to act against global warming, was the biggest US beneficiary of ExxonMobil funding last year. With these donations, ExxonMobil wants to create the impression that climate skepticism comes from respectable sources.

In Europe, ExxonMobil Worldwide Giving Reports show, the company has in previous years provided funds at least to the International Policy Network, the Centre for The New Europe, TCSDaily.com (formerly known as Tech Central Station) and the International Council for Capital Formation, the latter three are based in Brussels, and all are ardent opponents of the EU's efforts to combat climate change.<sup>14</sup> The most recent 'Worldwide Giving Report' shows that ExxonMobil has in 2005 funded the climate change programs of Centre for The New Europe and the International Policy Network for \$50,000 and \$130,000 respectively.<sup>15</sup> Further internet research undertaken by CEO reveals how the Worldwide Giving Report is not complete. The Lisbon Council (a think tank promoting a neoliberal reform agenda), for instance, mentions on its website that it has received donations from ExxonMobil,<sup>16</sup> while this think tank has never

been mentioned in the Worldwide Giving Reports. The same goes for the Stockholm Network, a pan-European alliance of radical free-marketeers (headquartered in London but with a strong focus on EU policy-making).<sup>17</sup> At least three other Brussels think tanks (EPC, CEPS and Friends of Europe) refer to ExxonMobil as a corporate member (which in reality means a fee of between 5,500 and 30,000 euro per year). While in terms of approach, these think tanks are not known as particularly hostile towards efforts to combat climate change, this example illustrates how the Worldwide Giving Report does not provide a complete overview of Exxon Mobil's funding for think tanks in Europe.

Other climate-skeptical think tanks based in Brussels that are believed to have received Exxon-Mobil's funds are the European Enterprise Institute (EEI), Institut Economique Molinari (a very active climate-skeptical think tank with close links to the Centre for The New Europe), and, again, the International Council for Capital Formation (ICCF).<sup>18</sup> The last-mentioned is the Brussels subsidiary of the American Council for Capital Formation, a prominent opponent of the Kyoto Protocol which received no less than 360,000 US\$ from the ExxonMobil Foundation in 2005.<sup>19</sup> It is unclear how much of that money has been invested in Brussels, where ACCF subsidiary ICCF works hard to sow doubt among EU decision-makers about the need for regulations to combat climate change. The ICCF's office in the Brussels EU quarter is led by Margo Thorning, who is also the Chief Economist and Senior Vice President of the American Council for Capital Formation. When CEO phoned the ICCF office (after repeated inquiries by email had gone unanswered), the phone was picked up by Nicolas Robin, who asked us to send our questions by email. Despite repeated reminders, we never received a response to our question. Nicolas Robin is one of several consultants from Cabinet Stewart European Affairs that have been hired by the ICCF to organize conferences and other lobbying activities on energy issues in Brussels.<sup>20</sup> The ICCF's lack of response to the survey was a step backwards: in 2005 Managing Director Margo Thorning at least provided a list of the "corporate underwriters" of the American Council for Capital Formation (ACCF), the ACCF Center for Policy Research and the ICCF.<sup>21</sup>

The other climate skeptics suspected of receiving ExxonMobil support – the European Enterprise Institute (EEI) and Institut Economique Molinari – are also unwilling to put their cards on the table. Neither answered CEO's repeated requests for disclosure. The European Enterprise Institute (EEI) had in the summer of 2005 told CEO that would publish its sources of funding before the end the year, but has never followed up on this promise. Péter Mihók of the Institut Economique Molinari wrote back with the message that funding sources are kept confidential and it is up to the donors to decide whether or not to disclose this information.<sup>22</sup>

The next step, therefore, was to contact Exxon Mobil's EU Affairs office. CEO has over the last weeks repeatedly tried to convince Exxon Mobil's EU Affairs manager, Lisa Boch-Andersen, to fully disclose the company's funding of EU think tanks. The promised phone response failed to materialize, despite numerous reminders.

#### **The growing pressure on ExxonMobil**

Earlier this year, the Royal Society, the UK's most prestigious scientific body, wrote to the oil giant to demand that it withdraws its funding for climate-skeptic think tanks because they have "misrepresented the science of climate change by outright denial of the evidence".<sup>23</sup> This demand was echoed in an open letter sent to ExxonMobil in October 2006 by two United States senators. The senators, one Republican and one Democrat, called upon the company to show corporate responsibility and "end any further financial assistance" to groups "whose public advocacy has contributed to the small but unfortunately effective climate change denial myth." In November 2006, ExxonMobil was nominated as a candidate for the Worst EU Lobbying Award 2006 because of its continued funding of climate skeptics.<sup>24</sup>

#### **Corporate Secrecy about think tank funding**

CEO research shows that ExxonMobil's secrecy is far from exceptional. After the survey among think tanks had revealed a very limited will to disclose funding data, we proceeded to approach

the potential donors of EU think-tanks. This involved contacting 22 of the largest transnational corporations<sup>25</sup> with an EU lobbying office in Brussels with a request to disclose their funding relations with think tanks and other groups focused on EU policy making.<sup>26</sup> Without exception, this kind of information cannot be found on the websites of these firms. For a detailed overview of the survey results, see the [appendix to this report](#).

In summary, the level of response from the 22 companies was low:

- 8 did not reply (BAT, Dow, ExxonMobil, Ford, Microsoft, Monsanto, Pfizer and Suez)
- 5 explicitly refused to take part in the survey (Bayer, GlaxoSmithKline, Lufthansa, RWE, Syngenta)
- 4 provided only partial information (BP, Daimler Chrysler, Shell, Unilever)
- Only 2 firms gave a clear picture of their financial relations with think tanks (BASF, DuPont)
- 3 replied by indicating they do not support any think tanks with a major focus on EU issues (BAE Systems, BNFL, Repsol YPF)

One of the few firms that did respond to the survey, Unilever, noted that its Corporate Social Responsibility (CSR) report includes information on relations with civil society organizations, but does not mention support for think tanks. The Unilever spokesperson indicated that this might be something to improve in the future. This is clearly only a voluntary commitment, yet if corporations don't disclose their financial support for think-tanks (and other lobbying related expenditure) it is impossible to assess whether the lobbying activities of corporations are in line with their stated CSR commitments.

#### **Climate conspiracy**

Before the UN climate conference in Montreal in November 2005, Exxon-Mobil backed a strategy document drawn up by Chris Horner<sup>27</sup> (a senior official of both the Competitive Enterprise Institute and the European Enterprise Institute), which aimed to destroy Europe's support for the Kyoto Treaty.<sup>28</sup> The proposal was sent to energy giant RWE. According to Horner, RWE rejected the suggestions in the paper, while other "companies (including Lufthansa, Exxon, Ford) [have already] indicated their interest".<sup>29</sup> After the documents leaked and were exposed by UK newspaper The Independent, Horner's proposals seem to have been shelved. The four mentioned companies were invited to participate in CEO's 2006 survey and declare their financial relationship with EU lobbyists, but all failed to provide the requested information.

#### **The Commission's Transparency Proposals**

In May 2006, the European Commission presented its Green Paper on the European Transparency Initiative. The Commission takes a broad approach to "lobbying" and "lobbyists" and includes think-tanks working with "the objective of influencing the policy formation and decision-making processes of the European institutions".<sup>30</sup> The Commission's definition goes beyond the lobbying disclosure systems in place in the US and Canada, which apply a more narrow interpretation. In the US for example, think-tanks are barred from direct lobbying of decision-makers on legislative proposals. In the EU, many EU think tanks have lobbyists registered at the European Parliament, although one-on-one lobbying of parliamentarians on specific legislation is not their main field of activity. Yet the aim of these think tanks is to influence EU decision-making; therefore EU think tanks should apply basic transparency standards and the Commission's definition is useful in that this is recognised. The Commission in its Green paper states that for those engaged in lobbying, "it must be clear to the general public which input they provide to the European institutions. It must also be clear who they represent, what their mission is and how they are funded."<sup>31</sup>

However, despite these intentions, the actual proposals in the Green Paper remain inadequate. Here, the Commission proposes a voluntary transparency register with light incentives for compliance.<sup>32</sup> Responses to CEO's survey indicate that such an incentive is highly unlikely to encourage EU think-tanks to disclose their funding sources. The European Commission must develop a set of rules that make lobbying transparency a de facto obligation. The work on defining the problem has been done and now it is time to implement solutions.

### **Corporate lobbying versus CSR**

The last few years have seen a growing consensus on the need for companies to ensure that their lobbying activities do not contradict commitments to Corporate Social Responsibility (CSR). An example is the report "Towards Responsible Lobbying" released in 2005 by the United Nations Global Compact office.

CEO has over the years documented numerous examples where large corporations claiming to be seriously committed to CSR, engage in aggressive lobbying against progressive EU regulations and policies, proposals designed to protect people and the global environment.

Clearly, transparency around lobbying, is a pre-condition for independent scrutiny and discourages contradictions between CSR commitments and lobbying strategies. This involves the precise disclosure of the amounts spent by corporations on lobbying which seeks to influence specific EU regulations, and includes paid lobbying assistance by public affairs firms, donations to think tanks, etc. Currently, very few corporations publish any substantial information on their lobbying activities in annual reports or on websites.

More detailed information is contained in the [Appendix to this report](#).

<sup>1</sup> [The need for a European transparency initiative](#), European Commission Vice-President Siim Kallas, speech held at The European Foundation for Management, Nottingham Business School Nottingham, 3 March 2005.

<sup>2</sup> Bruegel, Centre for European Policy Studies (CEPS), Centre for European Reform (CER), Centre for the New Europe, European Enterprise Institute (EEI), European Policy Centre (EPC), Forum Europe, Friends of Europe, Health Consumer Powerhouse, Institute Economique Molinari, Institute Hayek, Institute Thomas More Brussels, International Council for Capital Formation (ICCF), International Policy Network (IPN), Lisbon Council, Notre Europe, Security and Defence Agenda (SDA, before New Defence Agenda), Stockholm Network, TechCentralStation (now TCSDaily.com), The Center.

<sup>3</sup> [Transparency unthinkable? Financial secrecy common among EU think tanks](#), Corporate Europe Observatory, July 2005.

<sup>4</sup> As Steve Waters of *The Guardian* put it, "If you have any doubt as to how devastating their influence can be, you need only glance across the Atlantic to survey the terrifying encampments of neo-conservative thinktanks ranged around the Bush camp. There, it's possible to see just how lethal thinking can become." [Dangerous Minds](#), by Steve Waters, *The Guardian*, 10 November 2004.

<sup>5</sup> For the outcomes of the 2005 survey, see: [Covert industry funding fuels the expansion of radical rightwing EU think tanks](#), Corporate Europe Observatory, July 2005.

<sup>6</sup> See the Stockholm Network's [Annual Report 2005](#), page 18.

<sup>7</sup> Telephone conversation with Julian Morris, 20 June 2006.

<sup>8</sup> EPIN Think Tanks Task Force meeting of October 20-21, 2005, Brussels: [Ideas, Influence and Transparency – What Could Think Tanks Learn and Contribute](#).

<sup>9</sup> €1,000,000 out of total revenues of €2,114,856. The remaining €1,114,856 are contributions from member states. See [2005 Annual Report](#), Bruegel.

<sup>10</sup> [About CEPS](#), CEPS website, accessed 4 December 2006.

<sup>11</sup> Email of Friends of Europe's Director and Deputy Secretary-General Geert Cami, dated 29 June 2006.

<sup>12</sup> Having succeeded to expand their membership base to more stakeholders (now there are 86 listed corporate members – excluding trade associations and lobby groups – out of a total of 399 members) corporations still contribute far more money than other type of members. (see: [Membership list on EPC website](#). Accessed 4 December 2006.

Corporations also fund the 'programmes' category within the EPC budget. This is 31% of the 2006 total budget. However a breakdown of contribution figures is not provided for this area of funded activity. According to EPC's Chief Executive Hans Martens "there is also very small membership contributions for some programmes and task forces, but although this is important morally, it is not significant financially."

<sup>13</sup> The figure of \$2.9 million comes from the [letter to Nick Thomas, Director Corporate Affairs, Esso UK Ltd.](#), sent by the Royal Society, 4 September 2006.

<sup>14</sup> See also [Covert industry funding fuels the expansion of radical rightwing EU think tanks](#), Corporate Europe Observatory, July 2005.

<sup>15</sup> A comparison with 2004 figures shows how the company's support for CNE dropped slightly, whereas IPN's grant increased.

<sup>16</sup> "The Lisbon Council extends its gratitude to the following corporations for supporting us in our formative years: Accenture, Allianz Group, Roland Berger Strategy Consultants, Electronic Data Systems (EDS), ExxonMobil, IBM, ING Group, Kapp Netherlands, Microsoft, Morgan Stanley, Oracle, Royal Dutch/Shell Group, Swift, Tesco and Umicore." Source: [Lisbon Council website](#), accessed 4 December 2006.

<sup>17</sup> The Stockholm Network in its [Annual Report 2005](#) lists ExxonMobil among its financial supporters (page 18).

<sup>18</sup> The [ExxonMobil Worldwide Giving Report 2005](#) does not mention these groupings, but that does not mean they have not received ExxonMobil funding. The problem is that this information is impossible to obtain in the current transparency climate.

<sup>19</sup> See [ExxonMobil Worldwide Giving Report 2005](#). According to [www.exxonsecrets.org](#), ACCF has received \$1,309,523 from ExxonMobil since 1998.

<sup>20</sup> See for instance: [http://www.institutmolinari.org/pubs/invitation\\_24\\_11\\_2004.pdf](http://www.institutmolinari.org/pubs/invitation_24_11_2004.pdf)  
<http://www.iccglobal.org/pdf/BrusselsFlyer.pdf>  
[Cabinet Stewart](#) is one of the largest of the countless lobbying consultancy firms in Brussels.

<sup>21</sup> [Transparency unthinkable? Financial secrecy common among EU think tanks](#), Corporate Europe Observatory, July 2005.

<sup>22</sup> Email from Péter Mihók, 4 July 2006.

<sup>23</sup> [Royal Society tells Exxon: stop funding climate change denial](#), David Adam, *The Guardian*, 20 September 2006.

<sup>24</sup> See [Worst EU Lobby Awards 2006](#) (website).

<sup>25</sup> Bayer, BAE Systems, BASF, BNFL, BP, British American Tobacco, Daimler Chrysler, Dow, DuPont, ExxonMobil, Ford, GlaxoSmithKline, Lufthansa, Microsoft, Montesa, Pfizer, Repsol YPF, RWE, Shell, Suez, Syngenta, Unilever.

<sup>26</sup> "The information we request is an overview of your funding relations with think-tanks, lobby groups and other organizations aiming to influence EU policy making for the last financial year (including memberships, sponsorships, donations and other types of financial support). We were unable to find this information on your website. In addition, please indicate if donations are restricted/earmarked to a particular project or purpose". Fragment of the invitation emailed to the mentioned corporations to participate in CEO's 2006 Survey.

<sup>27</sup> Mr. Horner is also a Head Counsel within the Cooler Heads Coalition, a group that questions the evidence of global warming and opposes any policies to "ration" energy. See [www.globalwarming.org](#).

<sup>28</sup> The document explains how the so-called "European Sound Climate Policy Coalition", based in Brussels, would draw together major international companies, academics, think-tanks, commentators, journalists and lobbyists from across Europe into a powerful grouping to question the wisdom of proceeding with Kyoto and its demanding cuts in carbon dioxide emissions. From [How America plotted to stop Kyoto deal](#), Andrew Buncombe, *The Independent*, 8 December 2005.

- <sup>29</sup> Contacts with European Corporations took part when Mr Horner travelled to Europe apparently at the request of the European Enterprise Institute. However, a spokesman for Ford Europe, insisted that Ford had not supported Mr Horner's opinions. *Ibid.* Andrew Buncombe.
- <sup>30</sup> "Lobbying" means all activities carried out with the objective of influencing the policy formation and decision-making processes of the European institutions. "Lobbyists" are defined as persons carrying out such activities, working in a variety of organizations such as public affairs consultancies, law firms, NGOs, think-tanks, corporate lobby units ('in-house representatives') or trade associations.
- <sup>31</sup> [Green Paper on a European Transparency Initiative](#), European Commission, May 2006.
- <sup>32</sup> The Commission proposed that those who register will receive automatic email alerts about upcoming consultations.