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## THE POLITICAL SCENE

### AS THE WORLD BURNS

*How the Senate and the White House missed their best chance to deal with climate change.*

by Ryan Lizza

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Lindsey Graham, Joseph Lieberman, and John Kerry each sought a kind of redemption through climate-change legislation.

On April 20, 2010, Senators John Kerry, Lindsey Graham, and Joseph Lieberman, along with three aides, visited Rahm Emanuel, President Obama's chief of staff, at the White House. The legislators had spent seven months writing a comprehensive bill that promised to transform the nation's approach to energy and climate change, and they were planning a press conference in six days to unveil their work.

Kerry, of Massachusetts, Graham, of South Carolina, and Lieberman, of Connecticut, had become known on Capitol Hill as the Three Amigos, for the Steve Martin comedy in which three unemployed actors stumble their way into defending a Mexican village from an armed gang. All had powerful personal motivations to make the initiative work. Kerry, who has been a senator for twenty-five years and has a long record of launching major investigations, had never written a landmark law. Lieberman, an Independent who had endorsed John McCain for President, had deeply irritated his liberal colleagues by helping the Republicans weaken Obama's health-care bill. Graham, a Republican, had a reputation as a Senate maverick—but not one who actually got things done. This bill offered the chance for all three men to transform their reputations.

The senators had cobbled together an unusual coalition of environmentalists and industries to support a bill that would shift the economy away from carbon consumption and toward environmentally sound sources of energy. They had the support both of the major green groups and of the biggest polluters. No previous climate-change legislation had come so far. Now they needed the full support of the White House.

The senators sat around the conference table in the corner of Emanuel's office. In addition to the chief of staff, they were joined by David Axelrod, the President's political adviser, and Carol Browner, the assistant to the President for Energy and Climate Change. Lieberman introduced his aide, Danielle Rosengarten, to Emanuel.

"Rosengarten working for Lieberman," Emanuel said. "Shocker!"

Kerry, Graham, and Lieberman knew that Obama's advisers disagreed about climate-change legislation. Browner was passionate about the issue, but she didn't have much influence. Axelrod, though influential, was not particularly committed. Emanuel prized victory above all, and he made it clear that, if there weren't sixty votes to pass the bill in the Senate, the White House would not expend much effort on the matter. The Democrats had fifty-nine members in their caucus, but several would oppose the bill.

"You've had all these conversations, you've been talking with industry," Emanuel said. "How many Republicans did you bring on?"

Kerry, the de-facto leader of the triumvirate, assured him that there were five Republicans prepared to vote for the bill. One of them, Lindsey Graham, was sitting at the table. Kerry listed four more: Susan Collins, Olympia Snowe, Scott Brown, and George LeMieux. With five Republicans, getting sixty votes would be relatively easy. The Obama White House and the Three Amigos would be known for having passed a bill that would fundamentally change the American economy and slow the emission of gases that are causing the inexorable, and potentially catastrophic, warming of the planet.

The Senate coalition that introduced the bill started to form in early 2009, when Lieberman instructed Rosengarten to work with the office of John McCain, Lieberman's longtime partner on the issue. As the newest member of Lieberman's staff, she was in charge of his climate portfolio, and Lieberman made a simple and oft-repeated demand: "Get me in the room."

Lieberman had worked on climate change since the nineteen-eighties, and in recent years he had introduced three global-warming bills. He also had long been interested in a pollution-control mechanism called cap-and-trade. The government would set an over-all limit on emissions and auction off permission slips that individual polluters could then buy and sell.

By late January, 2009, the details of the Lieberman-McCain bill had been almost entirely worked out, and Lieberman began showing it to other Senate offices in anticipation of a February press conference. The goal was to be the centrist alternative to a separate effort, initiated by Barbara Boxer, a liberal from California and the chair of the Environment and Public Works Committee.

But the negotiations stalled as the bill moved forward. In Arizona, a right-wing radio host and former congressman, J. D. Hayworth, announced that he was considering challenging McCain in the primary. McCain had never faced a serious primary opponent for his Senate seat, and now he was going to have to defend his position on global warming to hard-core conservative voters. The Republican Party had grown increasingly hostile to the science of global warming and to cap-and-trade, associating the latter with a tax on energy and more government regulation. Sponsoring the bill wasn't going to help McCain defeat an opponent to his right.

By the end of February, McCain was starting to back away from his commitment to Lieberman. At first, he insisted that he and Lieberman announce a set of climate-change "principles" instead of a bill. Then, three days before a scheduled press conference to announce those principles, the two senators had a heated conversation on the Senate floor. Lieberman turned and walked away. "That's it," he told an aide. "He can't do it this year."

In Barack Obama's primary-campaign victory speech, in St. Paul, Minnesota, he said that his election would be a historical turning point on two pressing issues: health care and climate change. "We will be able to look back and tell our children that this was the moment when we began to provide care for the sick," he said. "When the rise of the oceans began to slow and our planet began to heal." During the campaign, he often argued that climate change was an essential part of a national energy strategy. "Energy we have to deal with today," Obama said in a debate with McCain. "Health care is priority No. 2."

After the election, Obama decided to work on both issues simultaneously. Representative Henry Waxman moved climate change through the House, while Max Baucus, of Montana, moved health care in the Senate. "The plan was to throw two things against the wall, and see which one looks more promising," a senior Administration official said. Obama, in a February, 2009, address to Congress, said, "To truly transform our economy, protect our security, and

save our planet from the ravages of climate change, we need to ultimately make clean, renewable energy the profitable kind of energy. So I ask this Congress to send me legislation that places a market-based cap on carbon pollution.”

In March of 2009, a senior White House official outlined a strategy for a “grand bargain,” in which Democrats would capitulate to Republicans on some long-cherished environmental beliefs in exchange for a cap on carbon emissions. “You need to have something like T. Boone Pickens and Al Gore holding hands,” the White House official told me. In exchange for setting a cap on emissions, Democrats would agree to an increase in the production of natural gas (the only thing that Pickens, the Texas oil-and-gas billionaire, cared about), nuclear power, and offshore oil. If Republicans didn’t respond to the proposed deals, the White House could push them to the table by making a threat through the Environmental Protection Agency, which had recently been granted power to regulate carbon, just as it regulates many other air pollutants.

The strategy had risks, including the possibility that expanded drilling off America’s coast could lead to a dangerous spill. But Browner, the head of the E.P.A. for eight years under Clinton, seemed to think the odds of that were limited. “Carol Browner says the fact of the matter is that the technology is so good that after Katrina there was less spillage from those platforms than the amount you spill in a year filling up your car with gasoline,” the White House official said. “So, given that, she says realistically you could expand offshore drilling.”

The day after the confrontation with McCain, Lieberman met with Browner in his office to discuss strategy. Perhaps sensing that Boxer would have a hard time gaining Republican support, Browner assured Lieberman that he would be “absolutely central” to passing a climate bill. Lieberman was flattered. As Waxman moved cap-and-trade through the House that spring and summer and Boxer prepared to write her version of the bill, Lieberman and his aides met with forty senators or their staffs, to assess their concerns and to develop ideas about his role in Browner’s strategy.

Lieberman knew that the issue was almost as much regional as ideological. When he went to lobby Evan Bayh, of Indiana, Bayh held up a map of the United States showing, in varying shades of red, the percentage of electricity that each state derived from burning coal, the main source of greenhouse-gas emissions in the United States. The more coal used, the redder the state and the more it would be affected by a cap on carbon. The Northeast, the West Coast, and the upper Northwest of the country were pale. But the broad middle of the country—Pennsylvania, West Virginia, Ohio, Kentucky, Indiana, Illinois—was crimson. (Indiana, for example, derives ninety-four per cent of its electricity from coal). “Every time Senator Lieberman would open his mouth, Bayh would show him the map,” a Lieberman aide said.

It often took some work to figure out what, above all else, each senator cared about. In Senate parlance, this is known as the “top ask,” and after every meeting Rosengarten compiled a list for Lieberman. The top ask of Senator Debbie Stabenow, of Michigan, was to insure that incentives given to farmers for emissions-reducing projects—known as “offsets”—would be decided in part by the U.S.D.A., and not just the E.P.A. “Ultimately, farmers aren’t crazy about letting hippies tell them how to make money,” Rosengarten said. Blanche Lincoln, of Arkansas, told Lieberman that she had a major oil refiner in her state—Murphy Oil—and she wanted to make sure that any cap-and-trade bill protected it.

Lieberman knew that he would need a Republican for every Democrat he lost. Like the White House, he concluded that significant subsidies for the nuclear-power industry could win Republican support. Lieberman coaxed nine Republicans into forming a group to write nuclear legislation that could be merged with whatever climate bill emerged from Boxer’s committee. By not automatically resisting everything connected to Obama, these senators risked angering Mitch McConnell, the Republican leader and architect of the strategy to oppose every part of Obama’s agenda, and the Tea Party movement, which seemed to be gaining power every day. The senators also knew, however, that they could exercise enormous influence on the legislation—and that their top asks would be granted.

George Voinovich, of Ohio, told both Harry Reid, the Senate Majority Leader, and Lieberman that the right nuclear language could win his vote, so Lieberman used a nuclear bill that Voinovich’s staff was drafting as the framework for the group. Lindsey Graham, who grew up in Central, South Carolina, near a nuclear plant, wanted tax incentives and loan guarantees to help the nuclear industry.

Meanwhile, the House bill, known as Waxman-Markey (for Edward J. Markey, of Massachusetts), passed on June 26, 2009, by a vote of 219-212. Eight Republicans supported it. But there were omens for the Senate. The White House and Waxman spent the final days before the vote negotiating with members of the House representing two crucial interest groups: coal and agriculture. Despite cutting generous deals, they ended up with only limited support. Worse, several members who had promised House Speaker Nancy Pelosi their votes reneged. One of them, Ciro Rodriguez, of Texas, ducked into the chamber, quickly cast a no vote, and then sprinted out. Anthony Weiner, a

Brooklyn Democrat and one of Pelosi's whips, chased after him, yelling, "Ciro! Ciro!"

As the scene unfolded on the floor, Rosengarten and other Senate aides watched from the gallery. Rosengarten turned to a colleague and said, "Now it's our turn. We've got to go pass this thing in the Senate."

When the Obama era began, John Kerry was looking for a new political identity. Like Lieberman, he had a strained relationship with the new President. Kerry had been scheduled to endorse Obama the day after Obama's presumed victory in the New Hampshire primary. But Obama lost, and that night he nervously called Kerry and asked, "Are you still on board?" Kerry said he was. "Ninety-nine per cent of politicians would have walked away at that moment, because our odds of winning the primaries were quite low," Dan Pfeiffer, now Obama's communications director, told me in a 2008 interview. "It was a huge moment." Kerry and his aides believed that, if Obama was the President, Kerry's endorsement would give him the inside track in the competition for the job as Secretary of State. But Obama passed him over.

Kerry, as the chairman of the Foreign Relations Committee, could help steer the Administration's foreign policy, but he wanted to play a big role in shaping Obama's domestic agenda. In 2007, he had written a book about environmental activism, "This Moment on Earth," and the issue was a rare one in which the junior senator from Massachusetts had a deeper interest than the senior senator, Ted Kennedy. For most of their quarter century together in the Senate, Kennedy was the legislator (the Americans with Disabilities Act, State Children's Health Insurance Program, No Child Left Behind), and Kerry was the investigator (P.O.W.s in Vietnam, B.C.C.I., Iran-Contra). Now that could change. "This was Kerry's opportunity to prove that he could be in a major, really historic piece of legislation," Lieberman said.

At first, Kerry joined forces with Barbara Boxer, and spent months trying to find a Republican co-sponsor for her bill, which was almost a carbon copy of Waxman-Markey. In August, Rosengarten was eating lunch with Kerry's climate-policy aide, Kathleen Frangione, at Sonoma, a Capitol Hill wine bar. Rosengarten said she had spent hours working on the nuclear legislation with Graham's policy aide, Matthew Rimkunas, and she was shocked by something he had recently told her: Graham would have backed a climate-change bill that Lieberman had co-sponsored in 2007 if it had included the language supportive of nuclear power that they had just worked out. Kerry and Graham had to talk. Perhaps Kerry could split off from Boxer and try to work with Graham on a bipartisan bill.

Within days, Kerry and Graham were meeting in Kerry's office to negotiate the language of a *Times* Op-Ed piece announcing their partnership. As they talked, Kerry suddenly found himself having to reassess his convictions on oil drilling, nuclear energy, and environmental regulations with someone he barely knew and whom he had reason not to like. In 2004, Graham had gratuitously told the *Times* that Kerry "has no charisma" and "doesn't relate well to average people." But the two men agreed that their eventual bill would have to help the nuclear industry and expand oil drilling. As they wrote the article, Graham introduced a third issue: revoking the E.P.A.'s authority to regulate greenhouse gases. Kerry was furious, but he eventually relented. The Op-Ed would include language signalling to insiders that E.P.A. authority would be curtailed: "Industry needs the certainty that comes with congressional action."

The article ran on October 11th. The next day, Graham was holding a town-hall meeting in the gym of a high school in Greenville, South Carolina. His constituents were not happy. One man accused him of "making a pact with the Devil." Another shouted, "No principled compromise!" One audience member asked, "Why do you think it's necessary to get in bed with people like John Kerry?" Graham, dressed in a blue blazer and khakis, paced the floor, explaining that there were only forty Republicans in the Senate, which meant that he had to work with the sixty Democrats. A man in the bleachers shouted, "You're a traitor, Mr. Graham! You've betrayed this nation and you've betrayed this state!"

Soon afterward, Graham called Lieberman. He was concerned that Kerry might drag him too far to the left, and he knew that Lieberman, a close friend with whom he had travelled during McCain's Presidential campaign, could serve as a moderating force. Graham may not have remembered that Kerry and Lieberman had, according to a Senate aide, "a tense personal relationship." (Lieberman and Kerry ran against each other for President in 2004. In 2006, Kerry endorsed and campaigned for Lieberman's Democratic opponent in his Senate race.) "I'm happy to try and negotiate a bill with Kerry," Graham told Lieberman. "But I really want you in the room."

On October 28, 2009, Graham was eating dinner at the Capital Grille, an expense-account steakhouse on Pennsylvania Avenue, with Fred Krupp, the president of the Environmental Defense Fund, and Rick Davis, a Republican consultant who had managed McCain's two Presidential campaigns. The E.D.F., virtually alone among green groups in trying to form bonds with Republicans, prides itself on being the most politically sophisticated environmental organization in Washington. Krupp, who has short gray hair and a Brooks Brothers look that announces his disdain for hemp-wearing environmental activists, had helped to educate McCain on climate change,

and the two men became close. Now he wanted to do the same for Graham. He called Davis, who was an E.D.F. board member, and arranged the dinner.

Graham came to the issue strictly as a dealmaker. He saw the Democrats' interest in capping carbon emissions as an opportunity to boost the nuclear industry and to expand oil drilling. But now Krupp explained the basics of global-warming science and policy: how carbon trading worked, how farmers could use offsets to earn an income from growing trees, and how different lobbyists would affect the debate. Krupp told Graham that the crucial feature of the policy was the hard cap on emissions. The House bill required American carbon emissions to be seventeen per cent below 2005 levels by 2020. As long as that number held, environmentalists would show flexibility on most other issues. The dinner lasted three hours. The next day, Kerry, Graham, and Lieberman held their first meeting as the triumvirate that became known to everyone following the debate as K.G.L.

Heckled at home, Graham began to enjoy a new life as a Beltway *macher*. "Every lobbyist working on the issue wanted time with him, because suddenly it became clear that he could be the central person in the process," Krupp recalled. All sectors of the economy would be affected by putting a price on carbon, and Graham's campaign account started to grow. In 2009, he raised nothing from the electric-utility PACs and just fourteen thousand four hundred and fifty dollars from all PACs. In the first quarter of 2010 alone, the utilities sent him forty-nine thousand dollars. Krupp introduced Graham to donors in New York connected to the E.D.F. On December 7th, Julian Robertson, an E.D.F. board member and a hedge-fund billionaire, hosted Graham at a small gathering in his Manhattan apartment. Some New York guests gave money directly to Graham's campaign account. Others, at Krupp's suggestion, donated to a new group called South Carolina Conservatives for Energy Independence, which ran ads praising Graham in his home state.

For years, Graham had lived in McCain's shadow. But, as the rebellious politics of 2010 transformed McCain into a harsh partisan, Graham adopted McCain's old identity as the Senate's happy moderate. To Graham's delight, on December 23rd *Time* posted an online article headlined "LINDSEY GRAHAM: NEW GOP MAVERICK IN THE SENATE." The photograph showed Graham standing at a lectern with Lieberman and Kerry.

McCain, worried about his reelection, had been throwing rocks from the sidelines as the cap-and-trade debate progressed. When Waxman-Markey passed, he Tweeted that it was a "1400 page monstrosity." A month after K.G.L. was formed, McCain told *Politico*, "Their start has been horrendous. Obviously, they're going nowhere." After the *Time* piece appeared, he was enraged. Graham told colleagues that McCain had called him and yelled at him, incensed that he was stealing the maverick mantle. "After that Graham story came out, McCain completely stopped talking to me," Jay Newton-Small, the author of the *Time* piece, said.

Other Republican colleagues taunted Graham. "Hey, Lindsey," they would ask, "how many times have you talked to Rahm today?," and the criticisms in South Carolina became more intense. But Graham gave every indication to Lieberman and Kerry that he could deal with the pressure. He wasn't up for reelection until 2014, and his conversations with them, and with Krupp, the White House, and the Manhattan environmentalists, seemed to be having an impact. At a climate-change conference in South Carolina on January 5, 2010, Graham started to sound a little like Al Gore. "I have come to conclude that greenhouse gases and carbon pollution" are "not a good thing," Graham said. He insisted that nobody could convince him that "all the cars and trucks and plants that have been in existence since the Industrial Revolution, spewing out carbon day in and day out," could be "a good thing for your children and the future of the planet." Environmentalists swooned. "Graham was the most inspirational part of that triumvirate throughout the fall and winter," Michael Brune, the executive director of the Sierra Club, said. "He was advocating for strong action on climate change from an ethical and a moral perspective."

But, back in Washington, Graham warned Lieberman and Kerry that they needed to get as far as they could in negotiating the bill "before Fox News got wind of the fact that this was a serious process," one of the people involved in the negotiations said. "He would say, 'The second they focus on us, it's gonna be all cap-and-tax all the time, and it's gonna become just a disaster for me on the airwaves. We have to move this along as quickly as possible.' "

**I**n early December of 2009, Lieberman's office approached Jay Heimbach, the White House official in charge of monitoring the Senate climate debate. For Obama, health care had become the legislation that stuck to the wall. As a consequence of the long debate over that issue, climate change became, according to a senior White House official, Obama's "stepchild." Carol Browner had just three aides working directly for her. "Hey, change the entire economy, and here are three staffers to do it!" a former Lieberman adviser noted bitterly. "It's a bit of a joke." Heimbach attended meetings with the K.G.L. staffers but almost never expressed a policy preference or revealed White House thinking. "It's a drum circle," one Senate aide lamented. "They come by, 'How are you feeling? Where do you think the votes are? What do you think we should do?' It's never 'Here's the plan, here's what we're doing.' "

Lieberman's office proposed to Heimbach that the first element of the bill to negotiate was the language about oil drilling. Lieberman and Graham believed it would send a clear message to Republicans and moderate Democrats that there were parts of the bill they would support. Heimbach favored doing anything to attract Republicans, and, though he wouldn't take any specific actions, he generally supported the strategy.

Graham asked Senator Lisa Murkowski, of Alaska, to write the drilling language. Murkowski was up for reelection and would soon be facing a primary against a Sarah Palin-backed Tea Party candidate. Her price for considering a climate-change bill with John Kerry's name attached to it was high: she handed over a set of ideas for drastically expanding drilling, which included a provision to open the Arctic National Wildlife Refuge to oil companies. Democrats had spent decades protecting ANWR, and even Graham didn't support drilling there. But he passed the Murkowski language on to his colleagues to see how they would react.

The K.G.L. coalition had two theories about how to win over Republicans and moderate Democrats. One was to negotiate directly with them and offer them something specific for their support. After a year of that method, the coalition had one Republican, and its next most likely target wanted to drill in ANWR. Other Republicans were slipping away. Shortly before Thanksgiving, George LeMieux, of Florida, approached Graham in the Senate gym and expressed interest in joining K.G.L. "Let me teach you something about this town," Graham told him. "You can't come that easy." Graham was trying to give the new senator some advice, according to aides involved with the negotiations: LeMieux would be foolish to join the effort without extracting something for himself.

But LeMieux didn't have the chance to try that, as he soon became another casualty of Republican primary politics. He had been appointed by the Florida governor, Charlie Crist, who was then running in a tight Republican primary for the seat against another Tea Party favorite, Marco Rubio. LeMieux couldn't do anything that would complicate Crist's life. In a private meeting with the three senators in December, he told them that he couldn't publicly associate himself with the bill. But, according to someone who was present, he added, "My heart's with you."

As for Olympia Snowe, the moderate Republican from Maine, who was known for stringing Democrats along for months with vague promises of joining their legislative efforts, she seemed to have a new demand every time Kerry, Graham, and Lieberman sat down with her. She also made it clear that granting her wishes—everything from exempting home heating oil from greenhouse-gas regulations and permanently protecting Georges Bank, a Maine fishery, from drilling—would not guarantee her support. She had used similar tactics to win concessions in Obama's health-care bill, which she eventually voted against. "She would always say that she was interested in working on it," a person involved in the negotiations said, "but she would never say she was with us."

Another prospect was Susan Collins, the other Republican from Maine. She was the co-sponsor of a separate climate bill, with Maria Cantwell, a Democrat from Washington. Their bill, known as "cap-and-dividend"—the government would cap carbon emissions and use revenue from polluters to compensate taxpayers for energy-rate hikes—gained some environmental support. Kerry, Graham, and Lieberman believed that the bill was unworkable and was stealing valuable attention from their effort. They spent months trying to figure out how to kill it and win over Collins. Eventually, Graham and Lieberman's offices devised a ruse: they would adopt a crucial part of the Cantwell-Collins bill on market regulation in the official bill. Then they would quietly swap it out as the legislation made its way to the Senate floor. Collins, however, never budged.

The second theory about how to win the Republicans' support was to go straight to their industry backers. If the oil companies and the nuclear industry and the utilities could be persuaded to support the legislation, then they would lobby Republicans. Rosengarten called the strategy "If you build it, they will come." This was the strategy Obama used to pass health care. He sent his toughest political operatives—like Rahm Emanuel and Jim Messina—to cut deals with the pharmaceutical industry and hospitals, which at key points refrained from attacking the bill. (The pharmaceutical industry actually ran ads thanking Harry Reid for passing the bill.) In early 2010, K.G.L. shifted its focus from the Senate to industry.

**O**n January 20, 2010, the three senators sat down in Kerry's office with Tom Donohue, the president of the Chamber of Commerce, perhaps the most influential interest group in Washington. Donohue, who has headed the Chamber since 1997, had in that period helped kill several attempts to pass climate-change legislation.

In most K.G.L. meetings, Kerry led off with some lengthy remarks. "He opened every meeting we had with a ten- to thirty-minute monologue on climate change," one of the aides involved said. "Just whatever was on his mind. There were slight variations. But never did the variations depend on the person we were meeting with."

That day, Kerry had something specific to offer: preemption from carbon being regulated by the E.P.A. under the Clean Air Act, with few strings attached. Kerry asked Donohue if that was enough to get the Chamber to the table.

“We’ll start working with you guys right now,” Donohue said. It was a promising beginning. Soon afterward, Rosengarten and two of Donohue’s lobbyists worked out the legislative text on preemption. The Chamber was allowed to write the language of its top ask into the bill. It turned out that working with Washington interest groups was far simpler than dealing with Republican senators navigating a populist conservative uprising.

Three weeks later, Kerry and some aides were in his office discussing the progress of their bill. Someone mentioned T. Boone Pickens, the author of the so-called Pickens Plan, an energy-independence proposal centered on enormous government subsidies for natural gas, which is abundant, cleaner-burning than other fossil fuels, and sold by a Pickens-controlled corporation at some two hundred natural-gas fuelling stations across North America. Back in 2004, Pickens had helped to fund the Swift Boat Veterans for Truth, a group that ran a sleazy—and inaccurate—ad campaign proclaiming, among other things, that Kerry had lied about the circumstances that led to his Bronze Star and Purple Hearts.

Kerry had an inspiration. “I’m going to call T. Boone,” he said. Frangione was surprised. “You really want to call that guy?” she asked. Kerry told an aide to get Pickens on the phone. Minutes later, Kerry was inviting Pickens to Washington to talk. Rosengarten, who watched Kerry make the call, thought it was “a show of extraordinary leadership.” The following week, Pickens and Kerry sat in two upholstered chairs in the Senator’s office. Between them loomed a giant model of Kerry’s Vietnam swift boat. Kerry walked Pickens through the components of the bill that he and his colleagues were writing, but Pickens seemed uninterested. He had just one request: include in the climate legislation parts of a bill that Pickens had written, called the Natural Gas Act, a series of tax incentives to encourage the use of natural-gas vehicles and the installation of natural-gas fuelling stations. In exchange, Pickens would publicly endorse the bill. At the end of the meeting, the Senator shook hands with the man who had probably cost him the Presidency. Afterward, staffers in one of the K.G.L. offices started telling a joke: “What do you call a climate bill that gives Pickens everything he ever dreamed of?” “A Boonedoggle!”

The hardest choices involved the oil industry, which, by powering our transportation, is responsible for almost a third of all carbon emissions in the U.S. Under Waxman-Markey, oil companies would have to buy government permission slips, known as allowances, to cover all the greenhouse gases emitted by cars, trucks, and other vehicles. The oil companies argued that having to buy permits on the carbon market, where the price fluctuated daily, would wreck America’s fragile domestic refining industry. Instead, three major oil refiners—Shell, B.P., and ConocoPhillips—proposed that they pay a fee based on the total number of gallons of gasoline they sold linked to the average price of carbon over the previous three months. The oil companies called the idea “a linked fee.”

On March 23rd, the three senators met to discuss the linked fee, which they had been arguing about for weeks. The environmental community and the White House, which rarely weighed in on its policy preferences, thought the linked fee was disastrous because it would inevitably be labelled a “gas tax.” At one meeting, Joe Aldy, a staffer on Obama’s National Economic Council, advised Kerry, Graham, and Lieberman’s staffers to kill it. According to a person involved in the negotiations, Kerry told his colleagues that the Democrats might lose their congressional majority over the issue. But Lieberman, who had first proposed the linked fee, and Graham supported it.

Kerry, despite his hesitations, wanted the oil companies, which had already spent millions attacking Waxman-Markey, to support his bill. So the senators proposed a deal: the oil companies would get the policy they desired if they agreed to a ceasefire. According to someone present, Kerry told his colleagues at the March meeting, “Shell, B.P., and Conoco are going to need to silence the rest of the industry.” The deal was specific. The ceasefire would last from the day of the bill’s introduction until the E.P.A. released its economic analysis of the legislation, approximately six weeks later. Afterward, the industry could say whatever it wanted. “This was the grand bargain that we struck with the refiners,” one of the people involved said. “We would work with them to engineer this separate mechanism in exchange for the American Petroleum Institute being quiet. They would not run ads, they would not lobby members of Congress, and they would not refer to our bill as a carbon tax.” At another meeting, the three senators and the heads of the three oil companies discussed a phrase they could all use to market the policy: a “fee on polluters.”

**O**n March 31st, Obama announced that large portions of U.S. waters in the Gulf of Mexico, the Arctic Ocean, and off the East Coast—from the mid-Atlantic to central Florida—would be newly available for oil and gas drilling. Two days later, he said, “It turns out, by the way, that oil rigs today generally don’t cause spills. They are technologically very advanced. Even during Katrina, the spills didn’t come from the oil rigs, they came from the refineries onshore.” From the outside, it looked as if the Obama Administration were coordinating closely with Democrats in the Senate. Republicans and the oil industry wanted more domestic drilling, and Obama had just given it to them. He seemed to be delivering on the grand bargain that his aides had talked about at the start of the

## Administration.

But there had been no communication with the senators actually writing the bill, and they felt betrayed. When Graham's energy staffer learned of the announcement, the night before, he was "apoplectic," according to a colleague. The group had dispensed with the idea of drilling in ANWR, but it was prepared to open up vast portions of the Gulf and the East Coast. Obama had now given away what the senators were planning to trade.

This was the third time that the White House had blundered. In February, the President's budget proposal included \$54.5 billion in new nuclear loan guarantees. Graham was also trying to use the promise of more loan guarantees to lure Republicans to the bill, but now the White House had simply handed the money over. Later that month, a group of eight moderate Democrats sent the E.P.A. a letter asking the agency to slow down its plans to regulate carbon, and the agency promised to delay any implementation until 2011. Again, that was a promise Kerry, Graham, and Lieberman wanted to negotiate with their colleagues. Obama had served the dessert before the children even promised to eat their spinach. Graham was the only Republican negotiating on the climate bill, and now he had virtually nothing left to take to his Republican colleagues.

But the Administration had grown wary of cutting the kind of deals that the senators needed to pass cap-and-trade. The long and brutal health-care fight had caused a rift in the White House over legislative strategy. One camp, led by Phil Schiliro, Obama's top congressional liaison, was composed of former congressional aides who argued that Obama needed to insert himself in the legislative process if he was going to pass the ambitious agenda that he had campaigned on. The other group, led by David Axelrod, believed that being closely associated with the messiness of congressional horse-trading was destroying Obama's reputation.

"We ran as an outsider and then decided to be an insider to get things done," a senior White House official said. According to the official, Schiliro and the insiders argued, "You've got to own Congress," while Axelrod and the outsiders argued, "Fuck whatever Congress wants, we're not for them." The official added, "We probably did lose part of our brand. Obama turned into exactly what we promised ourselves he wasn't going to be, which is the leader of parliament. We became the majority leader of both houses, and we ceded the Presidency." Schiliro's side won the debate over how the White House should approach health care, but in 2010, when the Senate took up cap-and-trade, Axelrod's side was ascendant. Emanuel, for example, called Reid's office in March and suggested that the Senate abandon cap-and-trade in favor of a modest bill that would simply require utilities to generate more electricity from clean sources.

In early April, according to two K.G.L. aides, someone at the Congressional Budget Office told Kerry that its economists, when analyzing the bill, would describe the linked fee as a tax. After learning that, the three senators met with lobbyists for the big oil firms, and Kerry offered a new proposal: the refiners would have to buy permits, but the government would sell them at a stable price outside the regular trading system. This arrangement would make no economic difference to consumers: the oil companies would pass the costs on to drivers whether they paid a linked fee or bought special permits. But Kerry thought that the phraseology could determine whether the bill survived or died. The refiners surprised everyone by readily agreeing to the new terms. The linked fee was dead, and so, it seemed, was the threat of Kerry, Graham, and Lieberman's bill being brought down by opponents attacking it as a gas tax.

Two days later, on April 15th, Emanuel and Browner hosted a group of prominent environmentalists at the White House for an 11 A.M. meeting. For weeks, the linked fee had been a hot topic among Washington climate-change geeks. Now the two groups that hated the policy the most were in the same room. According to people at the meeting, the White House aides and some of the environmentalists, including Carl Pope, the chairman of the Sierra Club, expressed their contempt for the linked fee: even if it was a fine idea on the merits, it was political poison. The White House aides and the environmentalists either didn't know that the fee had been dropped from the bill or didn't think the change was significant. The meeting lasted about thirty minutes.

Just after noon, Rimkunas, Graham's climate-policy adviser, sent Rosengarten an e-mail. The subject was "Go to Fox website and look at gas tax article asap." She clicked on Foxnews.com: "WH Opposes Higher Gas Taxes Floated by S.C. GOP Sen. Graham in Emerging Senate Energy Bill." The White House double-crossed us, she thought. The report, by Major Garrett, then the Fox News White House correspondent, cited "senior administration sources" and said that the "Obama White House opposes a move in the Senate, led by South Carolina Republican Lindsey Graham, to raise federal gasoline taxes within still-developing legislation to reduce green house gas emissions." Including two updates to his original story, Garrett used the word "tax" thirty-four times.

"This is horrific," Rosengarten e-mailed Rimkunas.

"It needs to be fixed," he responded. "Never seen lg this pissed."

"We're calling Schiliro and getting the WH to publicly correct."



Graham was “screaming profanities,” one of the K.G.L. staffers said. In addition to climate change, he was working with Democrats on immigration and on resolving the status of the prison at Guantánamo Bay. He was one of only nine Republicans to vote for Obama’s first Supreme Court nominee, Sonia Sotomayor. Now Obama aides were accusing him of backing a gas tax, which wasn’t his idea and wasn’t even in the draft bill. Worst of all, the leakers went to Fox News, a move which they knew would cause Graham the most damage. He called one of his policy advisers that day and asked, “Did you see what they just did to me?” The adviser said, “It made him question, ‘Do they really want to get this done or are they just posturing here? Because why would they do something like this if they wanted to get it done?’ It was more than an attempt to kill the idea. It was also an attempt to tag him with the idea, and, if you want him to be an ally on the issue, why would you do that?” Graham’s legislative director, Jennifer Olson, argued that he should withdraw from K.G.L. that day.

Kerry called Browner and yelled, “It wasn’t his idea!” He added, “It’s not a gas tax. You’ve got to defend our guy. We’ve been negotiating in good faith, and how can you go and turn on him like this?” After talking to Graham, Lieberman walked into the office of his legislative director, Todd Stein. “If we don’t fix this,” the Senator said, “this could be the death of the bill.”

On April 17th, two days after the Fox story, an activist named William Gheen, speaking at a Tea Party event in Greenville, South Carolina, told the crowd, “I’m a tolerant person. I don’t care about your private life, Lindsey, but as our U.S. senator I need to figure out why you’re trying to sell out your own countrymen, and I need to make sure you being gay isn’t it.” The question, with its false assertion that Graham is gay, turned into a viral video on the Web. Then Newt Gingrich’s group, American Solutions, whose largest donors include coal and electric-utility interests, began targeting Graham with a flurry of online articles about the “Kerry-Graham-Lieberman gas tax bill.” That week, the group launched a campaign in South Carolina urging conservatives to call Graham’s office “and ask him not to introduce new gas taxes.”

Kerry and Lieberman spent hours alone with Graham, trying to placate him. They forced the White House to issue a statement, which said that “the Senators don’t support a gas tax.” Graham had talked to Emanuel and was satisfied that the chief of staff wasn’t the source of the leak. Eventually, the people involved believed that they had mollified him. By the time Graham showed up at the conference table in Emanuel’s White House office on April 20th, he had calmed down. But, if he was going to suffer a ferocious backlash back home, he needed the White House to be as committed as he was. He was not encouraged when Axelrod, speaking about Democrats in Congress, noted, “The horse has been ridden hard this year and just wants to go back to the barn.”

That evening, hours after the meeting ended, a bubble of methane gas blasted out of a well of the Deepwater Horizon oil rig, in the Gulf of Mexico, setting the rig on fire and killing eleven men. At the time, it seemed like a tragic accident, far away and of little consequence.

**K**erry and Lieberman were desperate to accommodate Graham’s every request. The dynamics within the group changed. Aides marvelled at how Kerry and Lieberman would walk down the hallway with their arms around each other, while Lieberman and Graham’s relationship was tested by Graham’s escalating demands. The day after the White House meeting, the three senators and their aides gathered to discuss the status of the bill.

After the Fox News leak, a rumor had circulated that Congress wouldn’t pass a highway bill because of the Lindsey Graham gas-tax hike; Graham had to appease truckers in South Carolina. Now he insisted on eight billion dollars for the Highway Trust Fund, saying it was his price for staying. Frangione, Kerry’s aide, was “heartbroken,” a colleague said. It was an enormous amount of money within the confines of the bill, and spending anything on highways increased greenhouse-gas emissions. “Senator, please, just give me five minutes,” Rosengarten told Graham. “I’ll find your eight billion!” She and another Lieberman aide retrieved a spreadsheet they used to track all the spending and revenues in the bill. They fiddled with some numbers and—presto!—Graham had his money. (Later that day, Lieberman figured that, if they were going to spend eight billion dollars on highways, he might as well get some credit, too. He called the American Trucking Association to tell its officials the good news. They responded that they wanted twice that amount.)

Kerry, Lieberman, and their aides needed to keep Graham satisfied for five more days. If they persuaded him to attend the press conference unveiling the bill, he wouldn’t be able to turn back. All the other pieces were falling into place. The legislators met with the Chamber of Commerce to be sure that it would support the bill. Donohue, the Chamber president, said that he wouldn’t stand up with them at the press conference but that the Chamber wouldn’t oppose them, either.

here was just one more deal to make. The Edison Electric Institute represents the biggest electric utilities, and its president, Thomas Kuhn, was another grandee in Republican circles. The E.E.I. already had almost everything it

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wanted: preëmption, nuclear loan guarantees, an assurance that the cost of carbon would never rise above a certain level, and billions of dollars' worth of free allowances through 2030 to help smooth the transition into the program. Now the E.E.I. had two new requests: it wanted a billion dollars more in free allowances, and it wanted the start date of the cap-and-trade regime pushed back from 2012 to 2015.

Within minutes, the senators had agreed to almost everything that Kuhn and his lobbyists were asking for. Their three staffers were dumbfounded. The K.G.L. side huddled near a water cooler and the aides staged a mini-rebellion against their bosses. "We were, like, 'I can't believe you just gave them all of that! You've got to be kidding, this can't be the deal!'" one of them said. "And they were, like, 'Well, we did it!' You can't put that amount of allowances on the table and take it back. You've dangled it. The baby's already eating the candy." In return for the candy, Kuhn promised that the E.E.I. would provide "a very supportive statement" when the bill was released.

In Lieberman's office, staffers likened the E.E.I. meeting to the song "Dayenu," which means "It would have been enough for us," and is sung at Passover to celebrate the miraculous things God did for the Jews. "If He had brought us out from Egypt, and had not carried out judgments against them—Dayenu! If He had carried out judgments against them, and not against their idols—Dayenu!" Rosengarten imagined an E.E.I.-specific version of the song: "If they had given us the nuclear title, but not the cost collar, Dayenu! If they had given us the cost collar, but not pushed back the start date, Dayenu!" But at least the bill was essentially finished.

What became known as the Dayenu meeting took place on Thursday, April 22nd, Earth Day. A few hours before the meeting, the Deepwater Horizon drilling rig had sunk to the bottom of the Gulf. The spill began to spread; soon it would show signs of becoming one of the worst environmental disasters in history. Then, suddenly, there was a new problem: Harry Reid, the Senate Majority Leader, said that he wanted to pass immigration reform before the climate-change bill. It was a cynical ploy. Everyone in the Senate knew that there was no immigration bill. Reid was in a tough reëlection, and immigration activists, influential in his home state of Nevada, were pressuring him.

Senior aides at the White House were shocked by Reid's statement. "We were doing well until Reid gave a speech and said it was immigration first. News to us!" a senior Administration official said. "It was kind of like, 'Whoa, what do we do now? Where did that come from?'" Reid's office seemed to be embarking on a rogue operation. In a three-day period, Reid's office and unnamed Senate Democrats leaked to *Roll Call*, *The Hill*, the Associated Press, *Politico*, and the *Wall Street Journal* that the phantom immigration bill would be considered before the climate bill. Graham once again said that he felt betrayed. "This comes out of left field," he told reporters. "I'm working as earnestly as I can to craft climate and energy independence, clean air and jobs, and now we're being told that we're going to immigration. This destroys the ability to do something on energy and climate."

Graham didn't tell the press that immigration was mostly just an excuse for his anger. That day, he had urged Reid to release a statement supporting the modified linked fee that Kerry, Graham, and Lieberman had used in negotiating with the refiners. Reid's office greeted the request with suspicion. Reid and Graham didn't trust each other. Reid's aides thought the Republican leadership was trying to trick Reid into supporting something that sounded like a gas tax. The fact that Kerry and Lieberman were also supporters of the proposal did little to allay Reid's fears. His aides drafted a pro-forma statement for Graham that promised simply that Reid would review the legislation. Graham dismissed the statement as meaningless. During one phone call, Graham shouted some vulgarities at Reid and the line went dead. The Majority Leader had hung up the phone.

At 10 P.M. the next day, Rimkunas sent Rosengarten an e-mail. They had worked together for seven months on the bill. Rosengarten had postponed her honeymoon—twice—to finish the project. They had travelled to Copenhagen together for the international climate conference and often teamed up to oppose Kerry's office during internal debates. "Sorry buddy" is all the e-mail said. It was devastating. "Matt's e-mail was a life low point," she said. "It was actually soul-crushing."

The next morning, a Saturday, Graham abandoned the talks. Lieberman was observing Shabbat and thus couldn't work, use electrical devices, or talk on the phone. When his aides explained what was happening, he invoked a Talmudic exception allowing an Orthodox Jew to violate the Shabbat commandments "for the good of the community." Kerry was in Massachusetts and immediately flew to Washington. The two men spent the morning trying to persuade Graham to stay. At about noon, Graham had a final conversation with Reid, who had nothing more to offer. Graham was out. He wrote a statement, and Olson, his legislative director, e-mailed a copy to Lieberman's office. The public statement cited immigration as the issue, but attached was a note from Olson explaining that Graham was never going to receive the cover he needed from Reid on how they dealt with the oil refiners.

Rosengarten got the message on her BlackBerry while she was on the phone with Pickens's policy people, who had no idea about the unfolding drama and wanted to make sure that their natural-gas goodies had survived the final draft of the bill. K.G.L., perhaps the last best chance to deal with global warming in the Obama era, was officially dead. As she read Graham's definitive goodbye letter, tears streamed down her face.

By the end of April, about sixty thousand barrels of oil a day were flowing into the Gulf of Mexico. To many environmentalists, the Deepwater Horizon catastrophe was a potential turning point, a disaster that might resurrect the climate legislation. But in Washington the oil spill had the opposite effect. Kerry and Lieberman were left sponsoring a bill with a sweeping expansion of offshore drilling at a moment when the newspapers were filled with photographs of birds soaking in oil. Even worse, the lone Republican, who had written the oil-drilling section to appeal to his Republican colleagues, was gone. The White House's "grand bargain" of oil drilling in exchange for a cap on carbon had backfired spectacularly.

For three months, a period of record-high temperatures in Washington, what was now called the Kerry-Lieberman bill was debated and discussed as if it were a viable piece of legislation, but no Republican stepped forward to support it. During one speech in early June, Obama said that he knew "the votes may not be there right now, but I intend to find them in the coming months." He never found them, and he didn't appear to be looking very hard.

Kerry and Lieberman abandoned their attempt to cap the emissions of the oil industry and heavy manufacturers and pared the bill back so that it would cover only the utility industry. The E.E.I. wanted even more if utilities were to be the only guinea pigs for cap-and-trade. This time, the electric companies demanded regulatory relief from non-greenhouse-gas emissions, like mercury and other poisons, as well as more free allowances. Kerry refused to discuss those pollutants, but, in what was probably the nadir of the twenty-month effort, he responded, "Well, what if we gave you more time to comply and decreased the rigor of the reduction targets?" The cap was supposed to be sacrosanct, but Kerry had put it on the table. As a participant said afterward, "The poster child of this bill is its seventeen-per-cent-reduction target. It's the President's position in Copenhagen. It's equal to the House bill." Now Kerry was saying they could go lower.

As hopes for any kind of bill faded, Kerry and Lieberman kept fighting. They met with Olympia Snowe, who, like Tantalus' fruit tree, always seemed to be almost within their grasp. She had started talking to them about the utility-only bill, and the two senators begged her to allow them to mention her name publicly to reporters. "Can we please just say that you're willing to have a conversation about options?" Kerry asked. "No, do not say that," Snowe responded. Still, Kerry could not resist telling reporters that day, "Even this morning, Senator Lieberman and I had a meeting with one Republican who has indicated a willingness to begin working towards something."

Meanwhile, there was someone who, like Snowe, was in favor of the bill but was not prepared to do more: Barack Obama. After the K.G.L. failure, environmentalists and congressional aides who work on climate change were critical of the White House. Many of them believe that Obama made an epic blunder by not pursuing climate change first when he was sworn into office. The stimulus failed to reduce unemployment to an acceptable level. The health-care law, while significant, only raised the percentage of people with insurance from eighty-five per cent to ninety-five per cent. Meanwhile, the amount of carbon dioxide in the atmosphere is already above the level that scientists say risks causing runaway global warming. According to the argument, Obama was correct when he said during the campaign that placing a price on carbon in order to transform the economy and begin the process of halting climate change was his more pressing priority.

No diagnosis of the failure of Obama to tackle climate change would be complete without taking into account public opinion. In January, the Pew Research Center asked Americans to rank the importance of twenty-one issues. Climate change came in last. After winning the fight over health care, another issue for which polling showed lukewarm support, Obama moved on to the safer issue of financial regulatory reform.

In September, I asked Al Gore why he thought climate legislation had failed. He cited several reasons, including Republican partisanship, which had prevented moderates from becoming part of the coalition in favor of the bill. The Great Recession made the effort even more difficult, he added. "The forces wedded to the old patterns still have enough influence that they were able to use the fear of the economic downturn as a way of slowing the progress toward this big transition that we have to make."

A third explanation pinpointed how Kerry, Graham, and Lieberman approached the issue. "The influence of special interests is now at an extremely unhealthy level," Gore said. "And it's to the point where it's virtually impossible for participants in the current political system to enact any significant change without first seeking and gaining permission from the largest commercial interests who are most affected by the proposed change."

Kerry, Graham, and Lieberman were not alone in their belief that transforming the economy required cooperation,

rather than confrontation, with industry. American Presidents who have attempted large-scale economic transformation have always had their efforts tempered—and sometimes neutered—by powerful economic interests. Obama knew that, too, and his Administration had led the effort to find workable compromises in the case of the bank bailouts, health-care legislation, and Wall Street reform. But on climate change Obama grew timid and gave up, leaving the dysfunctional Senate to figure out the issue on its own.

As the Senate debate expired this summer, a longtime environmental lobbyist told me that he believed the “real tragedy” surrounding the issue was that Obama understood it profoundly. “I believe Barack Obama understands that fifty years from now no one’s going to know about health care,” the lobbyist said. “Economic historians will know that we had a recession at this time. Everybody is going to be thinking about whether Barack Obama was the James Buchanan of climate change.” ?

ILLUSTRATION: PHILIP BURKE

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