



Carbon Baron Gore

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National Post
August 25, 2009

Who will be the Robber Barons of the 21st century? Al Gore is poised to become the first climate billionaire.

At the turn of the 20th century, a period famous for its Robber Barons, John D. Rockefeller was making his fortune in oil, Andrew Carnegie in steel, Cornelius Vanderbilt in railroads and J.P Morgan in finance. Many predict that the history books of the future, when listing the legendary fortunes made at the turn of the 21st century, will place Al Gore at the top of the list, as the first great Carbon Baron.

In 2000, when Al Gore lost his bid to become president of the United States, he had less than US\$2-million in assets. Neither was Gore known for his financial acumen — annual White House disclosures of his and Tipper Gore's joint tax filings showed little income beyond the \$175,000 he earned as vice-president.

To the contrary, Gore was a laughing stock in investment circles for his lack of financial sophistication, which, the press said, explained why Gore's net worth had been declining during the booming 1990s. Gore had failed to understand the significance of the new Internet economy that had so transformed the world. Instead "most of his money was in checking and passbook accounts or tied up in property," The New York Times reported, in an article entitled "Gore Has Not Bought Stocks for Decades." In an article entitled "Gore flunks investor test," Dow Jones' SmartMoney.Com mocked Gore for being irrationally risk averse, saying, "Al Gore's assets look more like 1899 than 1999. As things stand, the vice-president is without anything with a P/E, let alone an IPO: no stocks, no funds, not even a bond. What does he have? Land — as far as the eye can see. Oh, and a zinc mine he's leasing out to an Australian mining company." Fortune magazine went so far as to headline a 1998 story, "The Vice President's Financial Acumen 'Ain't Worth a Bucket of Warm Spit'" Its verdict: "This is a family in dire need of a money manager."



Nobody doubts Gore's financial acumen now. Within eight years of leaving politics, Gore had reportedly become worth well in excess of US\$100-million. Many expect him to become a

billionaire through his stakes in a global warming hedge fund, a carbon-offset business, a renewable energy investment business and other global warming related ventures. He is now money manager to institutional investors and the super rich through Generation Investment Management, a firm that he co-founded in 2004.

Neither does anyone anywhere any longer regard Gore as a timid investor, bereft of ambition. His goal for Generation Investment Management, as he described in 2008 to Fortune magazine, is to help drive a societal transformation that will be “bigger than the Industrial Revolution and significantly faster.”

The Fortune interview explained his firm’s intention to help orchestrate “a makeover of the US\$6-trillion global energy business,” from coal plants and the internal-combustion engine to petrochemicals and even bottled water. “What we are going to have to put in place is a combination of the Manhattan Project, the Apollo project and the Marshall Plan, and scale it globally,” Gore continued. “It’d be promising too much to say we can do it on our own, but we intend to do our part.”

Gore’s societal plan and his investment plan are indistinguishable and straightforward: He wants to make fossil fuels uncompetitive and renewable energy competitive by convincing governments to punishingly tax fossil-fuel technologies through mechanisms such as cap and trade. In the process, Gore intends to make money at every stage of this transformation — through his stake in the carbon trading markets being created, through his portfolio of renewable energy and other so-called clean-tech investments and by acting as a broker.

In amassing his fortune, Gore has not been operating in an unfamiliar business environment, as the early detractors of his investment acumen might imagine. Rather, he has been operating entirely in his element. He has always been a lobbyist for climate change legislation, whether as a senator or as vice-president, and he remains so in his new capacities. And in his capacity as a politician, he always needed to raise funds. This is the essential skill he brings to Generation Investment Management, where he today approaches old political allies for support: Gore asks well-heeled charitable foundations, endowments, corporations and pension funds to place their assets under the management of his firm. To do their bit for the environment, and for him, they oblige.

To date, Gore has done well for himself. As for the others, they know not to expect quick profits: Gore is clear in explaining that his focus is on long-term sustainable investments.

And as for Gore’s prospects of becoming a billionaire, they rest entirely on one big bet: That government legislation will create the mandates that his businesses need to boom. Without those mandates, his businesses — few of which are viable in a traditional free market economy — will go bust. As will the funds entrusted to him by the charities, endowments and pension funds seeking sustainable investments.

There is nothing unusual in furthering business interests through government mandates: Many of the Robber Barons of a century ago also relied on their ability to lobby for favourable government legislation. Where Gore departs from the Robber Barons of yesteryear is in the nature of the product being produced. Whatever else might be said of the Robber Barons, there was no disputing the value of the railroads, steel, oil and other commodities that

they were producing. In the case of carbon dioxide , the basis of Gore's economy, rather than there being no dispute, there is no consensus that he isn't selling vapourware.

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