

For Nick Troutman

Senate Environmental Resources & Energy Committee  
362 Main Capitol Building  
Harrisburg, Pennsylvania

RE: Pennsylvania Senate Environmental Resources and Energy  
Committee Hearing

Foreign Involvement on Natural Gas Development in the US &  
Pennsylvania.

Tuesday September 25, 2018

Kevin Mooney, The Daily Signal

Let me begin by expressing my thanks and appreciation to all the members of the Pennsylvania Senate Environmental Resources and Energy Committee for your generous invitation to appear here today. You have seized on a critically important topic that warrants further attention and investigation. For the next several minutes, I will describe in some detail the evidence I have uncovered in my reporting for The Daily Signal, and other publications, that points to foreign interference in the American energy sector. New information has come to light since my initial reports have been published that should be cause for concern among our policymakers at the state and national level. There is a growing body of evidence that says a number of nonprofit advocacy groups have been operating as foreign agents. Many of these groups are active throughout your state

where they continuously organize anti-energy campaigns and circulate information that is aptly described as propaganda.

As you all know, Pennsylvania sits in a position of strategic importance in terms of energy production. In fact, in many ways, I would say Pennsylvania sits at the epicenter of America's natural gas revolution. Pennsylvania is the engine that helps to drive the American economy. But to maximize your full potential as an energy giant, it will be necessary to adopt policies that embrace innovative drilling techniques that make it possible to access natural resources that were previously beyond reach. Where you have implemented policies that enable natural gas development, those policies have had positive ramifications within your state and across state lines and across international borders.

## **The Marcellus Shale**

I'm going to cite some facts and figures I have obtained primarily from the U.S. Geological Survey and the U.S. Energy Information Administration, the U.S. Geological Survey, the Marcellus Shale Coalition and some of your own state government agencies.

The Marcellus Shale Formation is geological formation of sedimentary rock with large deposits of natural gas that cuts across New York, Pennsylvania, Ohio, West Virginia and parts of Virginia, Maryland, Kentucky and Tennessee.

The first natural gas well in Marcellus was drilled in 2003, but it wasn't until 2008 that production accelerated through the use of

hydraulic fracturing, or fracking for short, in combination with horizontal drilling techniques.

By 2011, the USGS estimated that the Marcellus held 84 trillion cubic feet of natural gas and 3.4 billion barrels of liquids. Penn State geologists estimated that Marcellus could up to 500 trillion cubic feet of natural gas making it the second largest natural gas field in the world.

As you aware, development of Marcellus Shale has had direct, tangible benefits to the Pennsylvania economy. Figures from the Marcellus Shale coalition show that drilling the Marcellus Shale has contributed tens of billions of dollars to Pennsylvania's economy on an annual basis since 2010 and that it has supported hundreds of thousands since this time. (The number in 2011 was about 150,000.) By contrast, in New York—where a moratorium has been imposed on the use of hydraulic fracturing in much of the state's portion of the Marcellus—the ban is estimated to cause \$11-15 billion in lost economic impact between 2011 and 2020.

Think for a minute about the opportunity cost for the people of New York and the price they are paying for poor decision-making on the part of their elected officials. They are not just the victims of failed leadership. In many respects, I believe the victims of Russian espionage. Environmental advocacy groups that successfully lobbied against the use of hydraulic fracturing in New York have received tens of millions of dollars in form of grants from a San Francisco based foundation that congressional investigator have identified as the major incubator of funding

from Vladimir Putin's Russian government. As I said before, these same groups are active in Pennsylvania.

Before I explain what I know about the money trail and what the implications are for Pennsylvania, I think it important to comment on Russia's motivations and the geopolitical fallout from so called "Keep it in the Ground" campaigns environmental groups have organized in the U.S. and overseas.

U.S. is now the top producer of natural gas in the world, and well positioned to export liquefied natural gas across the globe, Russia recognizes it could lose influence in parts of the world where Moscow has been the dominant supplier of oil and gas.

That's what natural gas pipelines are all about and that's what fracking is all about. We are providing affordable energy to average Americans at home and our allies overseas.

The natural gas import-export equation has changed radically in the past few years, with trends pointing to the U.S. becoming a net exporter. In fact, U.S. companies are now positioned to export liquified natural gas to parts of Ireland. – New arrangement in Kerry, Ireland and Cork, Ireland. These are just the latest developments in an emerging trend. Poland's state-owned oil and gas company has signed a multi-year deal to import LNG from the U.S.

The ability of European countries to wave goodbye to Russian gas will free them from Russian influence and pressure. U.S. State Department estimates that by by 2020, the U.S. will be

approaching nearly 100 billion cubic meters in liquefied natural gas exports. So, the motivation here is obvious.

## **Congressional Letter**

Rep. Lamar Smith, chairman of the House Committee on Science, Space, and Technology, has called on the U.S. treasury secretary to investigate the financial relationship between U.S. environmental groups and the Russian government. The letter Smith sent to the treasury secretary back in June 2017 documents some of what congressional investigators have uncovered. Smith's letter says that Russia is conducting a "propaganda war against fossil fuels" and in particular against natural gas development in U.S. He also describes the mechanics of how money is moved from Russia into the U.S. to advance this propaganda campaign. I detail all of this information in my reports for The Daily Signal, which I invite all of you to review. But there are some additional details that have emerged in the past few months.

## **The Russian Money Trail**

The San Francisco-based Sea Change Foundation has received at least \$23 million from a Bermuda-based shell company that has been the subject of congressional inquiries. This material is drawn from 990 tax forms that are typically a year behind in reporting tax information so it's very likely that the amount received has been low-balled.

What do we know about this foundation? We know that it has distributed \$400 million between 2007 and 2015 and that it continues to operate in the shadows. Sea Change describes itself as a private family, nonprofit charity, but in reality it works to impact public policy in a manner that puts the U.S. at a disadvantage.

Sea Change, according to its website, works to “address the serious threats posed by global climate change,” focusing on “climate change mitigation and clean energy policy in the United States and internationally.”

Nathaniel “Nat” Simons, co-founder of Prelude Ventures, a clean-tech investment fund, and his wife, Laura Baxter-Simons, established Sea Change Foundation in 2006. Simons is the son of James Simons, founder of the New York-based Renaissance Technologies hedge fund firm. The foundation receives much of its funding from the Simons family and Renaissance Technologies.

Nat Simons currently serves as a board member and vice-chair of Renaissance, in addition to managing Meritage Group LP, a spin-off portfolio of hedge fund and direct investments.[8]

Throughout its history, Renaissance-affiliated firms and other Simons family entities have been domiciled in Bermuda, using multiple law firms, primarily Wakefield Quin, which has been found guilty in international court of aiding a Russian money laundering scheme. The Simons family uses at least 2 firms for offshoring of its corporate and foundation assets: Wakefield Quin and Appleby Ltd.

Sea Change and the other Simons family ventures based in Bermuda have numerous ties to Russia, most notably sharing board directors who also serve as directors of Russian banks, investment funds, and companies.

Nat Simons sits on the board of Planar Technologies (which he has funded) alongside Roderick Forrest, senior counsel at Wakefield Quin. who was implicated in a money laundering scheme at Russia's IPOC Group in 2008. What was once called Klein and is now called Sea Change International was set up for the "sole purpose of funneling anonymous donations to the Sea Change Foundation," according to a 2014 U.S. Senate report.

In March 2011, Wakefield Quin formed a shell company called Klein Ltd., which under Bermuda law, is permitted to conceal foreign sources of funding. Nat Simons recently announced that Klein is changing its name to Sea Change International. He has acknowledged that the name change was done partly in response to negative publicity Klein / Sea Change Intl. has received. What's important here is to know that Wakefield Quin and what is now Sea Change Intl. are one in the same. They share the same Bermuda address with more than 20 other companies apparently run through the law firm.

Subsequent investigations have found that lawyers and employees with Wakefield Quin have been associated with Russian energy companies and have worked with Leonid Reiman, a former Russian minister of telecommunications and longtime Putin ally.

There is what members of Congress describe as a “paperless money trail” that flows from Putin’s government in Russia into the shell company in Bermuda, from there into the Sea Change Foundation and from the Sea Change Foundation into U.S. environmental groups in the form of grants. Who are the top recipients of Sea Change funding in the U.S.?

The San Francisco-based Energy Foundation received over \$30 million from Sea Change in the period 2011-2012. They are the biggest grantee of Sea Change, both overall (\$116 million since 2008) and when the Klein funds were coming into Sea Change.

Sierra Club Foundation also saw huge gains in the same period, jumping from \$3 million to \$5.5 million between 2011-2012.2 This 2012 grant was by far the largest single-year grant from Sea Change to Sierra.

The Tides Foundation has received \$8 million from Sea Change, making it the 12<sup>th</sup> largest grantee in total funds received. But all of that money came within three years—2009-2011.

The Natural Resources Defense Council received more than \$15 million from the Sea Change Foundation. That is to say it has received more than \$15 million directly. But there’s more it has received indirectly from Sea Change and by extension the Russian government.



## **The Sea Change Foundation and the Energy Foundation**

Since it was created in the mid-90s, the Energy Foundation has operated as a pass-through organization designed to create the appearance of a more diversified base of support and to shield donors from accountability.

Between 1998 and 2015, the Energy Foundation paid 30,178 grants to 12,058 recipients totaling more than \$1.2 billion, records show. Grantees included environmental groups active in opposing natural gas development of the Marcellus Shale.

The top recipient was Natural Resources Defense Council, with more than \$35 million. The Sierra Club Foundation received more than \$16 million.

The NRDC currently has \$236.5 million in net assets, while the Sierra Club foundation has \$113.2 million in net assets.

The point I'm making here is that substantial portion of the money these groups receive the Energy Foundation is also coming from Sea Change.

## **Science is on the side of hydraulic fracturing**

Just a few words about fracking.

The fracking technique is applied to shale formations. Engineers inject water mixed with sand and chemicals into a well at high

pressure, producing a fluid that fractures the rock and releases previously trapped oil or natural gas.

I'm sure you are all very aware of the process generally speaking. But please familiarize yourselves with the many studies and scientific research standing behind innovative, smart drilling techniques.

The University of Cincinnati's geology department performed a comprehensive, 3-year study that found fracking could be done safely and effectively.

Two new peer-reviewed studies released within weeks of each other show earlier this year show the hydraulic fracturing process, commonly called "fracking," is not contaminating groundwater in the Marcellus Shale region of Pennsylvania.

The first study, from researchers at Penn State University and published in the journal *Environmental Science & Technology*, analyzed data from 11,000 groundwater samples taken from 1,385 natural gas wells in Bradford County. The Penn State researchers found "no statistically significant deleterious impact on ten analytes related to the aggressive increase in development of unconventional shale-gas since 2008." They also found "an overall trend of improving water quality" in the county, "despite heavy Marcellus Shale development."

The second study, from researchers at Yale University and published in the *Proceedings of the National Academy of Sciences*, analyzed eight monitoring wells in Susquehanna County during a two-year period before and after seven natural

gas wells were drilled and brought into production. They concluded, “our observations suggest that SGD [shale gas development] was an unlikely source of methane in our valley wells.”

This is what you call hard facts and evidence rooted in rigorous scientific inquiry. These studies stand in sharp contrast to what Russian-funding environmental groups have been circulating for public consumption.

Part of answer here lies in the need for openness and transparency. By and large, from what I’ve seen, energy companies have been forth coming about their engineering plans and proposals. The public should be permitted to ask probing questions about construction projects that occur in close proximity to their homes, schools and businesses. There should be a lengthy public comment period. And, guess what, there has been. But the critics of pipelines and other infrastructure have not been forth coming about where their money comes from and where they are getting their information. Organizations like the NRDC, the Sierra Club, the League of Conservation Voters, to name just a few of the groups with an active presence in Pennsylvania, should all be required to register as foreign agents.

Ending Notes:

Will conclude with a few points about the Foreign Agents Registration Act and the PennEast Pipeline project.