

Ideas that take off



Finding the ways that work

2012 ANNUAL REPORT

MISSION

Environmental Defense Fund's mission is to preserve the natural systems on which all life depends. Guided by science and economics, we find practical and lasting solutions to the most serious environmental problems.

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IDEAS THAT TAKE OFF

Fifty years ago, Rachel Carson's *Silent Spring* exposed the dangers of DDT. Then the scientific testimony of EDF's founders ended the pesticide's use across America.

A solution isn't a solution until someone puts it in place. Ever since our earliest work on DDT, Environmental Defense Fund has been putting ideas into action.

More than a decade ago, alarmed by the rapid decline of America's great commercial fisheries, our scientists started working on a way to save them. The solution was to expand an idea called catch shares (*see story, p. 26*).

Today, nearly two-thirds of the fish caught in U.S. waters fall under this powerful form of fisheries management. Fish populations are rebounding, far fewer fish are discarded than under the old inflexible rules, and fishermen are better off. As a result, EDF has been asked to help design catch shares in places ranging from Mexico to Belize, Europe and Indonesia.

That's just one example of the kind of transformational change you'll find in this report. Nowhere are such solutions needed more urgently than in the area of climate and energy. Increasingly destructive storms have made clear how much is at stake.

Bipartisanship, a longtime hallmark of EDF's work, will continue to be essential with the closely divided incoming Congress. Our success this year in helping to pass the RESTORE Act to rebuild the Gulf Coast (*see stories, pp. 14 and 32*) shows the power of this approach.

None of the achievements described in this report could have happened without the support of our more than 750,000 donors and activists. Thank you for your commitment.

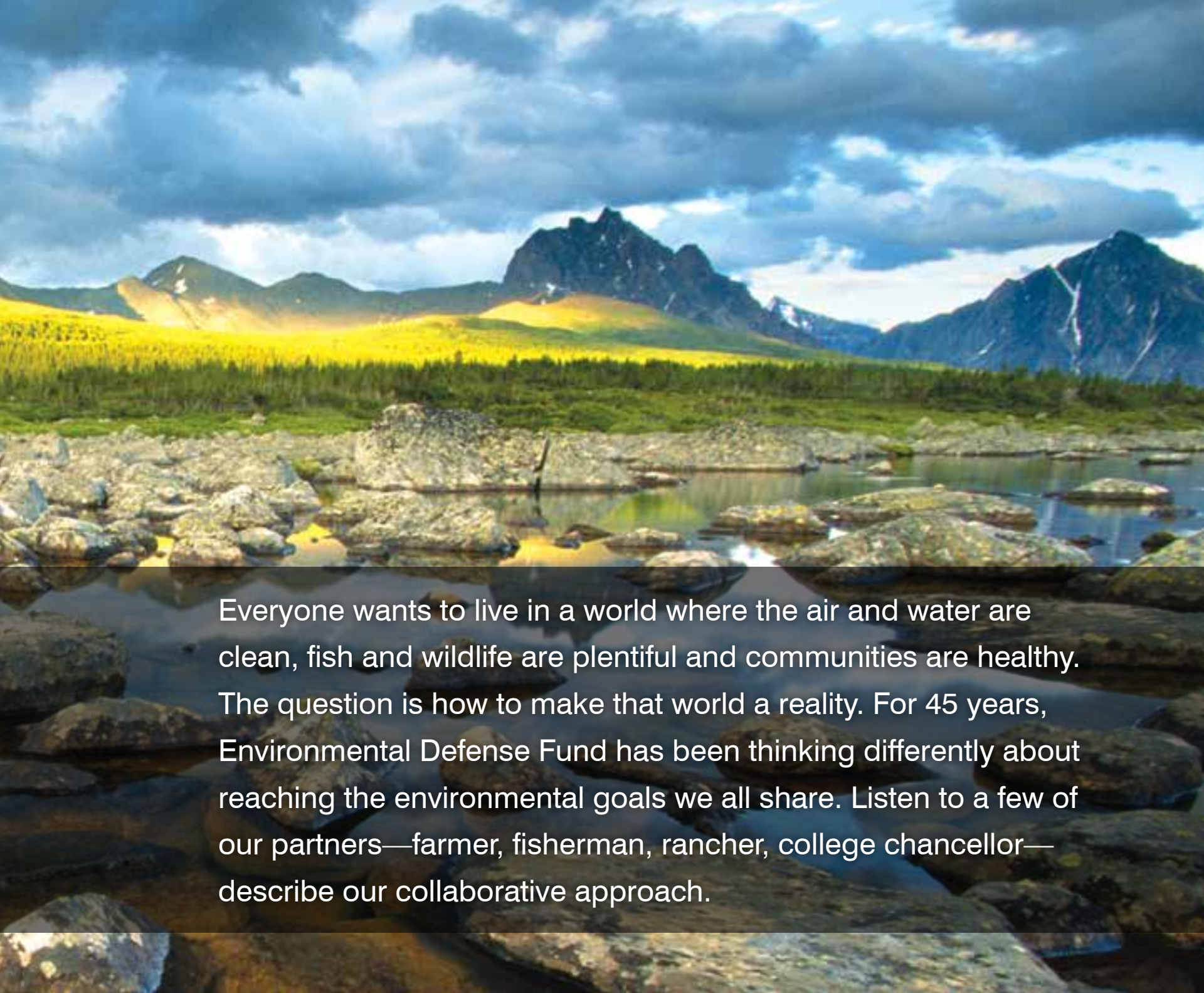


Fred Krupp
President

Carl Ferenbach
Chairman of the Board



*A different kind of
environmental organization*



Everyone wants to live in a world where the air and water are clean, fish and wildlife are plentiful and communities are healthy. The question is how to make that world a reality. For 45 years, Environmental Defense Fund has been thinking differently about reaching the environmental goals we all share. Listen to a few of our partners—farmer, fisherman, rancher, college chancellor—describe our collaborative approach.

In Iowa, a farmer boosts his corn and soybean yield while using one-third less fertilizer—saving money and cutting pollution at the same time. In Colorado, a rancher improves wildlife habitat on his land, earning from that investment. And in California, a commercial fisherman opposes a new way of managing the fishery, then realizes the new approach—



championed by EDF—has revived his business, because a healthy fishery means there are more fish to catch. “I’m man enough to admit I was wrong,” says Geoff Bettencourt, the fisherman. “EDF put the positives back into fishing. They understand that sustainability is not just about conserving fish, it’s also about families who have been fishing for generations.”

These stories share a common thread, of EDF and our partners developing powerful new ideas, economic levers that let people profit from protecting the environment, not exploiting it. “Rather than telling us what to do, EDF helped us become better managers and better stewards of the soil,” says Denny Friest, the Iowa farmer.

People who work close to the land aren’t the only beneficiaries of our approach. At a historically black college in North Carolina, the chancellor had no incentive to conserve energy because the law didn’t let his school keep the savings—until EDF got the law changed and

showed him ways to conserve. In New York City, EDF and Mayor Michael Bloomberg created a Clean Heat partnership that helped secure \$100 million in mostly private financing to convert buildings from dirty heating fuel.

And in Wuhan, China, an environmental enforcement officer, frustrated that he couldn’t stop illegal pollution from a factory, turned to us for help. We showed him how to enlist the buyer of the factory’s products—and the buyer soon demanded that the factory clean up its act. “By finding those leverage points, we can scale change rapidly,” says EDF vice president Dr. Daniel Dudek, who runs our China program.

SCIENCE SETS THE AGENDA

Founded by scientists in 1967, EDF grounds its advocacy in strong science and unlikely partnerships that create lasting change. During the 1970s we became the first environmental group to hire economists to work alongside our

“EDF realizes that we too are environmentalists. And they have helped us become better managers.”

Denny Friest
Farmer, Radcliffe, Iowa



scientists, lawyers and policy experts. We discovered that if you make environmental protection pay, people will invent all kinds of ways to make it happen.

We're optimists, because we have seen our ideas make a huge difference: cutting acid rain pollution in half, for example—ahead of schedule and below estimated cost. Nonpartisan and pragmatic, we understand that every landmark environmental law in U.S. history has been passed by a bipartisan majority, and we're making that happen today. This year, EDF's sister organization, Environmental Defense Action Fund, helped rally the support of 74 senators and 373 representatives for the RESTORE Act, which earmarks 80% of fines from the BP oil disaster for Gulf Coast restoration.

We believe that to succeed over the long term, environmental sustainability must be economically sustainable as well. Through our Corporate Partnership Program, EDF works

with companies to drive change through entire industries, but we accept no funding from our corporate partners because our voice must be strong and independent.

MORE PROTECTION PER DOLLAR

When tough rules are required, we fight for them and defend them in court. And we know that the best regulations don't hurt the economy—they drive innovation by setting strong standards for environmental performance and giving people the flexibility to meet them at lowest cost. It's a clear-eyed, hard-headed environmentalism that delivers the most bang for the buck, and we're proud of it.

On the following pages, you'll learn more about the EDF playbook, beginning with a partnership to measure global warming pollution in natural gas fields. It is remarkable work like this that makes us a different kind of environmental group.

MILESTONES

1972 EDF's testimony helps win the nationwide ban on DDT, which leads to dramatic recoveries of the bald eagle, peregrine falcon and other wildlife.

1985 EDF scientists help convince regulators to remove lead from gasoline, leading to a dramatic drop in childhood lead poisoning.

1990 Our market-based plan to reduce acid rain cuts sulfur dioxide pollution from U.S. power plants in half.

1995 EDF launches a new approach to protect wildlife, giving landowners incentives to create habitat on their land. Four million acres have been preserved.

2004 Our alliance with FedEx produces the first commercially available hybrid midsize truck. Today there are 35 models on the market and 100 fleets use them.

2012 Our staff works with both Republicans and Democrats to pass landmark legislation to restore the Gulf Coast after the BP oil disaster.

CLIMATE & ENERGY



EDF scientist **Dr. Ramón Alvarez** (*left*), an authority on methane leakage from natural gas operations, tours an Arkansas shale gas drilling site with **Mark Boling**, a senior executive with Southwestern Energy.



Bringing science to the shale gas conflict

The natural gas boom could benefit the environment and the economy—if we protect communities by fighting for strong rules and responsible development. EDF is bringing together industry, scientists and activists to make progress on one of the most controversial issues.

Mark Boling, a senior executive of Southwestern Energy, and Dr. Ramón Alvarez, a longtime EDF scientist, are examining a remote natural gas drill site about 75 miles north of Little Rock, Arkansas. They are in the Fayetteville Shale, a giant shale gas deposit that cuts through the state.

The two men are seemingly on opposite sides of the rancorous shale gas debate. But as they climb a drill rig under the watchful eye of supervisor Chris Varela, they talk about how their partnership could help transform the way America taps its shale gas reserves. This is an issue that matters to a lot of people. As Varela puts it: “I want to make sure that we don’t mess up this land. My family is here. I hunt and fish here.”

In 1990, shale gas contributed 1% of U.S. natural gas; today it’s about 30% and rising. Since gas emits less carbon than coal when burned, it could be one step in the shift to a clean energy economy, and it already has created hundreds of thousands of jobs. But shale gas extraction—which commonly involves hydraulic fracturing, or fracking—also can pollute air and water and despoil landscapes.

In 2011, EDF president Fred Krupp served on U.S. Energy Secretary Steven Chu’s natural gas advisory board. He and fellow board members visited rural Pennsylvania, where a mother told them she had been forced off her farm because of air pollution from gas wells. Her young son had become ill, and she was living out of her car.

“We can’t ask people to trade away their health and quality of life in exchange for cheap

As shale gas drilling encroaches on communities (*opposite page*), pollution concerns are growing. Below, Southwestern Energy’s Mark Boling (*center*) and EDF’s Dr. Ramón Alvarez examine methane monitoring equipment in use at an Arkansas well site.



“Industry and the environmental community need to identify the real problems in shale gas development and come up with real solutions.”

Mark K. Boling, President
V+ Development Solutions Division
Southwestern Energy



energy,” Krupp said afterward. He successfully urged the board to call for tighter pollution controls, stronger enforcement, and disclosure of chemicals, water use and pollution.

EDF is fighting for these goals in 14 states that hold 85% of U.S. onshore shale gas reserves. In Pennsylvania, we’re supporting communities fighting to retain their rights to regulate drilling.

CLEANING UP THE SYSTEM

Everyone has a right to clean air and water and a healthy environment. That’s why EDF is helping to create and push for rigorous standards for shale gas operations.



Illustration: Houndstooth Studio

In Colorado, we helped set the standard for disclosure of fracking chemicals, and in Ohio, our ideas on sound well construction are being enacted into regulation.

In addition, last year Alvarez and Dr. Steven Hamburg, EDF’s chief scientist, were among the authors of a peer-reviewed paper that found the climate benefits of natural gas—which is mostly methane, a potent greenhouse gas—could be lost for decades if too much leaks into the atmosphere. Now EDF is participating in a series of five studies with companies and research universities to map leakage along the natural gas supply chain. “There’ve been a lot of claims about leakage rates,” says Alvarez, “but we’re using rigorous scientific methods to get the data we need to find and reduce leakage.”

CLIMATE & ENERGY GOALS

Reverse the rising trend in global greenhouse gas emissions

Hasten the transition to low-carbon energy in the United States and China

Reduce greenhouse gas emissions from deforestation and agriculture

Cut emissions of methane and other short-lived but potent greenhouse gases



“Climate change is our most formidable challenge. We must convey the need for action in ways that are relevant to individuals’ lives.”

Jim Marston, VP Energy (*left*)
Steve Cochran, VP Climate



CALIFORNIA: A CLIMATE LAUNCH PAD

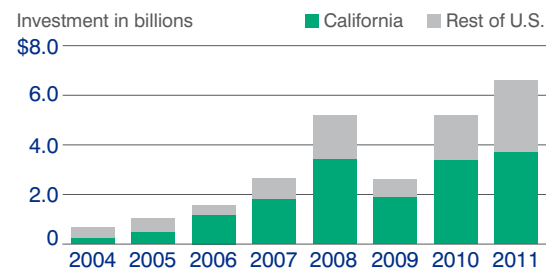
With help from EDF, California initiates the nation's first economy-wide cap on greenhouse gases. That ignites a market—and the clean energy race in America.

HELP WANTED: Iron workers for solar and wind projects. That's the message Stan Martin, a recruiter with Southern California Laborers Union #1184, delivered at a local job fair. "We're getting ready for a lot of work out here in the next ten years," he said.

In fact, job growth in California's clean-tech sector is ten times that of the state's overall economy, thanks to the landmark 2006 Global Warming Solutions Act (AB 32), which EDF co-sponsored and defended in court and at the polls. It calls for a cap-and-trade market for greenhouse gases starting in January 2013.

"California's law is proof that cost-effective climate action is still possible on a large scale in the United States even though Congress remains

INVESTING IN CLEAN TECH



Clean-tech venture capital has been surging into California since AB 32 passed in 2006.

gridlocked," says Derek Walker, EDF's director of strategic climate initiatives.

AB 32 aims to cut California's greenhouse gas emissions to 1990 levels by 2020, with one-third of electricity to come from renewable sources. The cap-and-trade market alone will slash global warming pollution by an amount equivalent to taking 3.5 million cars off the road.

The idea behind the market is simple. AB 32 caps greenhouse gases emitted by the state's largest polluters, and then lowers that cap every year, creating a market for innovations that will help companies reduce emissions at lowest cost.

The declining cap is helping to drive California's three biggest electric utilities to invest in "smart grid" projects, designed to enable greater use of renewable energy, energy efficiency and electric vehicles. EDF played a key role in guiding those plans in California (and also in New York, North Carolina and Texas).

As California's carbon market grows, the state's economy will only become more efficient, competitive and innovative. And that means more Help Wanted signs.

ENERGY DETECTIVES CUT CARBON POLLUTION

EDF Climate Corps pairs business school students—the green business leaders of tomorrow—with companies and public institutions looking to reduce energy waste. This summer, EDF trained 97 fellows to work at AT&T, Caterpillar, Facebook and elsewhere. Since the program began in 2008, our fellows have found \$1.2 billion in energy savings, enough to power 150,000 homes.



“My career goal can be described in two words: to matter.”

Michelle de Arruda
EDF Climate Corps fellow

HOME

São Paulo, Brazil

EDUCATION

MBA student, University of Virginia

LAST ACCOMPLISHMENT

Michelle de Arruda spent the summer at UNICEF in New York, where she recommended energy efficiency improvements in lighting, HVAC and computer power management that are now being implemented.

TOTAL POLLUTION REDUCTION

Up to 30% of NY office's CO₂ emissions



EDF DONOR MICHAEL BLOOMBERG

FROM THE BIG APPLE TO THE BLUE PLANET

Michael Bloomberg has never shied away from bold ideas that benefit the planet. As Mayor of New York, he got to know EDF staff as we worked together to clean the City's air and reduce its carbon footprint.

Now, in his role as a prominent philanthropist, Bloomberg has made a generous gift supporting EDF's work to help protect communities from the impacts of natural gas development by promoting stronger state and local environmental rules.

“Our approach at Bloomberg Philanthropies is not unlike a venture capital firm,” he says. “You see a team with the ideas you want to invest in, who have the best chance to succeed, and you commit.”

Bloomberg also chairs the global C40 Cities Climate Leadership Group. “Cities around the world are making more progress in combating climate change than any other level of government,” he says.

“EDF doesn't just talk about problems,” he notes. “They help design smart government policies, combine them with private sector know-how and create solutions. That's why they are effective and why we are excited to partner with them.”



CHINA: KEY TO A CLIMATE SOLUTION

The road to a global climate solution leads through China. That means capping carbon pollution—while reducing poverty among farmers.

China, the world's largest coal consumer and greenhouse gas emitter, is crucial to stabilizing the planet's climate.

EDF is engaged at every level helping China solve its environmental challenges. Our VP Dr. Daniel Dudek co-chairs the task force advising the Chinese government on how to meet the nation's ambitious environment goals.

More than 20 years ago, Beijing called on Dr. Dudek to participate in the country's first experiments with economic incentives for pollution control. Early successes prompted the government to include carbon trading projects in its latest five-year plan.

This year Beijing, assisted by EDF, designated seven cities and regions for pilot carbon trading.

“EDF emphasizes poverty alleviation, dealing with climate change, and low-carbon development, which are the highest priorities for China.”

Lin Erda, Member
Chinese People's Political
Consultative Congress

Compulsory trades start in 2013. The programs aim to reduce carbon emissions in China's main economic regions. Shanghai, for example, will focus on 200 large enterprises in the Yangtze River Delta. Eventually, China plans to establish a nationwide trading system and link with other carbon markets. “We're helping lay the groundwork to make it happen,” says Dr. Dudek.

EDF's work on carbon markets also helps with poverty reduction—China's top priority. Our partner is the State Council's Poverty Alleviation Office, which has representatives in every community. We've created a program where some 500,000 poor farmers in Xinjiang, Sichuan and Shaanxi provinces earn income by reducing carbon emissions, through improved agricultural practices and by turning waste to energy. Our goal is to enlist 20 million farm families by 2016.

Since environmental enforcement remains weak, we helped Beijing devise tougher penalties for water pollution. A similar policy is now being developed for air pollution. All these changes will be implemented by a new generation of Chinese environmental leaders, many trained through a program EDF set up with China's elite universities. So far nearly 11,000 professionals have graduated.

MANY PATHS, ONE PLANET

Global warming affects everyone, but the poor most of all. EDF is helping nations deliver a better life for their people, even as they shift to low-carbon sources of energy and learn how to manage their forests and farmlands in ways that alleviate climate change.



CREATE CARBON MARKETS

Thanks in part to EDF, countries representing one-quarter of the world's economy are putting in place market-based carbon limits to reduce pollution, conserve natural resources and help finance low-carbon economic development around the world.

CHINA
EUROPEAN UNION
SOUTH KOREA
AMAZON STATES



PRESERVE RAINFORESTS

Rainforest destruction accounts for about 15% of all global greenhouse gas emissions. We helped defend Brazil's rainforest protection law. Based in part on our proposals, the Brazilian government is now creating incentives to reduce the country's deforestation and preserve its biodiversity.

BRAZIL
MEXICO



MOVE TO LOW-CARBON ENERGY

Fossil fuel use for energy accounts for 60% of greenhouse gas emissions. Our initiatives improve energy efficiency and encourage the growth of clean energy in places like China, which burns half the world's coal. In India, we helped bring 120,000 families cleaner burning stoves, reducing unhealthy air pollution.

CHINA
EUROPEAN UNION
INDIA



FOSTER LESS-POLLUTING AGRICULTURE

Farming accounts for about 12% of global greenhouse gas emissions. EDF is helping poor farmers in Asia grow crops in ways that reduce global warming pollution while boosting yields and providing additional income through the carbon market. These projects reduce annual greenhouse gas emissions by 350,000 tons.

CHINA
INDIA
VIETNAM



CUT METHANE

EDF helped Russia's Gazprom, the world's largest natural gas company, complete a project to identify and cut leaks of methane, a potent greenhouse gas, at its facilities. And in Asia, our work with rice farmers could be a model for cutting methane emissions from that continent's 300 million acres of rice.

CHINA
INDIA
RUSSIA
VIETNAM

Gazprom

Making the Gulf Coast whole again

After the BP oil disaster, EDF built a powerful bipartisan coalition: Gulf state politicians, business leaders and local communities all helped launch the nation's biggest environmental restoration. Our secret weapon?
The mighty Mississippi.



Scientists **Dr. John Lopez** of the Lake Pontchartrain Basin Foundation and EDF's **Dr. Angelina Freeman** have envisioned a way to restore hundreds of miles of coastline by reconnecting the Mississippi River to its wetlands.

In a willow swamp south of New Orleans, two scientists are ankle-deep in mud, watching the Mississippi River overflow its banks.

A big idea is taking shape here. EDF and local scientists are monitoring how the river builds up land by depositing sediment. Their goal is to harness the power of the Mississippi to restore

land that is critical to New Orleans' survival. "A river builds land at a scale that humans with bulldozers can't match," says EDF scientist Dr. Angelina Freeman.

Over the past century, the Army Corps of Engineers has turned the Mississippi into a walled canal that shoots hundreds of millions of tons of precious sediment into the Gulf of Mexico each year. Largely as a result, Louisiana loses 17 square miles of coastland annually,

Our joint plan to put the sediment-rich Mississippi River to work rebuilding wetlands will restore nearly half the land Louisiana has lost since the 1930s. Millions of people will benefit. So will wildlife like the roseate spoonbill (*opposite page*).

exposing the area to hurricanes and oil spills and threatening wildlife habitat, the nation's busiest port and a \$23 billion fishing industry.

"We've pushed the system to the edge," says EDF attorney James Tripp, who has worked on the Gulf for 35 years. "Now it's time to rebuild it."

After the BP Deepwater Horizon disaster, we and our partners worked with Senator Mary Landrieu (D-LA) on the RESTORE Act, a bill to dedicate 80% of any BP fines to Gulf restoration.

With our sister organization, Environmental Defense Action Fund, we engaged business-people, scientists and community leaders to help persuade Congress. With Duke University, we showed how coastal restoration will create thousands of jobs. "Our message to lawmakers was that prosperity depends on conservation," says our water program director Paul Harrison.



"EDF's national perspective and its support of science are helping realize our dream of reviving the Gulf Coast."

Dr. John Lopez
Executive Director
Lake Pontchartrain Basin Foundation





We worked across party lines, and our members sent more than 100,000 messages to Congress. In June 2012, the law passed by huge majorities: 373–52 in the House and 74–19 in the Senate. Senator Landrieu called EDF “absolutely instrumental” to the legislation’s success.

Depending on the final outcome of BP’s case, up to \$17 billion in fines could help repair the

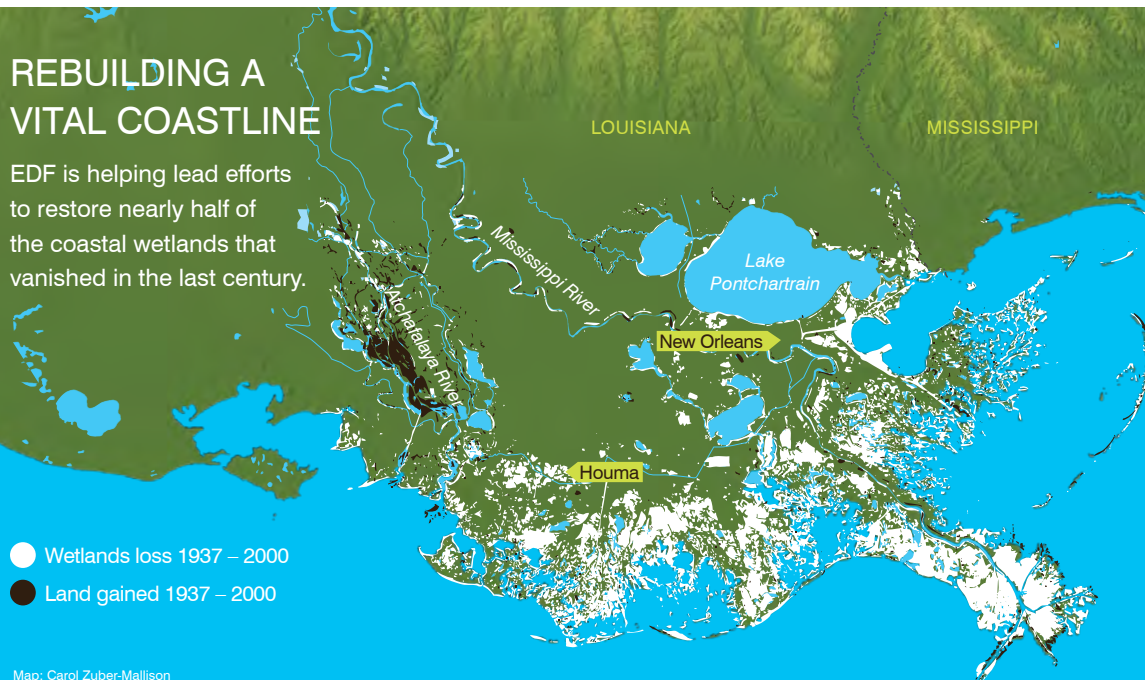
Gulf Coast and improve the lives of millions of people.

The road map for restoration is the Louisiana Coastal Master Plan, which EDF helped shape. The plan envisions reviving 860 square miles of coastal land, contingent on funding, and the Army Corps is using our models to plan the first restorations. “Soon,” says Harrison, “the river will once again revitalize coastal land for generations to come.”

EDF also is ensuring that local communities and businesses benefit from the restoration. For example, we’re helping the area’s oyster industry, on which 200,000 jobs depend, adapt to a changing coastline. “With EDF involved, we are moving forward,” says Mike Voisin of Motivati Seafoods in Houma, Louisiana.

REBUILDING A VITAL COASTLINE

EDF is helping lead efforts to restore nearly half of the coastal wetlands that vanished in the last century.



- Wetlands loss 1937 – 2000
- Land gained 1937 – 2000

Map: Carol Zuber-Mallison

ECOSYSTEMS GOALS

Reverse wetland loss

Conserve wildlife by helping landowners profit from protecting habitat

Secure clean water for America

Spur demand for climate-friendly farming



“Farms could become havens for wildlife, and farmers could be stewards of clean water, fresh air and a healthy climate. They will need to be, if our planet is to sustain a growing population.”

David Festa
VP Land, Water and Wildlife



FROM FARM TO MARKET, THE GREENER WAY

EDF is partnering with farmers and others who manage two-thirds of U.S. lands. The results: less pollution and more and better habitat for wildlife.

America's farmers are the world's most productive, but this has come at a significant environmental cost. EDF is transforming that equation, enabling farmers to enhance clean air, water and wildlife habitat while maintaining or increasing productivity.

Across the Corn Belt, crops have replaced native grasses and wetlands. Without these natural filters, excess fertilizer runs off fields into the huge Mississippi River Basin, contaminating water supplies with an overload of nutrients.

Runoff plagues waters like the Gulf of Mexico, Chesapeake Bay and Lake Erie, where algae blooms threaten drinking water for 11 million people. Excess fertilizer also leads to nitrous oxide emissions, worsening climate change.

100,000 miles of America's rivers and streams have poor water quality. The reason? Nutrient pollution.

To cut fertilizer use, EDF has built networks of farmers across ten states from Minnesota to North Carolina. In partnership with universities and farm groups, we're showing farmers how to determine the precise amount of fertilizer their crops need. Reducing the excess saves them money and cuts pollution.

A powerful way to drive change is to partner with companies that have a huge impact on the supply chain. Working with Walmart and other food buyers, we aim to cut fertilizer use among the top 20% of corn farmers, who produce half the nation's corn. Corn covers 90 million acres and is the largest source of excess nitrogen.

In 2012, EDF also worked to ensure that the next Farm Bill contains strong incentives for farmers to restore wetlands and plant buffers alongside streams. Among the projects we're participating in: Bloomington, Illinois, will create wildlife-friendly wetlands to reduce nitrogen levels in the city water supply, eliminating the need for a \$2 million water treatment plant.

"Our goal is to spur a green revolution in agriculture so farmers can feed the planet while nurturing healthy ecosystems that are more resilient to floods and drought," says EDF project director Suzy Friedman.

FINDING COMMON GROUND FOR PEOPLE AND WILDLIFE

Across the country, EDF is seeking ways to resolve old water and land conflicts and ensure sufficient resources for people and wildlife. For the Colorado River, whose already overallocated supply of water will be further strained by climate change and population growth, we worked with the Bureau of Reclamation to shape a study on how to efficiently move water among multiple users so there's enough for both people and nature.



In the Texas Hill Country, we pioneered a way to protect the endangered golden-cheeked warbler. Developers pay landowners to create habitat in the bird's sole breeding grounds. With local populations of the bird rebounding, Texas is adopting the program for other rare wildlife, and EDF is proposing it as a national model.



EDF DONOR DIANE EDGERTON MILLER

GIVING BACK TO THE DELTA

After Hurricane Katrina, Diane Miller saw the dire need—and opportunity—to restore the devastated Mississippi Delta and the city of New Orleans, a region that is doubly threatened by land loss and sea level rise.

Her foundation, the blue moon fund, was founded with assets that originally came from the Delta. She says, “We realized we had an enormous debt to the region as a result of the extensive extraction of gas and oil and the subsequent wealth that had accrued.

“The disaster presented an opportunity to perhaps get it right,” she says, “by taking a holistic look at a culture, an ecosystem and its economics.” An architect by training, Miller is a problem solver. She saw the chance to rebuild the natural and physical resources that sustain the people and their culture and help make the community resilient.

“I credit EDF’s water director Paul Harrison and his team with bringing together everyone from the Houma First Nation peoples to shrimp fishermen and communities in the Ninth Ward. Without this integration of effort, the RESTORE Act never would have succeeded. This is a home run.”



EDF general counsel **Vickie Patton** prepares for a case with **Sean Donahue**, one of America's preeminent appellate lawyers, who often represents EDF and our allies. Patton calls him "the Jedi Master of environmental litigation."

A scenic view of a mountain range seen through a window, with a desk and office chair in the foreground. The mountains are covered in green trees and have some rocky patches. The sky is blue with white clouds. The foreground shows a desk with papers and a black office chair.

Protecting the health of America's children

Powerful interests want to hobble EPA and undermine the Clean Air Act. EDF's Colorado-based legal team has joined with public health groups and states to fight back. In 2012, we chalked up a string of victories, but the battle rages on.

In December 2011, the Environmental Protection Agency gave a very special gift to America's children. The agency issued the first national limits on mercury, arsenic and other toxic emissions from power plants.

This action, one of the biggest public health advances in a generation, will prevent up to

11,000 premature deaths and 130,000 asthma attacks annually. Working with the American Lung Association and other allies, EDF played a key role in making the case for progress.

There was little time to celebrate. Hours after the new Mercury and Air Toxics Standards were unveiled, Senator James Inhofe (R-OK) announced plans to block them, claiming that their health benefits were "EPA propaganda." Our legal experts, led by EDF general counsel

Vickie Patton, sprang into action. Along with our legislative team, they provided analysis, testified on Capitol Hill and worked with industry partners and states to support the rules. After a tense struggle, Inhofe's bill was defeated.

A big part of our push came from Moms Clean Air Force, a band of mothers—now more than 100,000 strong—that we helped launch to mobilize clean air supporters. "No politician wants to make a mother angry," says the group's leader, author Dominique Browning.

Mercury exposure, even in small quantities, can affect children's brains and nervous systems. But the mercury fight is not over. It is part of a larger struggle over EPA's authority to enforce the Clean Air Act. Center stage this year was the U.S. Court of Appeals in Washington, DC, where dozens of lawsuits by industry groups and



The front line: EDF's legal team is playing a key role in defending new clean air standards that will eliminate up to 90% of mercury emissions from power plants. Mercury exposure is particularly harmful to children.

"These battles for clean air might never have been won were it not for the collaboration of public health and environmental allies."

Sean Donahue
Attorney, Donahue & Goldberg, LLP





others aimed to deny the agency’s power to act on global warming pollution. In response, EDF and allies—coordinated by attorney Sean Donahue, who has successfully argued on EDF’s behalf before the Supreme Court—again worked around the clock, intervening in four cases.

In June, the court ruled unanimously in our favor, affirming EPA’s finding that greenhouse

gases pose a danger to public health. In blunt language, the court declared that EPA’s interpretation of the Clean Air Act was “unambiguously correct.” The judges said that the agency had based its finding on sound science, which showed, for example, that greenhouse gases increase ground-level ozone, worsening harmful smog.

The ruling clears the way for the first nationwide limits on greenhouse gas emissions from new vehicles and large new industrial sources.

Many businesses support clean air laws, but others keep pushing Congress and the courts to roll them back. “We can’t let down our guard,” says Patton. “But I’m optimistic. We have the law—and the public—on our side.”

HEALTH GOALS

Cut air pollution from coal plants 75% from 2005 levels

Reform U.S. toxic chemicals policy to reduce exposure to harmful substances

Accelerate innovation through corporate partnerships

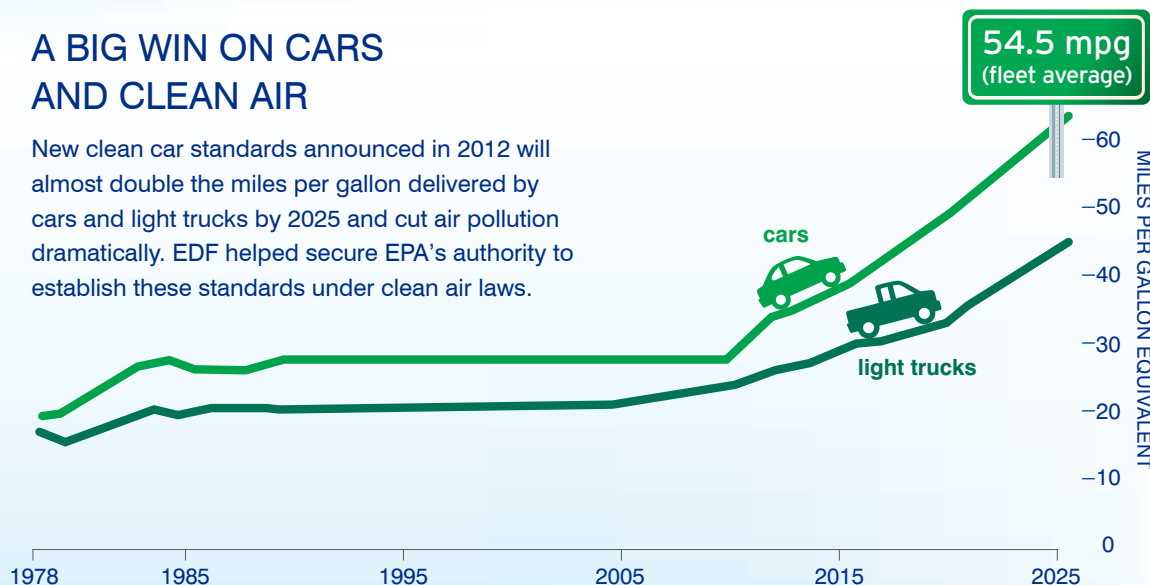


“Pollution and toxic chemicals take a heavy toll on public health. We owe it to future generations to ensure the safety of chemicals and cut smokestack pollution.”

Dr. Sarah Vogel
Health Program Director

A BIG WIN ON CARS AND CLEAN AIR

New clean car standards announced in 2012 will almost double the miles per gallon delivered by cars and light trucks by 2025 and cut air pollution dramatically. EDF helped secure EPA’s authority to establish these standards under clean air laws.





CLEANING NEW YORK'S DIRTY AIR

Every year, many New Yorkers die because of the dirty heating oil burned in some of the city's buildings. An EDF campaign to end the use of the dirtiest fuels is helping to clear the air.

Three years ago, EDF began a campaign to rid New York City of dirty No. 6 and No. 4 heating oils. Just 1% of the city's buildings burn these fuels—which are basically unrefined sludge—but they spew more particulate matter, or soot, into the air than all the city's cars and trucks combined. The result: 120 preventable deaths each year and millions of dollars in added health care costs.

In 2011, our campaign, which included an interactive online map showing 9,500 city buildings that burn dirty oil, helped convince Mayor Michael Bloomberg to create a Clean Heat partnership between his administration and EDF. The partnership is dedicated to converting buildings from dirty oil.

“Reducing high-pollutant fuel oil use across New York City will have an enormous health benefit for all New Yorkers.”

Dr. Thomas Farley
New York City Health Commissioner

The administration issued rules that will phase out No. 6 oil by 2015 and No. 4 oil by 2030 and announced more than \$100 million in mostly private financing to help buildings convert to cleaner fuels.

The impact of that decision on illnesses such as asthma and heart disease could be “second only to our achievements in reducing the city's smoking rates,” said Dr. Thomas Farley, the city's health commissioner.

Thanks to NYC Clean Heat, more than 1,100 buildings already have converted and hundreds more are on track to do so in 2013. They include 257 Park Avenue South, home to EDF's national headquarters. Our Sustainability Council, charged with reducing EDF's environmental impact, initiated the coming shift.

In addition, the investment principles behind Clean Heat have applications that extend far beyond New York and heating oil. They also apply to investments in energy efficiency.

“We'll be demonstrating to the financial community that energy efficiency is a good investment,” says Andy Darrell, EDF's New York regional director. “And our model can be adapted to finance efficiency around the world.”



99% of pregnant women in the United States have flame-retardant chemicals called polybrominated diphenyl ethers in their blood. These can cause decreased I.Q., memory deficits and hyperactivity in children.

PROTECTING AMERICANS FROM TOXIC CHEMICALS

The 1976 Toxic Substances Control Act (TSCA) has never been updated to ensure the safety of chemicals in America. The law is so weak that millions of people now risk being exposed to dangerous chemicals through everyday household products. In fact, companies have only had to test about 3% of 85,000 available

chemicals. EDF helped found a coalition of health, labor, business and consumer groups working to reform TSCA. We've also engaged progressive chemical companies. In 2012, a Congressional committee took up proposed reform. EDF is fighting to ensure the final bill protects public health and the environment.



MELISSA HAMMEL, MICHAEL BURTON & KIDS

PRESERVING A HEALTHY PLANET FOR THEIR CHILDREN

Melissa Hammel, an award-winning filmmaker, and husband Michael Burton, a financial advisor, learned early to appreciate nature. Growing up in Vermont, Burton took classes in environmental science from his father, a teacher. Hammel loved backpacking in her native Pennsylvania. Her first video in 1992 was about international security and the environment.

Today, the two EDF donors live in New York City with their daughters Amelia, seven, and Rye, three. "Of course," says Burton, "as parents we want a world where they breathe clean air and drink clean water.

"As I got to know EDF," he says, "I was impressed that they are nonpartisan and look at all sides of an issue to come up with realistic solutions."

"Now that I'm a mother," Hammel says, "activism looks very different than it did when I was in college." She eagerly got involved in the leadership circle of Moms Clean Air Force, an EDF project that has galvanized grassroots activists to fight for kids' health. "Engaging mothers to voice environmental concerns helps empower more people," she says.

Pulling together to heal the ocean

Along the West Coast, the fishing industry has been living through hard times. Working with fishermen, EDF combined catch shares with marine protected areas to help launch a recovery. Now, fish stocks and fishermen's livelihoods are rebounding.



Captain Rob Seitz talks with **Shems Jud** (*right*), our deputy West Coast fisheries director, in the port of Morro Bay, California. Seitz belongs to a new generation of fishermen who fish smarter, not harder.

Rob Seitz was 15 when he first went to sea with his grandfather, longing for halibut at Cook Inlet, Alaska. “Fishing is what I’ve always wanted to do,” he says.

Over the years, Seitz encountered many dangers, like the time he nearly capsized after catching a Navy submarine in his net. But it

wasn’t danger that nearly drove him off the water. In 2002, Seitz, who now operates a trawler out of Morro Bay, California, almost quit in the face of plummeting fish prices and ineffective regulation. The Pacific groundfish catch fell 70% over two decades. “Fishermen were going broke,” he says, “and port facilities were closing.”

On the West Coast—as elsewhere—fishery managers had tried to end overfishing by shortening the season, which only compelled

fishermen to catch as many fish as possible as quickly as possible, even in dangerous weather.

More than ten million pounds of fish were wasted annually, about one-fifth of the catch. Why? Because the rules had the perverse effect of forcing fishermen to throw otherwise marketable fish overboard, dead or dying.

EDF proposed a different approach, called catch shares, where each fisherman is assigned a percentage of a scientifically determined total allowable annual catch. No longer racing against the clock, fishermen can fish when it’s safe and market prices are high.

In 2011, the Pacific Fishery Management Council started a catch share program, which EDF helped design, for 74 bottom-dwelling species known as groundfish. Observers are required on all boats, and if a captain catches



Partnership in action: EDF’s Shems Jud with Rob Seitz on the *South Bay*, Seitz’s 56-foot trawler. West Coast fishermen now can catch fish year-round rather than being limited to a short, dangerous season. The result: growing fish populations and fresher seafood.



“For a long time, I despised environmentalists. But since I got to know EDF, I realized we want the same thing, lots of fish out there and healthy fisheries.”

Captain Rob Seitz
Morro Bay, California, fisherman



Now we're rewarded for good behavior. It's a much better system."

Today, 65% of the fish caught in U.S. waters are under catch share management. EDF is now helping to expand the approach to global fisheries.

Catch shares, says Shems Jud, EDF's deputy West Coast fisheries director, have led to a boom in innovation as fishermen modify their gear to reduce impact on

more than his share, he can buy shares from another boat, ensuring that the total allowable catch is not exceeded. The result: After just one year, the amount of wasted fish has fallen 78%, revenues are up and fish stocks are rebuilding.

"Under the old system, we were basically sharecroppers," Seitz says. "Regulators set rules and we'd figure out how to get around them.

habitat and form cooperatives to promote conservation. Rather than fighting against marine protected areas, many are now putting this conservation tool into action on their own, without government intervention.

"When you get the incentives right," says Jud, "and unleash fishermen's creativity to solve problems, remarkable things happen."

OCEANS GOALS

Protect ocean ecosystems by creating sustainable and healthy fisheries

Make catch shares the standard management approach in U.S. fisheries

Expand catch share management to half the world's fish and fisheries

Safeguard and restore ocean habitats



"By giving fishermen around the world a stake in the recovery of fisheries, we can help lift millions of people out of poverty while restoring thriving oceans."

Amanda Leland
VP Oceans

FISHERMEN HATE THROWING AWAY FISH

Under old-style rules, fishermen had to discard too many fish, most of them dead or dying. Now they don't have to. Under catch share programs, supported by EDF, fishermen can fish more selectively so they don't haul in fish they can't keep. Reducing the number of discards helps fish populations recover.

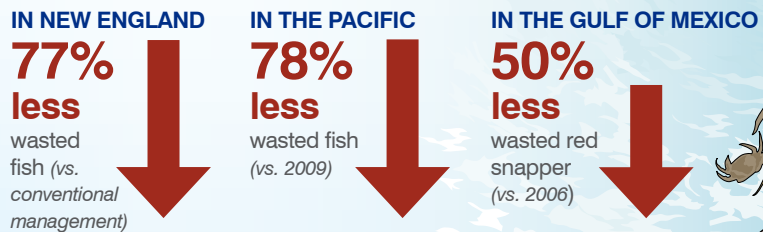


Illustration: Bryon Thompson



LOCAL ACTION: KEY TO GLOBAL RECOVERY

From Belize to Indonesia, catch share management is helping turn the tide against overfishing by giving fishermen an incentive to conserve.

Overfishing is often associated with factory ships on the open ocean. But nearly half the fish that people eat around the world are caught by some 45 million fishermen operating small boats within a few miles from shore. Many of these small fisheries are unmanaged and in serious trouble.

EDF seeks to help revive the world's small-scale fisheries by empowering fishermen to conserve. In Belize, where lobster and queen conch fisheries are in severe decline, we teamed up with the Wildlife Conservation Society and local partners and introduced catch shares.

Under our program, groups of fishermen are granted exclusive access to fish in a designated area. This secure privilege has given them an

87% of fisheries worldwide are overexploited or fully exploited.

incentive to become better stewards of the fishery. After only a year, illegal fishing is down significantly, and fishermen are asking for bigger marine reserves.

“It may seem paradoxical, but in the long run we can get more fish on our plates by leaving more in the water,” says Dr. Steven Gaines, one of the authors of a new study in *Science*.

The project also is helping to preserve the Mesoamerican reef, the largest barrier reef in the Western Hemisphere. The government of Belize has asked for EDF's help to roll out the system nationwide. “It could be a model for small-scale fisheries reform around the world,” says Scott Edwards, director of EDF's Latin America and Caribbean program.

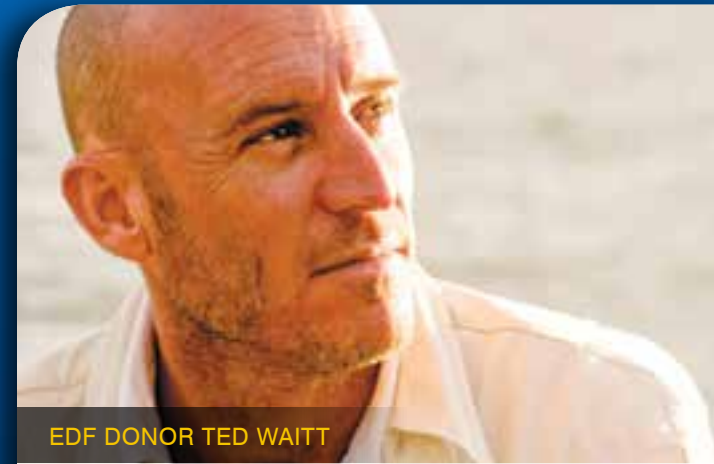
This year we launched a partnership with RARE, a global leader in community-led conservation, and the University of California at Santa Barbara. We aim to tackle near-shore overfishing in developing countries such as Indonesia and the Philippines, two of the world's top fishing nations.

Our initiative, called Fish Forever, will use social marketing to engage local fishermen in a program combining catch share management with marine reserves. The goal: sustainable fisheries that benefit the millions of people who rely on fish for food.

SAVING THE GREAT PREDATORS OF THE SEA

Sharks have ruled the oceans for millions of years. Today, they're in serious decline. Working with Mote Marine Laboratory and others, EDF is leading an effort to save sharks in the Gulf of Mexico—bringing together Cuba, Mexico and the United States in an unprecedented conservation

partnership. We are conducting the first-ever in-depth survey of sharks along Cuba's northwest coast and Mexico's Gulf coast. The research will reveal the special places that warrant protection and could be a model for managing other threatened migratory species such as tuna.



EDF DONOR TED WAITT

A PASSION FOR THE OCEANS

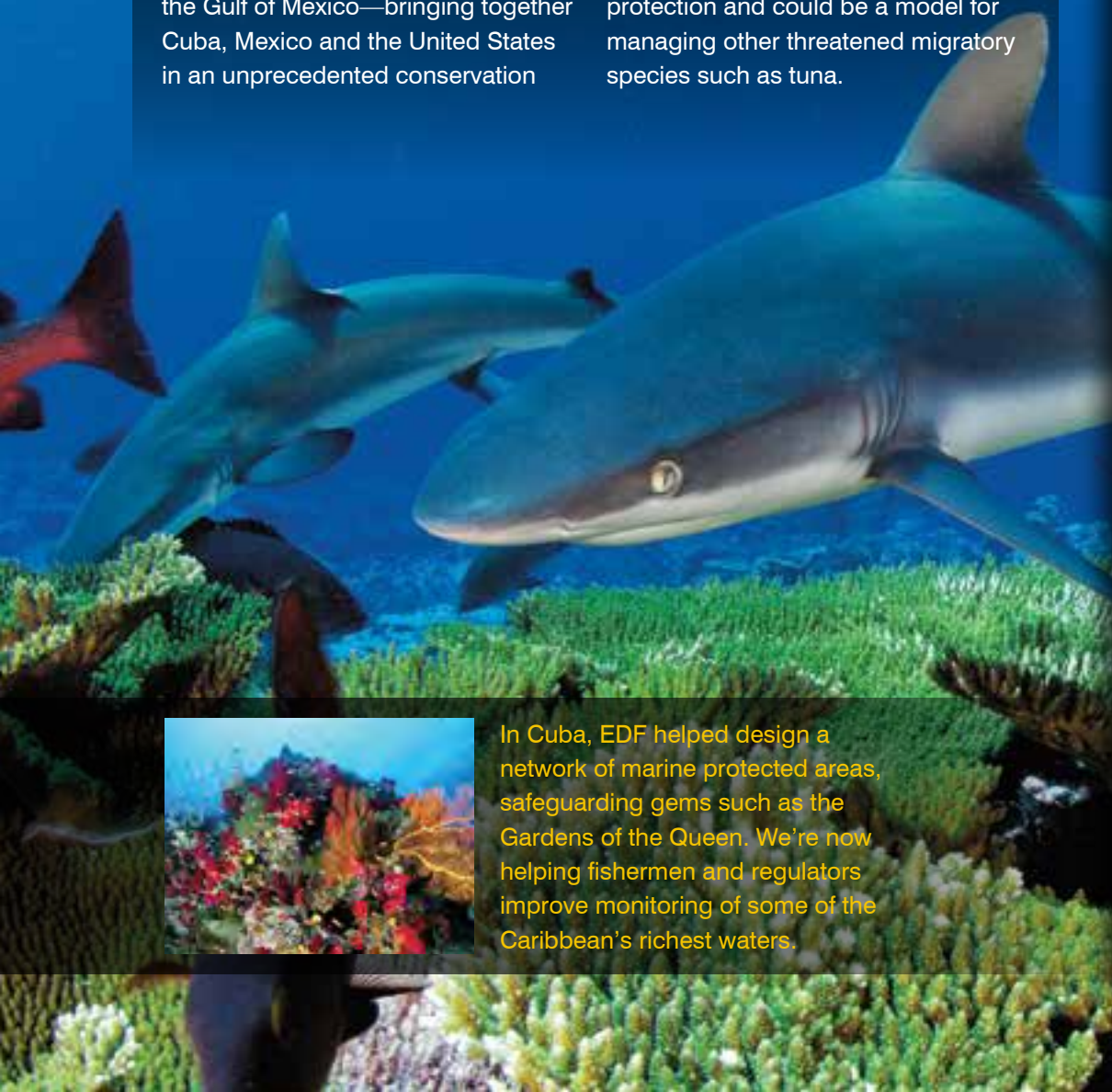
After retiring in 2005 from Gateway, the company he co-founded, computer maverick Ted Waitt followed his next big high-tech dream: exploring deep-sea archeological treasures. Through the Waitt Institute, the research arm of the Waitt Foundation, he helped create the first 3D images of the *Titanic* and has hosted several marine science expeditions.

The more Waitt saw, the more concerned he became about the state of the oceans. "I'd go diving and wonder where all the fish had gone," he says.

Waitt and his team looked to EDF for solutions because "we were impressed with their track record on restoring fisheries through catch shares," he says.

"I like the fact that EDF partners with fishermen and realizes they are just trying to earn a living like everybody else." Waitt adds, "What's unique about EDF is their genuine, pragmatic interest in collaborating with others."

On a trip to Cuba with EDF's Dan Whittle, he was struck by Whittle's deep knowledge of the island and its ecological riches. "We're looking at expanding on past work with EDF to change the way fisheries are managed locally with an eye toward global scale."



In Cuba, EDF helped design a network of marine protected areas, safeguarding gems such as the Gardens of the Queen. We're now helping fishermen and regulators improve monitoring of some of the Caribbean's richest waters.

Reaching across the aisle

Advancing smart policies requires smart politics.
Our sister organization, Environmental Defense Action
Fund, helps broaden support on both sides of the aisle.

In 2012, when bipartisanship was hard to find in Washington, DC, EDF's legislative strategy helped achieve a remarkable result: supermajorities of both the House and Senate passed the RESTORE Act, directing what could amount to billions of dollars of BP's oil spill fines for environmental restoration on the Gulf Coast.

The resources of our sister organization, Environmental Defense Action Fund, helped make this and other victories possible. Unlike EDF, whose legislative lobbying expenses are strictly limited by tax law, the separate Action Fund, as a 501(c)(4) organization, receives non-tax-deductible contributions and is not constrained by such spending limits.

For example, contributions to the Action Fund paid for polling in Florida that found over 70% of Republicans, Democrats and

Independents were more likely to support candidates who backed the RESTORE Act. Action Fund contributions also paid for an advertising blitz that helped convince wavering lawmakers.

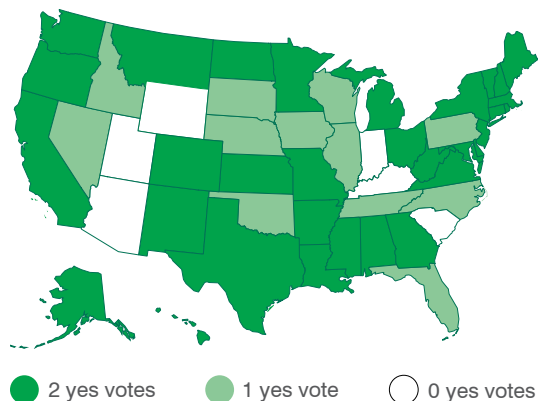
"No environmental legislation has ever been passed without bipartisan support, so it's critical to depolarize environmental issues," says Environmental Defense Action Fund president Elizabeth Thompson. "That's why we're engaging with the political system in a nonpartisan way."

The Action Fund helped secure many other EDF advances this year as well. For oceans, it brought fishermen together with members of Congress to talk about catch shares, a sustainable approach to fisheries management. For health, it helped defeat an effort by Senator James Inhofe (R-OK) to roll back limits on toxic mercury pollution from power plants. For climate and energy, it fended off broader attempts in Congress to limit EPA's authority to enforce the Clean Air Act. At the state level, it helped win provisions requiring disclosure of the chemicals used in hydraulic fracturing.

To help deliver EDF's message, we have assembled a network of influential supporters, our Strategic Partners. These allies—including local and national civic and religious leaders, economists and CEOs—contact legislators personally and explain our solutions.

"We can't match the lobbyists dollar for dollar," says Wendy Sommer, director of the Strategic Partners program, "but personal advocacy can cut through their arguments and persuade lawmakers to do the right thing."

BUILDING A GREEN MAJORITY



Mapping the number of U.S. senators voting for the RESTORE Act paints a picture of bipartisan support across America.

LEGISLATIVE GOALS

Protect EPA's Clean Air Act authority

Defend new catch share programs in Congress to help fisheries recover

Reform America's outdated law to ensure the safety of chemicals

Continue ecosystem restoration in the Louisiana coastal area



"Changing the politics of environmental protection won't happen overnight, but cultivating new allies on both sides of the aisle is a critical first step."

Elizabeth Thompson, President
Environmental Defense Action Fund

FINANCIAL COMMENTARY

Environmental Defense Fund completed fiscal 2012 on a sound financial footing, with a record level of program expenditures from continued strong growth in support.

We raised \$116.5 million in new funds, including pledges and grants paid during the year and to be paid in future years. This compares to \$98.1 million raised in fiscal 2011.

Contributions and membership provided \$77.5 million, or 66% of our total support and revenue for the year. Foundation grants accounted for \$30.1 million, or 26%.

We spent a total of \$105.4 million in fiscal 2012. Program services accounted for 82%, or \$86.2 million, a new record. Development

represented 8% of expenditures, while management and administration was 7%. Membership and new member acquisition totaled 3%.

Considering both revenues and expenses, our total net assets at the end of the year were \$156.6 million, an increase of \$14.5 million over the prior year.

We report our results using Generally Accepted Accounting Principles (GAAP), which require us to record income based on the year funds are raised, not in the year designated for use, among other requirements.

The Unrestricted column in the accompanying financial statement on the facing page parallels our operating budget. To build the

budget, we look first at funds available from multiyear gifts, then at a forecast of new fundraising and prospective spending. As the year unfolds, we monitor fundraising closely and adjust our spending patterns to maintain a balanced budget.

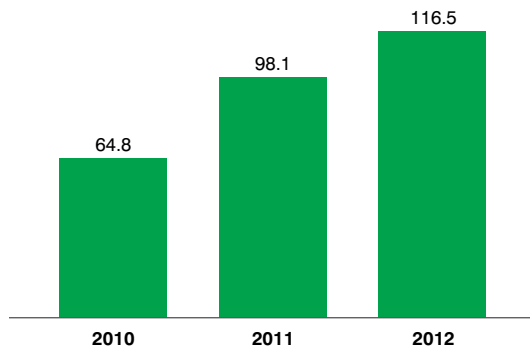
We are thankful for the support of all our members and donors this past year. Your continued generosity provides the resources needed to achieve our ambitious program goals and respond to urgent challenges for the environment.

Peter Accinno

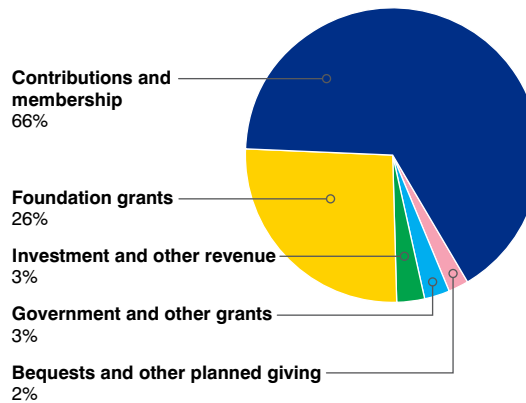
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TOTAL SUPPORT AND REVENUE

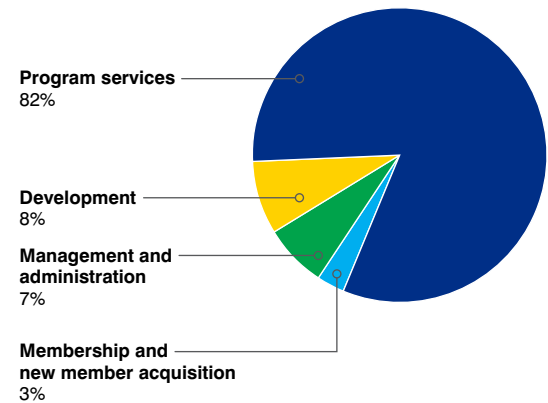
In millions of dollars



SOURCES OF SUPPORT AND REVENUE



EXPENSES



STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30	UNRESTRICTED	RESTRICTED	TOTAL 2012	TOTAL 2011
OPERATING SUPPORT AND REVENUE				
Support:				
Contributions and membership	\$ 13,378,023	\$ 64,072,262	\$ 77,450,285	\$ 42,129,564
Foundation grants	150,000	29,956,813	30,106,813	48,877,392
Bequests and other planned giving	1,692,776	256,336	1,949,112	1,967,441
Government and other grants	525,166	2,868,211	3,393,377	2,357,392
Total support	15,745,965	97,153,622	112,899,587	95,331,789
Revenue:				
Investment income allocated for operations	2,197,771	28,847	2,226,618	1,916,546
Fees, royalties and other income	1,348,596	3,045	1,351,641	834,471
Total revenue	3,546,367	31,892	3,578,259	2,751,017
Net assets released from restrictions	86,633,617	(86,633,617)	–	–
Total support and revenue	105,925,949	10,551,897	116,477,846	98,082,806
EXPENSES				
Program services:				
Climate & Energy	37,215,577	–	37,215,577	32,085,664
Oceans	23,048,730	–	23,048,730	21,359,200
Ecosystems	16,276,788	–	16,276,788	12,496,084
Health	5,161,331	–	5,161,331	4,769,113
Education	3,825,033	–	3,825,033	3,502,874
Membership activities	681,601	–	681,601	466,809
Total program services	86,209,060	–	86,209,060	74,679,744
Supporting services:				
Management and administration	7,244,031	–	7,244,031	7,031,124
New member acquisition	616,036	–	616,036	615,191
Fundraising:				
Membership	2,396,403	–	2,396,403	2,644,636
Development	8,935,928	–	8,935,928	8,149,267
Total supporting services	19,192,398	–	19,192,398	18,440,218
Total operating expenses	105,401,458	–	105,401,458	93,119,962
Change in net assets from operations	524,491	10,551,897	11,076,388	4,962,844
Other expenses, net of contributions and other income	(552,388)	30,560	(521,828)	182,802
Investment results, net of allocation to operations	3,114,243	786,646	3,900,889	(3,385,410)
Change in net assets	3,086,346	11,369,103	14,455,449	1,760,236
Net assets, beginning of year	39,233,418	102,895,640	142,129,058	140,368,822
Net assets, end of year	\$ 42,319,764	\$ 114,264,743	\$ 156,584,507	\$ 142,129,058

This statement of activities represents the consolidated activities of Environmental Defense Fund, Incorporated, Environmental Defense Action Fund and California Fisheries Fund, Inc. Copies of the complete audited financial statements are available upon request or at edf.org/audit.

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257 Park Avenue South

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212 505 2100

Or contribute online at edf.org/donate.

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