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# **CA Energy Scam Fraud Traced To White House**

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## **How California's energy scam was inextricably linked to a war for oil scheme...**

This story begins with the California energy crisis, which started in 2000 and continued through the early months of 2001, when electricity prices spiked to their highest levels. Prices went from \$12 per megawatt hour in 1998 to \$200 in December 2000 to \$250 in January 2001, and at times a megawatt cost \$1,000.

One event occurred earlier. On July 13, 1998, employees of one of the two power-marketing centers in California watched incredulously as the wholesale price of \$1 a megawatt hour spiked to \$9,999, stayed at that price for four hours, then dropped to a penny. Someone was testing the system to find the limits of market exploitation. This incident was the earliest indication that the people and the state could become victims of fraud. The Sacramento Bee broke the story three years later, on May 6, 2001.

Today, Californians are still paying the costs of the debacle while according to state officials the power companies who manipulated the energy markets reaped more than \$7.5 billion in unfair profits.

During those early months of the Bush administration, and even during the prior transition period, Dick Cheney was deeply involved in gathering information for a national energy policy. The intelligence he gathered would provide justification for a war against Iraq but would also place White House footprints all over a fraud scam. This is how it all happened.

## Enter the Lead Villain

That Ken Lay, the former chairman of Enron, enjoyed a long and close relationship with George Bush senior is a well-known fact. What isn't so well known is that George W. Bush also benefited from a close relationship with Lay. No one supported the younger Bush quite like Lay. Enron executives contributed more than \$2 million to George W. Bush's political campaigns since 1999, earning Lay an open door to the governor's office. Lay was also Bush's number one choice for Treasury Secretary. A study authorized by Rep. Henry Waxman reveals that Enron had 112 known contacts with the Bush administration in 2001. This figure does not include seventy-three disclosed contacts between former Army Secretary Thomas White and his former colleagues at Enron. (Secretary of Defense, Donald Rumsfeld, recently fired White.)

Significantly, Ken Lay was also a close friend to Dick Cheney who is a former Enron shareholder. It should come to no one's surprise that given the relationships, Ken Lay was selected to work on the Bush energy transition team under the chairmanship of Cheney. Lay's easiest assignment? He interviewed potential candidates for the Federal Energy Regulatory Commission, an agency that would oversee his company (and months later lead a slow, long investigation into Enron's role in the California energy debacle). The President picked Lay's nominee, Pat Wood, to serve as chairman of the agency.

Ken Lay was a very useful and a very knowledgeable man to have around. He knew, for instance, of the holes in the California power market that could be exploited. He tried to warn officials about the problem in 1994 when Enron testified at a Public Utility Commission hearing. Unfortunately his advice was ignored. Enron then went with the flow. It reversed itself, endorsed the system, and lauded the politicians for setting up what Enron knew was an exploitable and faulty infrastructure.

As events would unfold, the dark side of Enron got part of its comeuppance when the Justice Department began investigations of Enron's role in the California energy disaster.

Along with Dynegy and other power brokering companies, Enron employees were subject to federal criminal charges. One Enron employee pleaded guilty to wire fraud while Dynegy agreed to pay \$5 million in fines.

## Enter A Little Damning Document

In April of 2001, Ken Lay handed Dick Cheney a two-page memorandum recommending national energy policy changes. The memo contained Enrons positions on specific, rather technical issues, which were presented as a fix for the California crisis. (Enron brazenly advised the administration not to place price caps on energy, which would be precisely the request California officials made to the President, and which the President and the Vice President would just as brazenly deny until public pressure forced them to capitulate.)

According to a special report prepared for Rep. Henry A. Waxman, over seventeen energy policies recommended by Enron made their way into the official White House National Energy Policy report.

Congress awoke from its somnambulism, having become alarmed at Enrons close association with the Bush administration. Congressional committees asked Dick Cheney for the names of those who advised him and the reports he relied upon in drafting the nations energy policy. Cheney bluntly and adamantly refused to reveal those facts. After months of standoff, the General Accounting Office (GAO) filed a suit against the Vice President in an effort to obtain the requested information. The White House then developed a fascinating legal strategy that helped them triumph over the legislative branch.

Defense attorneys from the civil division of the Justice Department should have been assigned to the case. However, in an unprecedented move, the Bush administration required the services of the nations number-one-gun, Theodore Olson, the Solicitor General, who normally only makes appearances before the Supreme Court. Olson, his Assistant Solicitor General, and a handpicked group of Justice Department lawyers formed a special trial defense task force to defend the Vice President. This act telegraphed to the court, press, and public that this was no ordinary case. The move paid off, a federal judge found for Mr. Cheney and the GAO declined to file an appeal. That, more or less, marked the end of the story. But then something happened.

## Enter Obscure News Article

On October 6, 2002, a newspaper in the UK published a little known article about Mr. Cheneys advisers. According to Neil Mackay, an award-winning journalist, writing for

Scotlands Sunday Herald, Dick Cheney commissioned an energy report from ex-Secretary of State, James Baker III. The time of this commission is not reported, but since the members of the appointed task force held three videoconferences and teleconferences in December, January, and February 2000-2001, Cheney therefore logically contacted Baker some time prior to the December 2000 meeting during the presidential transition period.

## Enter the Man Who Gets Things Done

James Baker was uniquely situated to fulfill Cheney's commission, for among the many hats he wears, he is legal counsel to the Carlyle Group, one of the nation's largest defense investment firms whose board consists of former high level government officials, including George Bush senior. Baker was also the hired gun for George W. Bush's campaign in Florida, along with Karl Rove. But among the hats he wears, none is more valuable than his ability to become invisible and leave no fingerprints behind. James Baker courts the press and is hailed a statesman; he also serves as the honorary chairman of the James Baker III Institute for Public Policy at Rice University, a think tank that was involved in aiding the George W. Bush presidential transition teams.

Equally intriguing is the fact that Baker has ties with both the Bushes and Ken Lay. Years earlier, in 1993, after Baker stepped down from his stint as Secretary of State, he and Robert A. Mosbacher, Bush senior's commerce secretary, signed a joint consulting and investing agreement with Enron. The two men began a lucrative career making joint global investments with Enron on natural gas projects. Baker Botts LLC, James Baker's law firm, flourished in its specialty of international oil and gas counseling.

Since Baker walked in their circles, when he set out to select an energy team to advise the White House, he filled it with leaders of the oil, gas, and power industries. Three appointees stand out: Kenneth Lay from Enron, who was working on the Bush Energy Transition team under Dick Cheney at the time; Chuck Watson, the then Chairman and CEO of Houston's Dynegy Inc., and Dynegy's General Counsel and Secretary, Kenneth Randolph. Both firms were deeply involved in illegally manipulating the California energy market at the time and eventually faced criminal investigations.

The oilmen selected for the task force were Luis Giusti, a Shell non-executive director, formerly CEO of Petróleos de Venezuela, S.A.; John Manzoni, regional president of

British Petroleum; David O'Reilly, Chief Executive of Chevron/Texaco; and Steven L. Miller, Board Chairman, CEO and President of Shell Oil.

In his Sunday Herald article, Neil Mackay links another Fellow of the Baker Institute to the document, Sheikh Saud Al Nasser Al Sabah, the former Kuwaiti oil minister. The Baker Institutes report on energy was funded through Khalid Al-Turki and the Arthur Ross Foundation.

Sometimes a mystery is hidden in a loaded detail that most of us would rather skip over. A case in point is this: the Baker task force report shows a forty-one member task force, but the press release gives fifty-one as the number. This of course, could be just a typo. But when we look at the structure as revealed in the report, it shows the Baker energy task force team was divided into three separate groups. First came the names of the forty-one-all-star task force. Secondly, came the names of nine observers. And thirdly, there was an unknown number forming a group of reviewers whose identities were not disclosed, but who collectively had broad academic, economic, and energy expertise. According to the acknowledgements these individuals reviewed drafts of the report at various stages and participated in the Task Force meetings. Perhaps the most telling admission is that the final version was greatly enhanced by this shadowy group.

Enter Major Document No. 1

The Baker energy task force produced a report titled, Strategic Energy Policy Challenges for the 21st Century, dated April 2001. There is no mistaking the fact that reasonable, detailed and important expert advice is meted out to the new president. However, this amazing 107-page report strikes a drumbeat for action that grabs the reader as it propels a picture of a naked, energy-scarce nation, subject to energy shortages and price fluctuations, across its pages. Contrasting the state of what is, against what should be, and mercifully making powerful recommendations that will save our economy, it offers warnings such as: a sharp rise in oil prices preceded every American recession since the late 1940s.

The California energy crisis is raised again and again, along with the prophecy that America can expect more California-like incidents in the future. There's even a connection made between the California crisis and the Middle East, which according to the report, will remain the world's base-load supplier and least expensive source of oil for the foreseeable

future. With that prophetic utterance, the stage is now set for a new actor, a new villain, and a new energy policy.

## Enter Saddam Hussein

According to the Baker report, Saddam Hussein became a swing oil producer by turning Iraq's oil taps on and off whenever he felt that it was in his interest to do so. During these periods Saudi Arabia stepped up to the plate and provided replacement oil supplies to the market to keep California type disruptions and scarcity from occurring in America. Hussein, the report says, used his own export program to manipulate oil markets. The report's implications are clear: the national energy security of the U.S. was now in the hands of an open adversary and the Saudis might not make up the difference in the future. The Baker report recommends: The United States should conduct an immediate policy review of Iraq, including military, energy, economic and political/diplomatic assessments. Sanctions that are not effective should be phased out and replaced with highly focused and enforced sanctions that target the regime's ability to maintain and acquire weapons of mass destruction. Military intervention is listed as a viable prospect.

According to Neil Mackay in the Sunday Herald article, James Baker delivered the report to Dick Cheney in person in mid April 2001.

The subsequent events of September 11, 2001 helped take the world's eyes away from the notion that an invasion of Iraq is for oil, but according to Mackay's sources, the Bush cabinet agreed to military intervention in Iraq six months earlier, in April of 2001.

## Enter Major Documents No. 2 and 3

A haunting familiarity exists between the Baker energy report and another policy paper that could negatively impact the Bush administration. The style of the two reports is similar, particularly in discussions on national security; their task force methodologies are essentially the same; they share the repeated use of a relatively rare term; they share similarly constructed phrases; they both name Iraq as an adversary and they both attack problems in the same manner. There is a possibility that one writer served on both task

forces.

A little background is necessary: In June of 1997 a group of former republican administration officials launched The Project for the New American Century, a think tank offering research and analysis on a revolution in modern military methods and military objectives. Like the energy task force, the passionate neo-conservative authors endowed their Principles with hard-hitting force, calling for the necessity of preserving and extending an international order friendly to Americas security, prosperity and principles. The founders wrote: The history of the 20th Century should have taught us that it is important to shape circumstances before crises emerge and to meet threats before they become dire. In fact, on pages 51 and 67 of the institutions intellectual centerpiece, Rebuilding Americas Defenses, the authors lament that the process of transforming the military would most likely be a long one, absent some catastrophic and catalyzing event like a new Pearl Harbor. (How unfortunate for Americans, they got their needed event on September 11, 2001.)

The signers to the principles read like a who's who of the Bush administration plus a chorus line of supporters: Dick Cheney, I. Lewis Libby, Donald Rumsfeld, Paul Wolfowitz, and Elliott Abrams, plus world famous: William Bennett, Jeb Bush, and Dan Quayle, among others.

The signers endorsed two other dynamic enabling policies: increased military spending, and the necessity of challenging regimes hostile to Americas interests and values.

The seventy-six-page Rebuilding Americas Defenses was published in 2000. With a lot of expositional swagger, the authors created not only the ideal military preparedness level for their goal of global domination, but they identified a new kind of warfare that requires far less force than the military was accustomed to accept. What's more, they identified the hostile regimes mentioned in the Principles to be none other than Iraq, North Korea, Iran and Syria.

The report credits Thomas Donnelly, a military writer, as principal author, and lists twenty-seven participants, some of whom contributed a paper to the discussion. The list of participants includes Dick Cheney's present chief of staff, I. Lewis Libby as well as Paul Wolfowitz.

The two documents clearly show that before George W. Bush took office, key officials of his future administration not only listed Iraq, Iran, and North Korea as adversaries who are

rushing to develop ballistic missiles and nuclear weapons as a deterrent to American intervention in regions they seek to dominate, but endorsed an alien concept, the doctrine of pre-emptive strikes against those nations believed to have hostile intent against the U.S. before such intent is manifested.

Enter Document No. 4

On May 16, 2001, Dick Cheney officially handed the National Energy Policy (national report) to George W. Bush. Ostensibly the cabinet members that formed the National Energy Policy Development Group (NEPDG) were its authors. But a careful study and comparison of the national report with the Baker report reveals the Baker report provided the skeleton framework upon which the national energy policy was hung. However, the skeleton was broken up into unrelated parts: the skull in the middle, the thigh bone on top.

When it was all unraveled, almost every major policy action in the Baker report was incorporated into the national report. The tedious process of comparing the two reports with each other occasionally revealed a subtlety. For example, the Baker report says, The U.S. must have a strategic energy policy based on energy security. The national report subtly changes this to: The NEPD Group recommends that the President make energy security a priority of our trade and foreign policy. This foreign policy change led to the discovery that an important topic is missing from the national report.

Although every other oil producing country was discussed in the national energy text, two countries were glaringly omitted from even a mention: Iraq and Iran. There's an explanation for the omissions: First, in reading the Baker report one is struck by the strategic military information provided, which would be odd and inappropriate in a report on energy. Secondly, the Baker report is divided into two sections: the first part focuses on strategic steps the new administration should take immediately. The second part focuses on long-range energy policy. Taking care of Iraqis listed as an immediate step in the Baker report. The national report, however, focuses solely on long-range policy.

Enter Incriminating Statements

One of the most striking facts about the national report is that it makes 110 references to Californias energy crisis, which was ninety-nine more than the Baker report makes. Clearly, someone in the White House needed an impressive energy crisis to tout. How unfortunate that the crisis cited was fraudulently induced. Like the Baker report, the national report states, The California experience demonstrates the crippling effect that electricity shortages and black outs can have on a state or region. Warnings abound: America in the year 2001 faces the most serious energy shortage since the oil embargoes of the 1970s. The 110 repetitions of the word Californialinked with words like energy crisis, and energy shortages and price spikes, could turn the national energy report into an ad mans prized primer.

Notwithstanding its importance as an example of what could happen to other states, the author of a passage (at page 5-12) of the national report suddenly yields to an impulse to relate what really happened in California. In doing so, he completely contradicts at least 105 references to California throughout the report. The significance of this contradictory entry into the National Energy Policy must not be underestimated.

In the process of reversing the carefully construed California experience, the authors grasp exceeds his knowledge in that his understanding of the events in California go beyond what he should have reasonably known at the time of its writing. For he wrote, The risk that the California experience will repeat itself is low, since other states have not modeled their retail competition plans on Californias plan. This is an astounding statement. If the California crisis was caused by a supply shortage as the author claims a line above this sentence, surely other states could suffer similar shortages. But no, the author is actually making an admission here: he is admitting the energy crisis in California cant be replicated in other states because certain market means do not exist in the other states. How could the author know this? The writer of that sentence would have to be someone intimately involved in the California system; know the real cause of the states crisis; and be familiar with all the other state rules and market infrastructures.

But our knowledgeable author is not done. In trying to amplify what he just revealed, he tried to hide the true actors in the next sentence by misdirecting the reader away from the culprits to blame the state. This is a formula for incoherence. Nonetheless, the writers sentence found its way into the national energy report where it spoke for the Bush administration: Californias failure to reform flawed regulatory rules affecting the market drove up wholesale prices. If this sentence is read literally, it asks the reader to believe that a states experience of failure to amend its rules, along with the flawed rules themselves,

somehow had an independent power to drive up wholesale prices, without an intervening acting agent. The only sensible reading left to us is that the flawed rules allowed power brokers to manipulate the system. But how could our author and his administration editors know this to be true without being in collusion with the wrongdoers? If they were not in collusion they would have reported the crime. But if they remained silent when they had a duty to report or stop the commission of a crime, they became accessories.

Continuing his unexpected analysis, the author tells us, Actions such as forcing utilities to purchase all their power through volatile spot markets, imposing a single-price auction system, and barring bilateral contracts all contributed to the problems that California now faces. This is nothing more than the author, and through him the White House, attempting to throw responsibility for any wrongdoing by energy companies in California squarely at the feet of the state.

Many people were blaming the state at the time, including the Federal Energy Regulatory Commission. The Hoover Institution jumped into the fray and released a book by James L. Sweeney, *The California Electricity Crisis*, which promotes and assigns blame like this: After political leaders mismanaged the electricity crisis, California now faces an electricity blight while it struggles to recover from its self-imposed wounds.

Not until the Sacramento Bee broke its story, *How Californians got burned* on May 6, 2001 ten days before the national report was released did the public receive the first concrete signs the crisis may have been caused by manipulation. There was finger pointing in the media at the time, and accusations, but there was simply no proof. But after criminal convictions for federal wire fraud came thundering down, everything changed.

## Enter the Federal Regulators

Following a two-year staff investigation, on March 26, 2003, the Federal Energy Regulatory Commission (FERC) released findings that impacted this article in the above *Incriminating Statements* section. FERC's latest investigation was to determine whether Enron or any other sellers manipulated the electricity and natural gas markets in California. In its report, *Price Manipulation in Western Markets (Findings at a Glance)* the FERC made the following finding:

Staff concludes that supply-demand imbalance, flawed market design and inconsistent

rules made possible significant market manipulations as delineated in final investigation report. Without underlying market dysfunction, attempts to manipulate the market would not be successful.

Amazingly, the finding eerily echoes our unknown authors statements published in the National Energy Policy document (the national report) at page 5-12. The questions I raised above are even more significant now: How could the author and the editors have inserted an accurate assessment of the causes of the California energy fraud in May 2001 without having inside knowledge and or without being part of the scam, when it took the FERC two years of investigation to release virtually the same findings as those published in the national energy report?

Enter the Question, Who Done It?

In a letter to the Vice President dated January 25, 2002, Rep. Henry Waxman outlined the information he gathered on how the National Energy Policy was written: passages not included in the draft of the national report, appear to have been added to the plan during the final revisions made under the direction of the White House. The White House energy plan was first drafted, Waxman says, by a workgroup composed of staff from various agencies led by the Executive Director, Andrew Lundquist, of Dick Cheney's staff. Each chapter, according to Waxman, was drafted by one of the participating agencies, and those copies were then circulated among all of the workgroup members. The workgroup then met to discuss each agency's comments before submitting the drafts to the White House.

Waxman wrote, Any further changes in the plan were made under the direction of the White House. No subsequent versions of the White House energy plan were circulated to the interagency workgroup. Assuming this description of the process applied to all the chapters of the national report, it appears the White House had the final word and made the final insertions and changes to the report.

In trying to answer the question, Who done it? our Sherlock Holmes people will have to look at the top levels of the White House and the Bush administration, and ask, Who had sufficient knowledge of electricity markets in California and other states to have written the incriminating statements?

Few if any names come to mind. Secretary of Energy, Spenser Abraham just doesn't fit the

profile. He was a one-term defeated junior senator from Michigan who is mainly known for never missing a roll-call vote and for his support of abolishing the same Department of Energy he now heads. Many people held the belief that Abrahams appointment was a clear signal that Bush and Cheney would make all the energy decisions.

Andrew Lundquist, however, is another cup of tea. He was formerly the chief of staff for the Senate Energy Committee where he served brilliantly. Bush appointed him to be the Executive Director of the NEPD Group, chaired by Dick Cheney; however, he may never have seen the final changes.

Beyond Cheney and Lundquist and perhaps I. Lewis Libby, Cheneys chief of staff, or perhaps Pat Wood, Chairman of FERC, who may fit the profile, one runs out of names.

However, another player does come to mind: he was a lone outsider who insinuated himself into a position of power in Bushs White House. He is one man who by far is the most knowledgeable and capable power-market-man in the country, and he also happened to know how the marketing system in California could be rigged. His name is Kenneth Lay, the former chairman of Enron.

## Enter Ken Lay Act Two

Indeed, Rep. Henry Waxmans Minority report on Enron found more instances of Ken Lays input transferred into recommendations to the President on pages 5-11 and 5-12 than any other portion of the national report. However, the recommendations dont show the style and form of a contributing writer.

So the question is, are there any correlations between relevant passages in the text with other documents written by Ken Lay?

In a comparison of the two-page memo we know Lay submitted to Cheney, the passages attributed to the unknown author reveal similarities of vocabulary, including the identical use of words, a similar style of writing, and a correspondence of ideas expressed. It appears that Ken Lay may have written more of the national report than was previously suspected. So what about Dick Cheney as a suspect?

Although Mary Matalin, who was then serving as an adviser to the vice president, told a

San Francisco Chronicle reporter that Cheney's energy plan included input from many sources, just because some of the things are included in the plan doesn't mean they were from the talks between Cheney and Lay.

However, Mary Matalin may not have known what we now know: She apparently did not know that Ken Lay wrote his memo down on paper and submitted it to the Vice President. In fact, there may have been more than one memo submitted by Lay to Cheney, which might explain why the vice president went to such extremes to keep congress from viewing those documents.

It's shocking to realize that at the same time the authors' incriminating admissions were being submitted to Dick Cheney, then read, edited and approved for publication by the White House, the fraudulent acts they referenced were being executed. This fact may have serious criminal justice implications for the White House. For in the spring of 2001, California was reeling from rolling blackouts and brownouts and the price of electricity was breaking through the sky like a con trail from a speeding jet.

It may be time to paraphrase Senator Howard Baker's famous questions during the Watergate hearings, "What did the President and Vice President know and when did they know it?" At the very least, congress and the people of this country need to know who wrote the incriminating passages and who read them.

Enter Documents No. 5, 6 and 7

The New American Century Project's writings were not the only brainy papers that were read and studied by conservatives before George W. Bush gained the presidency. We know the Baker Report went directly to Cheney. But other reports from conservative think tanks like Stanford's Hoover Institution, the American Enterprise Institute, and the Heritage Foundation had the ears of the group of neo-conservatives who favored using America's great military power to not only carve out an empire but to set America on a course to global domination. One report, "Using Power and Diplomacy to Deal With Rogue States," written in the mid 90s by Thomas H. Henriksen, a senior fellow and associate director of the Hoover Institute, is an analysis of the world following the end of the cold war. The report favors power over diplomacy. What is so striking about the paper is its wild-west, tough cowboy style.

Henriksen was worried about a few countries, If left unchecked, rogue states like Iraq, North Korea, Iran, Libya, and others will threaten innocent populations, undermine international norms, and spawn other pariah regimes, as the global order becomes tolerant of this political malignancy.

His solution? America must act not like a policeman but like a sheriff in the old Western frontier towns, acting alone on occasion, relying on deputies or long-standing allies, or looking for a posse among regional partners. . . [America] cannot allow desperadoes to run loose without encouraging other outlaws to test the limits of law and order. (Surely, given the presidents performance in his first two years in office, this sentence must have been inserted into George W. Bush's play book.)

Newt Gingrich, the former Speaker of the House and the then-soon- to-be-appointed member of the National Defense Policy Board echoes this simple, lone star imagery, in an address to the Overseers Meeting of the Hoover Institution. Somebody on horseback with a satellite phone and a laser designator connected directly with a B-2 bomber or a B-52 with smart weapons has a level of power unthinkable ever before in human history.

Then there are the sensible folks of the Council on Foreign Relations, advising the new president in June of 2001, Saddam Hussein and his regime pose a growing danger to the Middle East and the United States. The regime cannot be rehabilitated. Therefore, the goal of regime replacement should remain a fundamental tenet of U.S. policy options.

The paper, written by Geoffrey Kemp and Morton H. Halperin, with sixteen other participants, advises the president there are three red lines describing actions that Saddam Hussein might possibly take. If he crosses any one of the three, the report states, we will gain the support of the Arabs and the Turks against him:

First, Iraqi military threats or attacks on allied forces.

Second, Iraqi threats or attacks on neighboring states.

Third, Iraqi acquisition and deployment of weapons of mass destruction or their use, including nuclear, chemical and biological weapons.

Note the tense of the third sentence: it is present or future tense as opposed to the past tense. Judging from the subsequent actions and words of the president, it appears that the third red line in Kemp-Halperin paper may have played a large role in the administrations attempts to gain allies in its war against Iraq.

Newt Gingrich's address before the Hoover Board of Overseers was titled, National Security Initiative, the Transformation of National Security, and was an attempt to describe a new kind of military that called for a new kind of military education. He advised dropping the concept of exit strategies, which he said was a fetish that grew out of the Vietnam War. As for Saddam Hussein, Gingrich said, We need to immediately replace him.

Pulling his words out carefully, Gingrich revealed a stunning use of psychological intimidation and warfare. He elevated coercive verbal bullying to weaponry status. He said, You cannot change Saudi Arabia as much as we need to change Saudi Arabia until you have an Iraq which is an American ally. And you need an Iraq that's an American ally [because] it has a larger oil reserve than Saudi Arabia does.

Gingrich unveiled how coercive a threat an American-Iraqi friendship would have over the Saudis: the bi-national friendship would destroy the Saudis' sense of their reality that they alone are the one single source for the world's reserve supply of oil. The morning they see that we are that serious and we are that determined, they will negotiate with us in a very different way. In other words, once there are two sources of cheap oil, it isn't likely the Saudis will thumb their noses at a U.S. president's offer to buy reserve oil at two dollars a barrel. It's either two dollars a barrel or it's nothing. (Since this speech, Gingrich has become an adviser to Donald Rumsfeld, the Secretary of Defense.)

Enter Document No. 8

By December of 2002, an Independent Working Group led by two Ambassadors, Edward P. Djerejian and Frank G. Wisner, wrote a report for the president to guide him on what comes after the war. They created a perfect war on paper: The war was presumed to have occurred. It was a fast, smooth war. It ended nicely. There were no complications. The report does not address the problems of a war that bogs down in urban street fighting or in mass demonstrations against the United States or any other messy possibility.

Titled, Guiding Principles for U.S. Post-Conflict Policy in Iraq, the report is cosponsored by the Council on Foreign Relations and the James A. Baker III Institute for Public Policy of Rice University.

The President and his advisers are greeted with constraints such as uphold the territorial

integrity of Iraq.

Addressing the motives of the U.S., the report tells the president, Western anti-war activists, the Arab public, average Iraqis and international media have all accused the United States of planning an attack on Iraq not to dismantle weapons of mass destruction but as a camouflaged plan to steal Iraq's oil for the sake of American oil interests. The solution: any repairs, future investments, oil exports and sales of oil must be made transparent and involve both international and Iraqi oversight.

The report gets most interesting when it talks about oil the lure and the reality. While there is great potential, it will require massive investment. (\$28 billion.) The president is told, Iraq has the second largest proven oil reserves in the world (behind Saudi Arabia) estimated at 112 billion barrels with as many as 220 billion barrels of resources deemed probable. Of Iraq's 74 discovered and evaluated oil fields, only 15 have been developed. In the western desert there are 526 known structures that have been discovered, delineated, mapped, and classified as potential prospects in Iraq of which only 125 have been drilled. It must be very difficult for some individuals and nations to let go of such a vision. We know the president and his men could not.

### Enter Painful Conclusion

When John DiIulio, a high-level Bush administration official, left his job at the White House, he sent a letter to Ron Suskind at Esquire, describing his experiences working in the administration. DiIulio gave the world an insiders view into the secret center of power. There is no precedent in any modern White House for what is going on in this one: a complete lack of a policy apparatus.

DiIulio wrote, The Clinton administration drowned in policy intellectuals and teemed with knowledgeable people interested in making government work. DiIulio said simply that intellectual work wasn't Bush's style.

In eight months, DiIulio continued, I heard many, many staff discussions, but not three meaningful, substantive policy discussions. There were no actual policy white papers on domestic issues.

What Mr. DiIulio may not have known is what the Yurica Report discovered: the policy

papers were written for this administration and not by this administration. The National Energy Policy like the Baker report drills into the readers mind that devastating California-like crises can and will be repeated unless the administration and congress choose to take prescribed steps to regain control over energy supply-lines. Control or insurance is spelled out as w-a-r against Iraq. Something intervened, however, that made energy crises unnecessary as a justification tool for war. That something was another Pearl Harbor on September 11, 2001.

This story ends as it began: with unrequited lies, deception and fraud. Three sentences inserted into the National Energy Policy report reveal: 1) the White House knew the California crisis was man-made; 2) knew the power companies were manipulating the market in California; 3) and knew these facts at the time the people of California were being fleeced by the scam; 4) yet the Bush White House did nothing to stop the fraud.

A special prosecutor should be appointed by Congress to investigate this whole matter as well as what Mr. Bush and Mr. Cheney knew and when they knew it.

## Documentation & Links

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