TEN YEARS LATER:
A LOOK BACK ON THE KOCHE BROTHERS & HURRICANE KATRINA
Ten years ago, Hurricane Katrina hit land – bringing winds over 100 miles per hour, a foot of rain, and nearly 30-foot storm surges – which led to the costliest natural disaster in American history. As the country observes the 10th anniversary of this devastating storm this week, this report looks back on how the business practices of Koch Industries contributed to the devastation caused by Hurricane Katrina and how Koch Industries took advantage of the devastation to better their bottom line.

The simple truth is that Koch Industries operates with a philosophy of putting its business interest ahead of local interests, and this report examines how that philosophy unfolded for the people hurt by Hurricane Katrina. In 2005, Koch Industries was accused of decades of negligence resulting in destroyed wetlands from pipeline dredging, which allegedly compounded the effects of Hurricane Katrina on Baton Rouge, Louisiana. Before the hurricane made landfall, the Kochs saw opportunity to profit from a vulnerable population in need of scarce resources, calling it “the right market to restart operations” at their newly-acquired Georgia-Pacific facilities in the region. After the hurricane, Koch Industries immediately went to work taking advantage of the situation, participating in a subsidized federal bond program, and it was even investigated for price gouging during a time of crisis; though the FTC found in their favor, Congress was highly critical of the FTC’s investigation.

On top of their efforts at the time of the storm, more recently the Kochs have also actively pushed policies that would hurt residents in flood-prone areas like the Gulf Coast, attempting to make flood insurance unaffordable to all but the wealthiest Americans and thereby price many residents out of their homes.

This week, the Koch brothers are hoping that the public focuses on their current efforts and fundraising in response to that tragedy. But in truth, the Kochs plan on using their positive PR effort to distract from their business practices and response ten years ago.

As Koch Industries attempts to use the 10th anniversary of America’s worst natural disaster to put forward a softer side, remember this isn’t the first time they’ve used Hurricane Katrina to their own benefit.

Koch’s PR Machine Sponsoring Events Surrounding Katrina’s 10-Year Anniversary


Koch Industries Was Listed As A Sponsor Of A National Press Club Lunch Titled, “Hurricane Katrina: 10 Years Later,” Hosted By The Louisiana State Society. According to an email from the Louisiana State Society, Koch Industries is listed as a “generous sponsor” for a National Press Club lunch featuring Mayor Mitch Landrieu, titled, “Hurricane Katrina: 10 Years Later.” The lunch was scheduled to be held on August 18, 2015. Additional event sponsors include bhpbilliton, Adams And Reese LLP, Cheniere, Cornerstone Government Affairs, Entergy, and the Picard Group.[Louisiana State Society email invitation, accessed 8/25/15]

Koch Pipeline Was Sued For “Negligence” From Destroying Wetlands Which Compounded Katrina’s Effect; Case Dismissed On Technicalities
LAWSUIT CLAIMED KOCH PIPELINE DESTROYED WETLANDS THAT MADE KATRINA EFFECTS WORSE FOR BATON ROUGE

A Federal Class-Action Lawsuit Was Filed Against Oil And Gas Companies Whose Operations Destroyed Wetlands South Of New Orleans, Making Effects Of Hurricane Katrina Worse. According to the Alexandria Daily Town Talk, “A federal, class-action lawsuit seeks unspecified damages from oil and gas companies whose operations allegedly destroyed wetlands south of New Orleans and made Hurricane Katrina’s effects worse. ‘I think it’s high time to take a look at why the devastation (in New Orleans and elsewhere) was so bad,’ said Val Exnicios, one of the lawyers who brought the lawsuit against several oil and gas pipeline and production companies.” [Alexandria Daily Town Talk, 9/16/05]

The Lawsuit Was Filed In The U.S. District Court For The Eastern District Of Louisiana. According to the Alexandria Daily Town Talk, “The lawsuit was filed Tuesday in the U.S. District Court for the Eastern District of Louisiana, normally located in New Orleans but now temporarily operating in Lafayette and Houma.” [Alexandria Daily Town Talk, 9/16/05]

The Lawsuit Blamed The Companies Negligence, Dredging Pipeline Canals And Allowing Saltwater Intrusions, Therefore Eroding The Marshlands. According to the Alexandria Daily Town Talk, “Over the course of many decades, defendants ... have dredged pipeline canals for the purpose of installing pipelines' and located drilling sites in the marshlands, which have eroded over time and allowed saltwater intrusion because of the companies’ negligence, the lawsuit alleges.” [Alexandria Daily Town Talk, 9/16/05]

Koch Pipeline Co. Was Among The Companies Named In The Lawsuit. According to the Alexandria Daily Town Talk, “The lawsuit separates the plaintiffs into pipeline companies and oil and gas production companies for a total of 11 defendants named, including: Shell Pipeline Co.; Koch Pipeline Co.; Exxon Mobile Corp., BP Corp.; and ChevronTexaco.” [Alexandria Daily Town Talk, 9/16/05]

- **Saltwater Killed Marshlands That Protected Louisiana Parishes By Acting As A Natural Barrier Against Hurricanes.** According to the Alexandria Daily Town Talk, “Saltwater kills the marshland that acts as a natural barrier to blistering hurricanes such as Katrina, which destroyed much of Plaquemines and St. Bernard parishes and flooded New Orleans after the Category 4 storm blew ashore Aug. 29.” [Alexandria Daily Town Talk, 9/16/05]

- **Repairing Canals And Damming Those No Longer In Use Could Have Alleviated The Hurricane's Devastation.** According to the Alexandria Daily Town Talk, “‘I think it’s high time to take a look at why the devastation (in New Orleans and elsewhere) was so bad,’ said Val Exnicios, one of the lawyers who brought the lawsuit against several oil and gas pipeline and production companies. […] There are numerous steps that could have been taken to alleviate the problem,’ Exnicios said. ‘Those steps include repairing canals and damming those no longer in use, he said.’” [Alexandria Daily Town Talk, 9/16/05]

- **The Lawsuit Claimed That The City Of New Orleans To Lose Its Natural Protection Against Hurricane Wings And Storm Surges.** According to the Alexandria Daily Town Talk, “The lawsuit does not name the Department of Natural Resources or other state agencies that oversee and issue permits for dredging and construction. The oil companies, the lawsuit states, are at least partly responsible for the destruction of 1 million acres of marshlands and also for millions more acres of dying marshland. The lack of adequate marshlands deprived ‘metropolitan areas such as the city of New Orleans from its natural protection against hurricane winds and storm surges,’ the suit claims.” [Alexandria Daily Town Talk, 9/16/05]

- **The Companies Were “At Least Partially Responsible” For Destroying Millions Of Acres Of Marshlands And Dying Marshland.** According to the Alexandria Daily Town Talk, “The lawsuit does not name the Department of Natural Resources or other state agencies that oversee and issue permits for dredging and construction. The oil companies, the lawsuit states, are at least partly responsible for the destruction of 1 million acres of marshlands and also for millions more acres of dying marshland. The lack of adequate marshlands deprived ‘metropolitan areas such as the city of New Orleans from its natural protection against hurricane winds and storm surges,’ the suit claims.” [Alexandria Daily Town Talk, 9/16/05]

CASE AGAINST KOCH AND OTHERS DISMISSED ON TECHNICALITIES, NOT ON MERITS
The Judge Stated That, “Coastal Erosion Is A Serious Problem In South Louisiana” And That A, “More Focused, Less Ambitious Lawsuit” Could Test Whether The Companies Were Liable For The Damages To The Mississippi Marshlands. According to Barasich v. Columbia Gulf Transmission Co. (2006), “By all accounts, coastal erosion is a serious problem in south Louisiana. If plaintiffs are right about the defendants' contribution to this development, perhaps a more focused, less ambitious lawsuit between parties who are proximate in time and space, with a less attenuated connection between the defendant's conduct and the plaintiff's loss, would be the way to test their theory.” [Basich v. Columbia Gulf Transmission Co. (E.D. La. 2006)]

Koch Industries And Post-Katrina Profit Making

FLINT HILLS RESOURCES WAS INVESTIGATED FOR PRICE GOUGING; CONGRESS WAS CRITICAL OF FINDINGS OF NO WRONGDOING

Florida Regulators Subpoenaed 19 Oil Companies With State Terminals To Determine If They Were Price Gouging After Hurricane Katrina. According to the St. Petersburg Times, “As statewide complaints about surging gas prices continued to pour in by the hundreds Tuesday, Florida officials expanded a probe into price gouging and state lawmakers called for a cut in gas taxes. […] In the price gouging probe, Florida regulators turned their attention further up the supply chain, issuing subpoenas to 19 oil companies with terminals in the state. ‘While we’ve been looking at service stations, we need to look at the companies that supply the fuel to stations to determine whether price gouging is occurring at that level,’ said Florida Agriculture and Consumer Services Commissioner Charles Bronson, whose office oversees gas station pricing. The subpoenas seek records on what the companies paid for fuel and what they sold it for. Bronson’s office said the information will shed light on whether the businesses were price gouging or merely passing on the increased costs from refineries.” [St. Petersburg Times, 9/7/05]

- In Florida, It Was Illegal To Price Gouge On Gasoline During An Emergency. According to the St. Petersburg Times, “Under Florida law, it is illegal to charge an exorbitant mark-up for essential items, such as gasoline, during an emergency. Violators face fines up to $1,000 per violation or up to $25,000 a day.” [St. Petersburg Times, 9/7/05]

- As Attorney General, Crist Issued Two Subpoenas For Two Oil Distributors In His Price Gouging Investigation. According to the St. Petersburg Times, “Attorney General Charlie Crist, who has the authority to investigate price gouging, issued subpoenas last week for two petroleum distributors.” [St. Petersburg Times, 9/7/05]


An FTC Investigation Found No Evidence Of Price Gouging. According to a web post from the San Francisco Gate, “Gas prices soared across the country after Hurricane Katrina in late summer, but federal investigators reported Monday they could find no evidence that oil companies manipulated prices or colluded to take advantage of the situation to increase profits. The Federal Trade Commission also determined in a longer-range finding that during the past 20 years refiners didn't seek to manipulate prices by cutting the number of operating refineries or limiting increases in capacity.” [www.sfgate.com/business, 5/23/06]
Senators Disagreed With FTC's Findings That There Was No Collusion. According to a web post from the San Francisco Gate, “When the report said its investigation found no evidence that major refiners had colluded to boost prices, it ran counter to the sentiments of many senators who with lead sponsor Sen. Arlen Specter, R-Pa., are pushing legislation to prevent more oil industry mergers.” [www.sfgate.com/business, 5/23/06]

- Senator Chuck Schumer: FTC Ignored, “The 800 Pound Gorilla In The Room, Namely That Oil Companies Engage In Price Leadership.” According to the Tampa Bay Times, “But Sen. Chuck Schumer, D-N.Y., criticized the FTC for ignoring what he said was "the 800-pound gorilla in the room, namely that the oil companies engage in price leadership - setting prices higher than what real competition would merit." For example, Schumer said retail prices are jacked up quickly, then fall unnaturally slowly.” [Tampa Bay Times, 5/23/06]

- Senator Diane Feinstein: “It Is Time That Congress Takes A Closer Look At The Mergers And Market Consolidation The Federal Government Has Allowed Over The Last Decade.” According to a web post from the San Francisco Gate, “'Something is wrong. It is time that Congress takes a closer look at the mergers and market consolidation that the federal government has allowed over the last decade. Competition needs to be encouraged,' [Senator Dianne] Feinstein said.” [www.sfgate.com/business, 5/23/06]

GEORGIA PACIFIC BENEFITTED FROM A POST-KATRINA FEDERAL BOND PROGRAM & SOUGHT EXTENSION

Georgia-Pacific Asked For An Extension Of The Gulf Opportunity Zone Bond Program Set To Expire In 2010. According to the Times-Picayune, “The GO Zone Bond program was launched by Congress in the aftermath of Hurricanes Katrina and Rita to make low-cost money available to developers to help rejuvenate the business climate and spur rebuilding in the areas hit hard by the storms. The state received $7.84 billion in GO Zone bond capacity from Congress; the commission has approved and companies have issued $6.1 billion in bonds. Developers have individual deadlines, but the program ends at the end of the year. [...] Georgia-Pacific, which owns a paper products plant near Baton Rouge, asked the commission to extend its deadline to sell its bonds from Dec. 11 to the end of the year, According to the Meredith Hathorn, the project’s bond attorney. She also asked for an extension of time to sell $44 million in bonds for expansion of the Port of Lake Charles. That deadline is now Dec. 15.” [Times-Picayune, 11/19/10]

- Gulf Opportunity Zone Bond Program Was Extended To Allow Businesses To Borrow Money Cheaply. According to the Associated Press, “Congress has extended the deadline for tapping into a tax-free hurricane recovery bond program, and two projects already are in line to use up the remaining $301 million. Applications by Georgia-Pacific and a Covington nursing home for the Gulf Opportunity Zone bond program would exceed the available capacity. The Advocate reports that’s what Whit Kling, director of the State Bond Commission, told the commission this week. Georgia-Pacific is seeking $300 million for its East Baton Rouge Parish pulp and paper mill plant. The nursing home project is asking for $16 million. The GO Zone program was set to expire at the end of 2010, but Congress extended it to Dec. 31 of this year. GO Zone projects are given a special borrowing status to enable businesses to borrow money more cheaply.” [Associated Press, 1/21/11]

GEORGIA PACIFIC SAW THE AFTERMATH OF HURRICANE KATRINA AS, “THE RIGHT MARKET TO RESTART OPERATIONS” IN MISSISSIPPI

Hurricane Katrina's Devastation Resulted 19 Million Board Feet Of Timber Damaged

Hurricane Katrina’s Toll On Mississippi’s Timberland, “Almost Defied Imagination.” According to the Mississippi Business Journal, “Hurricane Katrina's toll on Mississippi's timberland almost defies imagination. According to the U.S. Forest Service, approximately 19 billion board feet of timber spread over five million acres in Mississippi, Louisiana and Alabama were impacted as a result of the hurricane, and nearly 90% of the affected forestland is within 60 miles of the Gulf Coast, predominantly in Mississippi. Nearly 60% of the damage occurred to softwoods, predominately pines, with the remainder occurring to hardwoods.” [Mississippi Business Journal, 12/12/05]

Research Found That Downed And Damaged Trees Could Be Used To Produce, “800,000 Single Family Homes And 25 Millions Tons Of Paper And Paperboard.” According to the Mississippi Business Journal, “Researchers found that
the downed and damaged trees can be sufficient to produce 800,000 single-family homes and 25 million tons of paper and paperboard. With so many structures damaged or destroyed in South Mississippi, the affected timber is a resource that is sorely needed and cannot be wasted. […] The company is working with state forestry officials as well as private landowners to salvage the timber damaged by the storm for use in its forest products manufacturing in the region.” [Mississippi Business Journal, 12/12/05]

GP Was Waiting For “Right Market Conditions” To Restart Gulf Area Plants, Prepared Plants To Open In Anticipation Of Katrina

Georgia Pacific Saw The Aftermath Of Hurricane Katrina As, “The Right Market Conditions To Restart Operations.” According to the Mississippi Business Journal, “The company [Georgia-Pacific] was waiting for the right market conditions to restart the operations, conditions that were created, literally in a day, by Katrina.” [Mississippi Business Journal, 12/12/05]

Georgia-Pacific Restarted Two Idle Facilities To Process The Downed And Damaged Trees. According to the Mississippi Business Journal, “Fortunately, there is good news on this front as Georgia-Pacific has restarted two formerly idled facilities - a plywood plant in Gloster and a sawmill in Roxie - that will process the downed and damaged trees, which should also help alleviate concerns about available building material […] The Gloster site employs nearly 350 workers, and the Roxie operation employs more than 100. The Gloster plywood plant has a production capacity of 285 million square feet of panels per year, while the Roxie sawmill facility can produce 100 million board feet of lumber. Both plants initially will rely on salvaged Katrina-affected timber to meet their need for logs.” [Mississippi Business Journal, 12/12/05]

• Georgia Pacific Planned On Reopening The Plants Prior To Katrina. According to the Mississippi Business Journal, “Because Georgia-Pacific was planning to restart the facilities prior to the hurricane's landfall, both of the plants were up and running quickly. Patterson said the biggest challenge was the testing of equipment and getting the employees back. At press time, the Gloster plant was working at full capacity, while the Roxie plant was running one shift.” [Mississippi Business Journal, 12/12/05]

• Georgia-Pacific Intended To Keep Both Plants Open Even After The Downed Timber Is Processed. According to the Mississippi Business Journal, “However, Dave Patterson, executive vice president of building products at Georgia-Pacific, said the plants would continue to operate after the downed timber is processed. Georgia-Pacific already had plans in place to resume production at both plants before the storm hit.” [Mississippi Business Journal, 12/12/05]

Chairman And CEO Of Georgia Pacific A.D. Correll: “We Are Truly Thankful To Be In A Position To Assist the People Of Mississippi.” According to the Mississippi Business Journal, “When announcing the restart of the facilities, A.D. ‘Pete’ Correll, chairman and CEO of Georgia-Pacific, who was named 2005 CEO of the Year by Paperloop magazine, said, ‘At GeorgiaPacific, we are truly thankful to be in a position to assist the people of Mississippi by creating jobs and at the same time providing much-needed materials to rebuild homes and businesses in the aftermath of Katrina.’” [Mississippi Business Journal, 12/12/05]

• Georgia-Pacific Worked With The American Red Cross And Salvation Army And Committed Millions Of Dollars Worth Of Product In Aid To Victims Of Katrina. According to the Mississippi Business Journal, “In addition to restarting the plants, Georgia-Pacific, which has been working with both the American Red Cross and the Salvation Army, has committed millions of dollars worth of products such as paper towels, bath tissue and disposable tableware to aid those affected by Katrina. As of mid-September, Georgia-Pacific employees had donated more than $170,000 to relief efforts, a gift that was matched by the company.” [Mississippi Business Journal, 12/12/05]

• Reopening Of Georgia-Pacific Plants Resulted In More Jobs In The Area. According to the Mississippi Business Journal, “In addition, Georgia-Pacific's decision, which was announced in mid-September, means much-needed jobs for the area. The company is working with state forestry officials as well as private landowners to salvage the timber damaged by the storm for use in its forest products manufacturing in the region.” [Mississippi Business Journal, 12/12/05]

2014: The Koch Network Advocated Against The Homeowner Flood Insurance Affordability Act To Reverse The Premium Spikes From Biggert-Waters

- **The Biggert-Waters Act Aimed To “Shift The Financial Risk Of Insuring Flood-Prone Properties” From Taxpayers To Homeowners, But It Was Followed By Premiums That Were Up To 10 Times Higher.** According to The New York Times, “The aim of the measure was to shift the financial risk of insuring flood-prone properties from taxpayers to the private market. Homeowners, rather than taxpayers, would shoulder the true cost of building in flood zones. [...] But a year after the law passed, coastal homeowners received new flood insurance bills that were two, three, even 10 times higher than before.” [New York Times, 1/28/14]

- **New FEMA Flood Maps Under The Biggert-Waters Act Caused Some Communities To Be Deemed “Higher Risk” Flood Zones, Which “Made Flood Insurance Rates Skyrocket For Many Longtime Homeowners.”** According to National Public Radio, “Being deemed a higher risk as a flood zone has some financial consequences under the federal law passed in 2012: It has made flood insurance rates skyrocket for many longtime homeowners. [...] The idea behind the Biggert-Waters Flood Insurance Reform Act was to shift the financial risk of insuring flood-zone properties from the government to homeowners. What lawmakers didn’t foresee at the time was that new FEMA flood maps would bring staggering premium hikes for many of the 5.5 million people covered by the National Flood Insurance Program.” [NPR.org, 2/27/14]

- **Biggert-Waters Didn’t Allow Grandfathered Rates For Homes Intentionally Built Outside Of High-Risk Flood Zones Whose Risk Profiles Change Under Redrawn FEMA Maps.** According to the New York Times, “Approved by Congress in July 2012 as part of a wide-ranging transportation bill, the Biggert-Waters Act was intended to regain control of an increasingly unsustainable National Flood Insurance Program. [...] The alarm over the new law spreads beyond those losing subsidies to even those who intentionally built outside of high-risk flood zones and are currently paying nonsubsidized but relatively low premiums. In the past, if flood maps were redrawn and a property’s risk profile changed, the old rate was ‘grandfathered’ in. The new law ends that practice beginning late next year. So when the Federal Emergency Management Agency recently presented revised maps for south Louisiana, the reaction was alarm.” [New York Times, 10/12/13]

- **Homeowners Were Concerned They Would Not Be Able To Sell Their Homes Because Buyers Would Be Forced To Pay “Steep Premiums” For Flood Insurance.** According to the New York Times, “Homeowners are now concerned that they may not be able to sell their homes because anyone buying a property will be forced to pay the steep premiums. This has created a worrisome ripple effect in the real estate market, and some residents fear that the value of their homes has dropped.” [New York Times, 10/12/13]

- **One Louisiana Community Saw Its Property Values Drop By As Much As 30 Percent Due To Flood Insurance Premium Increases.** According to the Houma Courier, “Flood insurance is required by almost all mortgage agreements in flood zones, and requiring a hefty premium could cause a property’s value to drop significantly, local politicians and bankers have said. [...] Bayou Gauche is already seeing the real estate market sputter and property values dip. Tab Troxler, St. Charles Parish tax assessor, has lowered property values between 18 and 30 percent because of the ‘untenable’ rates and the corresponding lack of real estate activity in Bayou Gauche.” [Houma Courier, 10/11/13]

Koch-Funded Americans For Prosperity Urged Lawmakers To Reject The Flood Insurance Premium Relief Legislation. According to the Times-Picayune, “Americans for Prosperity, the conservative advocacy group spending heavily on ads trying to stop Sen. Mary Landrieu, D-La., from winning a 4th term, is continuing with another battle that it isn't promoting in Louisiana. On Tuesday, the group urged lawmakers to reject legislation backed by Landrieu's leading GOP Senate opponent, Rep. Bill Cassidy of Baton Rouge, aimed at preventing large
increases in premiums for flood insurance recipients in Louisiana and elsewhere. On its website, the group, funded largely by the billionaire industrialists' brothers, David and Charles Koch, says it is "is proud to join" a coalition urging Congress not to pass legislation to delay most premium increases.” [Times-Picayune, 2/25/14]

**AFP Supported Toomey Amendment That Would Have Preserved The “Crux” Of Biggert-Waters.**

According to an open letter to the U.S. Senate signed by Americans for Prosperity, “On behalf of the undersigned organizations, we write today in strong support of Senator Toomey’s amendment to S. 1926, the so-called ‘Homeowner Flood Insurance Affordability Act.’ [...] We urge you to support the Toomey amendment in order to preserve the crux of the vital reforms Congress made to the National Flood insurance Program in the Biggert-Waters Flood Insurance Reform Act of 2012.” [Open Letter to U.S. Senate via AmericansForProsperity.org, 1/28/14]

- **Louisiana Lawmakers, Including GOP Sen. Vitter, Said The Toomey Amendment Didn’t Do “Nearly Enough” To Ensure Flood Insurance Premiums Stayed Affordable.** According to The Times-Picayune, “The problem is that Louisiana lawmakers, including Sen. David Vitter, R-La., said the Toomey bill, though well-intentioned, doesn't do nearly enough because it fails to set up a process to ensure premiums remain affordable.” [Times-Picayune, 3/26/14]