



Annual Report 2004-2005



Toward a New Energy Paradigm

In the past year, China's rising thirst for energy, global interest in Russia's vast oil reserves and the escalating threat to Alaska's pristine wilderness areas have placed the Pacific Rim at the epicenter of a growing debate about our world's dangerous reliance on fossil fuels. For nearly two decades, Pacific Environment has supported grassroots initiatives around the Pacific Rim aimed at mitigating the environmental impacts of our thirst for oil and gas and developing sustainable alternatives.

During the 2004-05 fiscal year, we intensified our call for a new energy paradigm: In California, we worked to ensure our elected officials keep their promises to move toward a clean energy future; in Russia, we helped a remote community develop renewable energy alternatives to a proposed dam; and we helped Alaskan and Russian native communities build local economies based on sustainable fisheries, rather than oil extraction.

This past year Pacific Environment also launched a campaign to protect Lake Baikal and the endangered Amur leopard from Russia's proposed Siberia-Pacific Pipeline; we strengthened our campaign against Shell's irresponsible Sakhalin-II oil and gas project; we joined the Shipping Safety Partnership to protect our oceans from oil spills; and helped China's new Petroleum and Environment Network get off the ground.

At the heart of each of these efforts is Pacific Environment's steadfast commitment to nurturing and supporting grassroots environmental activism—our only hope for overcoming our addiction to oil and protecting the environmental riches of the Pacific Rim.

Dear Supporter,

One of the most important challenges we environmentalists face is integrating our desire for a healthy planet with two additional, and equally important, needs—a strong economy and a just society. At Pacific Environment we develop and support initiatives that incorporate each of these imperatives because it is the best strategy for preserving our environmental treasures for future generations.

Like many environmental organizations, we fight to ensure the survival of endangered species, to protect threatened wildlands, and to preserve our oceans. But we also strive to incorporate the economic security of local people into plans for environmental preservation. And we work to ensure that these same people—not all of whom call themselves environmentalists—have a seat at the head of the table when decisions are made that will affect their lives and communities.

I am pleased to present this Annual Report, which describes some of the ways Pacific Environment lived up to this ideal in the past year and highlights the donors, colleagues and friends who made this work possible.

If you're a current supporter, I thank you and congratulate you on what you've helped us accomplish. If you're not yet a supporter, I invite you to join us in protecting the living environment of the Pacific Rim.

Sincerely,



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Program Highlights



Campaign Freezes \$5 Billion for Sakhalin II

Under pressure from Pacific Environment's Responsible Finance Campaign and our global coalition, Shell agreed this year to move a pipeline associated with its Sakhalin II oil and gas project away from the feeding habitat of the critically endangered Western Pacific Gray whale. But that wasn't enough to convince the export credit agencies of the U.S., Great Britain and Japan that the project wouldn't irreparably harm the environment. Under continued pressure from Pacific Environment and our partners, and alarmed by a fresh warning the project could drive the Gray whales to extinction, the banks withheld \$5 billion in public financing for Sakhalin II, a major setback for Shell.



Chinese Environmentalists Win Suit, Stop Dam

China's up-and-coming environmental movement made significant advances this year with Pacific Environment's support and encouragement. One of our long-term partners, the Pingnan Green Association of Fujian province, scored two impressive victories: first, their sit-ins and other protests convinced the provincial environmental authorities to stop the un-permitted construction of a dam in the habitat of the endangered Mandarin duck. And earlier in the year, the group won a lawsuit filed on behalf of 1,721 villagers against China's largest chlorate manufacturer. Our support helped the Association organize their outreach to the media, resulting in over 60 television new stories on the pollution victims' struggle to win compensation.



Russia Program Protects Wilds

Pacific Environment's 32 grantees in Russia run the gamut, from small indigenous community groups to the country's most successful public interest environmental law firm. What these partners have in common is their success in protecting some of the Pacific Rim's most beautiful wild places. Working together in the past year, we and our partners have transformed public opinion along the Katun River in the remote Altai region to support alternative energy instead of a large dam; overturned the environmental impact assessment for the proposed Siberia-Pacific Pipeline; won an historic agreement with a Russian logging company to study the creation of a protected area for the Samarga Watershed; and laid the groundwork for five new protected areas on the Kamchatka Peninsula.



California Coalition Pushes Clean Energy

Thirty years after Californians forced the energy industry to shelve plans for liquefied natural gas terminals on our coast, Pacific Environment is leading a coalition that is fighting new LNG proposals and helping our home state chart a renewable energy path. In the past year, we have shifted the LNG debate from "where do we put it?" to "does California need this new source of fossil fuel?" We debunked energy industry myths about an impending domestic natural gas crisis; we barnstormed the state with our message; we garnered coverage of the issue in every major newspaper in California; and we won the support of over 50 state lawmakers for our call for public hearings, including U.S. Congresspeople representing 90 percent of the California coast.

Alaska Initiative Protects Marine Ecosystems



The International Bering Sea Forum is linking indigenous leaders, fisherpeople, scientists, and environmentalists from Alaska with their colleagues across the Bering Sea in Russia. This year, we brought Russian and Alaskan indigenous leaders together to discuss environmental protec-

tion and cultural survival and to build cross-cutting solutions that protect the environment. After calling for zoning of the Bering Sea to protect sensitive habitat, the North Pacific Fisheries Management Council closed approximately 375,000 square miles in the Aleutian Island chain to bottom trawling. We've also strengthened international efforts to protect the Bering Sea from marine pollution and called on the U.S. and Russian governments to sign an international agreement to promote sustainable management of this important marine resource.

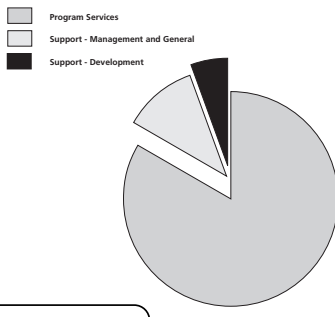
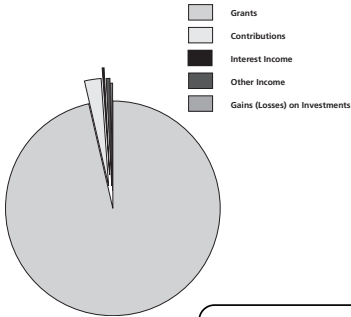
2004-2005 FINANCIAL STATEMENT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Support and Revenue

Grants	\$1,844,704
Contributions	\$49,731
Other Income	\$6,535
Interest Income	\$6,157
Gains (Losses) on Investments	(\$5,192)
Total Support and Revenue	\$1,901,935

Expenses

Program Services	\$1,178,329
Support	
Management and General	\$156,320
Development	\$75,990
Total Expenses	\$1,410,639



Increase in Net Assets	\$491,296
Net Assets, April 1, 2004	\$1,025,901
Net Assets, March 31, 2005	\$1,517,197

For a complete financial report contact Michael O'Heaney, Development Director, at (415) 399-8850, ext. 313.

- Nick Lisewski
- Li Miao Lovett
- Loretta Lynch & John Davis
- Francis Macy
- Edward & Jocelyne Mainland
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- Roy Young
- Lee & Peggy Zeigler
- Michael Zwirn

Foundation, Corporate and Government Support

- Alaska Conservation Foundation
- Catholic Relief Services
- Earth Share of California
- Channel Foundation
- Foundation for Russian American Economic Cooperation
- Global Greengrants Fund
- Grassroots Foundation
- ISAR
- Gordon & Betty Moore Foundation
- Charles Stewart Mott Foundation
- Oak Foundation
- Patagonia Inc.
- The Purple Lady Fund
- Rockefeller Brothers Fund
- Trust for Mutual Understanding
- U.S. Environmental Protection Agency
- Wallace Global Fund
- Weeden Foundation
- WestWind Foundation

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