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Tarun Das
Director General
Confederation of Indian Industry

Mr. Tarun Das has spent his entire working career in industry associations, starting with the predecessor body of CII in November 1963 and has been the Chief Executive of the permanent Secretariat since April 1974 when CII (formerly AIEI) was formed.

He is an Honors Graduate in Economics and Commerce. He was educated at Calcutta University, India and Manchester University, UK. Mr. Das has been awarded with an Honorary Degree of Science by the University of Warwick, UK and recently been conferred with an Honorary CBE by Her Majesty for his contribution towards the Indo-British Partnership.

Mr. Das has considerable involvement in policy-making groups and forums. He has served on and is serving on Committees and Boards such as Academic Council; Indira Gandhi Open University; Planning Commission; Inter-Ministry Committee on Project Exports; Government of India International Bank for Reconstruction and Development Productivity Fund; Industrial Development (IDBI); Export Promotion/Marketing Fund Committee, Government of India; Foreign Exchange Review Committee; Government of India Delegation for Indo-German Joint Commission Talks 1984, 1985, 1988, 1992 and 1994; Government Working Group of Engineering Export Strategy Plan; Board of Director, Air India.

CII, a national body of industry, networks with apex organizations around the world, such as Confederation of British Industry; Federation of Korean Industry (FKI), Federation of Malaysian Manufacturers (FMM), Singapore Manufacturers Association (SMA) and many others. CII is therefore, deeply involved in promoting business cooperation.

As head of CII's Permanent Administration and Secretariat, his focus is also to interact with Government in developing a positive environment for industry and assisting industry to strengthen its competitiveness. He administers a staff of 500 spread over 36 offices in India and abroad.

RANGARAJAN KUMARAMANGALAM
(phonetic: koomaarahMAUNGahlum)

Union Minister for Power

Addressed as: Mr. Minister

Rangarajan Kumaramangalam is a newcomer to the Hindu nationalist Bharatiya Janata Party (BJP), having crossed over to the BJP on the eve of the 1998 Lok Sabha elections. A former Congress (I) minister, he was a prominent youth leader in the Congress (I) party. A Supreme Court lawyer, Kumaramangalam comes from a well-established political family. His grandfather was the communications minister in Nehru's cabinet and his grandmother was the first woman member of Parliament. His father served in Indira Gandhi's cabinet, and his uncle was a former Chief of Army Staff. Kumaramangalam retains the power portfolio he held in the last Vajpayee government.

Kumaramangalam was born on May 12, 1952 in Chennai, (formerly Madras). He earned a law degree from the University of Delhi. He is married to Kitty Kumaramangalam, a Supreme Court lawyer. He and his wife have two children.

COMPLAINTS BY ENERGY COMPANIES INCLUDED:

* **SANCTITY OF CONTRACTS:** OFTEN TIMES POWER PURCHASE AGREEMENTS ARE REOPENED AGAIN AND AGAIN, DESPITE BEING CONCLUDED.

- **ESCROW POLICY:** FINANCIAL LENDERS IN INDIA HAVE TO GET ESCROW, WITHOUT WHICH THE RISK/UNCERTAINTY IS TOO GREAT.

- **LACK OF MARKET-DRIVEN FORCES** TO SET UP PROJECTS. THEY SHOULD BE DECIDED ON THE ECONOMICS, NOT POLITICAL MERITS.

- **RATIONALIZATION OF TARIFFS:** THIS IS FUNDAMENTAL.

ATTN: TANYA BORDO

FM: [illegible]

1 COMPLAINTS BY AMCHAM ENERGY COMPANIES TO A/S MULLOY

2 REPORTING CABLE OF MULLOY VISIT IN DRAFT

UNCLASSIFIED
FCS 03/06/00
DCM:EAWILLS EAW
FCS:DLE DLE
FCS:MHANSON-MUSE, CKIM MHM/CMK
FCSX ECON

AMEMBASSY NEW DELHI
USDOC WASHDC
INFO SECSTATE WASHDC
AMCONSUL MUMBAI
AMCONSUL CHENNAI
AMCONSUL CALCUTTA

USDOC FOR 3131/OIO/ANESA/KBRENNAN/CSHARKEY
USDOC FOR 4530/MAC/ANESA/OSA/RHARDING/ASTERN
USDOC FOR 6320/TD/TRAI/DEDWARDS
USDOC FOR 6000/TD/AC/JBRANDES/MMIRON
USDOC FOR 6730/TD/SIF/OF/FSCD/EJAMES/TFISHER

SENSITIVE

STATE FOR SA/INS, EB/CIB, AND EAP/BCLTV
STATE PASS TO OPIC, EXIM, TDA, LABOR, USAID, CUSTOMS

E.O. 12958: N/A
TAGS: EFIN, BEXP, BMGT, OVIP, IN

SUBJECT: COMMERCE ASSISTANT SECRETARY MULLOY'S VISIT IS SUCCESSFUL, MARCH 1-3

SUMMARY
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1. (SBU) PATRICK MULLOY, ASSISTANT SECRETARY OF COMMERCE FOR MARKET ACCESS AND COMPLIANCE, ACCOMPANIED BY RICHARD HARDING, DIRECTOR OF SOUTH ASIA AND OCEANIA, MICHAEL MIRON, PROJECT MANAGER OF THE ADVOCACY CENTER, AND KIRSTEN SYLVESTER, EXPORT POLICY ANALYST, BXA, VISITED NEW DELHI MARCH 1-3 TO

ADVANCE THE COMMERCIAL AGENDA OF THE PRESIDENT'S VISIT. HE MET WITH GOVERNMENT OF INDIA (GOI) SECRETARIES AND SENIOR OFFICIALS TO ENLIST THEIR HELP IN RESOLVING OUTSTANDING MARKET ACCESS ISSUES AND COMPANY PROBLEMS AND IN OBTAINING APPROVALS FOR IMPORTANT PROJECTS AND CONTRACTS PRIOR TO THE PRESIDENT'S VISIT. MARKET ACCESS ISSUES AND COMPANY PROBLEMS THAT A/S MULLOY RAISED WITH THE GOI INCLUDED: SODA ASH, COLOR PHOTOGRAPHIC PAPER, HOUSEHOLD INSECTICIDES, MCDERMOTT INTERNATIONAL, DOUBLE TAXATION, CONSUMER GOODS, CARBONATED SOFT DRINKS, WTO ISSUES, TRIPS, ITA II, TRIMS, AND E-COMMERCE. U.S. PROJECTS BROUGHT TO THE ATTENTION OF THE GOI AS POTENTIAL DELIVERABLES WERE: THE FLOURIDE REMOVAL PROJECT (WATER SYSTEMS INTERNATIONAL); THE SUPPLY OF FREIGHT LOCOMOTIVES FOR INDIAN RAILWAYS (GENERAL ELECTRIC); THE SHRINAGAR HYDOELECTRIC POWER PLANT (SYNERGICS); MTNL'S WIRELESS LOCAL LOOP PROJECT (MOTOROLA); THE SUPPLY OF KITS TO INDIAN RAILWAYS (GENERAL MOTORS); THE 360 MW COMBINED CYCLE POWER PLANT (UNOCAL); THE NORTH CHENNAI STAGE III TRISAKTHI POWER PROJECT (PSEG); THE JEGURUPADA POWER PROJECT (CMS); THE KRISHNAPATNAM POWER PROJECT (BBI); THE SAMAYANALLUR DGPP PROJECT (OGDEN); AND THE MAHESHWAR HYDRO PROJECT (OGDEN).

2. (SBU) A/S MULLOY IDENTIFIED SOME PROMISING POTENTIAL DELIVERABLES AND OBTAINED A COMMITMENT FROM GOI OFFICIALS TO SEE IF PROGRESS COULD BE MADE IN THE COMING WEEKS. MULLOY MET WITH GOI OFFICIALS FROM THE MINISTRY OF FINANCE (B.K. CHATUVEDI, SECRETARY), THE PRIME MINISTER'S OFFICE (N.K. SINGH, SECRETARY), THE MINISTRY OF COMMERCE (P.P. PRABHU, SECRETARY, AND NRIPENDRA MISRA, ADDITIONAL SECRETARY), THE MINISTRY OF POWER (V.K. PANDHIT, SECRETARY), THE MINISTRY OF RAILWAYS (ASHOK KUMAR, MEMBER MECHANICAL, RAILWAY BOARD), THE MINISTRY OF CIVIL AVIATION (RAVINDRA GUPTA, SECRETARY), AND THE DEPARTMENT OF TELECOM (S. GHOSH, SECRETARY). THE ABOVE AGENCIES LOOK AFTER THE MAJOR PROJECTS AND MARKET ACCESS ISSUES CONCERNING U.S. FIRMS.

3. (SBU) THE EMBASSY WILL FOLLOW UP ON THESE MEETINGS TO ASCERTAIN PROGRESS AND IDENTIFY SURE DELIVERABLES. A/S MULLOY ALSO PROVIDED PMO SECRETARY N.K. SINGH AND COMMERCE SECRETARY PRABHU WITH THE DRAFT PROPOSAL FOR A PUBLIC-PRIVATE SECTOR COMMERCIAL DIALOGUE THAT MIGHT BE LAUNCHED DURING THE PRESIDENT'S VISIT. THE GOI REACTION TO THE DIALOGUE PROPOSAL WAS POSITIVE, AND COMMERCE SECRETARY PRABHU INDICATED HE WOULD PROVIDE ANY COMMENTS IN THE NEXT FEW DAYS. THE MINISTRY OF COMMERCE AND INDUSTRY PROVIDED COPIES TO THE FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY (FICCI) AND THE CONFEDERATION OF INDIAN INDUSTRY (CII). A/S MULLOY MET WITH THE FICCI AND CII, WHICH WERE POSITIVE ABOUT THE DIALOGUE PROPOSAL AND ANXIOUS TO SPONSOR EVENTS AND PROGRAMS DURING THE PRESIDENT'S VISIT.

4. (SBU) COMMERCE SECRETARY PRABHU ASKED MULLOY TO CONSIDER THE FOLLOWING INDIAN DELIVERABLES FOR THE PRESIDENT'S TRIP: RESTORING GSP FOR CERTAIN PRODUCTS; ACCORDING GSP BENEFITS TO INDIAN GOLD JEWELRY; REMOVING U.S. CUSTOM'S BAN ON BIDI CIGARETTES; AND RELAXING THE QUOTA ON INDIAN TEXTILES. END SUMMARY.

GOI MEETINGS
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5. (SBU) PATRICK MULLOY, A/S OF COMMERCE FOR MARKET ACCESS AND COMPLIANCE, MET WITH GOI OFFICIALS TO REVIEW A SELECTED LIST OF MARKET ACCESS ISSUES, COMPANY PROBLEMS AND IMPORTANT CONTRACTS PENDING APPROVAL. GOI OFFICIALS WERE GENERALLY READY TO SEE IF PROGRESS OR RESOLUTION MIGHT BE POSSIBLE ON THE ISSUES. THEY ALSO IDENTIFIED PROJECTS THAT MIGHT BE BROUGHT TO THE APPROVAL OR SIGNING STAGE IN THE COMING WEEKS. FOLLOWING IS A STATUS REPORT ON THE KEY ISSUES AND PROJECTS:

MARKET ACCESS/COMPANY ISSUES
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6. (SBU) SODA ASH: A/S MULLOY RAISED THE MRTPC'S INJUNCTION ON IMPORTS OF SODA ASH FROM ANSAC AND THE REQUEST FOR A LOWER SODA ASH TARIFF WITH ECONOMIC ADVISOR N.K. SINGH, SECRETARY OF COMMERCE PRABHU AND FINANCE SPECIAL SECRETARY B.K. CHATURVEDI. HE TRANSMITTED ANSAC'S WILLINGNESS TO EXPLORE WAYS TO SETTLE THIS CASE AND DREW ATTENTION TO ANSAC'S PETITION TO DENY GSP TO INDIA AND THE STRONG CONGRESSIONAL INTEREST IN THE CASE. N.K. SINGH INDICATED THAT HE WOULD CALL THE SECRETARY OF COMPANY AFFAIRS, WHICH HAS JURISDICATION OF THE MRTPC. BOTH HE AND PRABHU INDICATED THAT IT WOULD BE DIFFICULT TO INTERFERE WITH A QUASI-JUDICIAL ENTITY, BUT SINGH SAID HE WOULD PRESS FOR SPEEDIER ACTION. PRABHU SAID THAT THE MRTPC RECENTLY HELD A HEARING ON THE CASE AND THAT A JUDGEMENT COULD BE EXPECTED WITHIN A FEW MONTHS.

7. (SBU) MCDERMOTT INTERNATIONAL. A/S MULLOY REQUESTED HELP IN BRINGING THIS LONG-STANDING PAYMENT PROBLEM TO RESOLUTION WITH SECRETARIES SINGH, PRABHU AND CHATURVEDI. SINGH INFORMED US THAT THE MINISTRY OF HEAVY INDUSTRIES HAD PREPARED A NOTE FOR THE CABINET COMMITTEE'S CONSIDERATION OF THIS ISSUE AND INDICATED THAT HE WOULD LIKE TO SEE THE NOTE STRENGTHENED. SINGH INDICATED THAT THE PRIME MINISTER HAD BEEN SENSITIZED TO THE IMPORTANCE OF THIS ISSUE AND THAT HE WOULD TO TALK TO THE PRIME MINISTER AGAIN IN THE IMMEDIATE TERM. HE EXPECTED THAT THE CABINET WOULD HAVE TO "TAKE A VIEW ON THE SUBJECT" SOON.

8. (SBU) HOUSEHOLD INSECTICIDES. A/S MULLOY ASKED SECRETARY PRABHU TO CONSIDER ELIMINATING INDIA'S STOCK AND SALE LICENSE REQUIREMENT ON HOUSEHOLD INSECTICIDES, IN ACCORDANCE WITH INTERNATIONAL BEST PRACTICES, SO THAT U.S. PRODUCTS WOULD BE MORE ACCESSIBLE. COMMERCE SECRETARY PRABHU REACTED TO THIS BY SAYING THAT HOUSEHOLD INSECTICIDES WERE WIDELY AVAILABLE AT GROCERY STORES. PRABHU WAS FIRM AND GENERALLY UNSYMPATHETIC IN HIS APPROACH TO THIS AND OTHER MARKET ACCESS ISSUES, SO THERE IS LITTLE REASON TO BELIEVE THAT HE WILL LEND A HELPING HAND TO THIS ISSUE.

9. (SBU) COLOR PHOTOGRAPHIC PAPER. A/S MULLOY RAISED KODAK'S LONG-STANDING PROBLEM WITH IMPORTING ITS MANUFACTURED-PHOTO PAPER FROM NEPAL INTO INDIA DUTY-FREE, IN ACCORDANCE WITH THE INDO-NEPAL TRADE TREATY. COMMERCE SECRETARY PRABHU WAS PARTICULARLY DEFENSIVE ON THIS ISSUE EVEN THOUGH HE SAID HE WOULD "LOOK TO SEE IF THERE COULD BE A SOLUTION -- ALL PROBLEMS HAVE SOLUTIONS." HE SAID THAT INDIA COULD ONLY ACT TO ACCORD DUTY FREE TREATMENT TO THE PRODUCTION OF KODAK'S NEPAL PLANT WHEN IT RECEIVED A LETTER FROM NEPALESE AUTHORITIES CONFIRMING THE PLANT WAS INDEED "MANUFACTURING". HE ASSERTED THAT THE LOCATION IN NEPAL WAS A WAY TO CIRCUMVENT INDIAN DUTIES AMOUNTING TO 4,000 MILLION RUPEES (USD 92 MILLION) AND THAT THE PLANT'S OPERATIONS DID NOT MEET THE CRITERIA OF MANUFACTURING AS DEFINED BY INDIAN CUSTOMS, SINCE ALL IT DID WAS CUT PAPER FROM IMPORTED ROLLS. WHEN WE RAISED KODAK'S BELIEF THAT IT HAD GOI CONCURRENCE PRIOR TO GOING FORWARD WITH THE PROJECT IN NEPAL, PRABHU RESPONDED BY DENYING THIS AND ASKING WHY THEY DO NOT HAVE THIS IN WRITING. ULTIMATELY A COMMERCE MINISTRY OFFICIAL INDICATED THAT KODAK HAD CONSULTED WITH THE GOI PRIOR TO BUILDING THE PLANT IN NEPAL, BUT THAT THE REQUEST DESCRIBED FILM AND NOT PAPER. (NOTE: THE NEXT DAY AFTER OUR MEETING, EMBASSY/FCS RECEIVED A PHONE CALL FROM JOINT SECRETARY OF COMMERCE MITTAL, WHO OFFERED TO FOLLOW-UP ON OUR OUTSTANDING MARKET ACCESS ISSUES.)

10. (SBU) CARBONATED SOFT DRINKS. THE USG CONCERN THAT CARBONATED SOFT DRINKS WERE UNFAIRLY PLACED IN A DEMERIT CATEGORY AT THE HIGHEST EXCISE DUTY TAX RATE WAS RAISED WITH PRABHU AND FINANCE SPECIAL SECRETARY CHATURVEDI. CHATURVEDI RESPONDED BY SAYING THERE WAS RECENT CHANGE IN THE EXCISE TAX SYSTEM THAT CREATED A SINGLE 16 PERCENT CENVAT, IN PLACE OF THE FORMER 8, 16, OR 24 PERCENT SYSTEM. OVERALL, THIS WAS A POSITIVE DEVELOPMENT, CHATURVEDI SUGGESTED, SINCE THE CENVAT COVERED 86 PERCENT OF GOODS; HOWEVER, CHATURVEDI WAS NOT SURE WHETHER A DEMERIT CLASSIFICATION WAS STILL ACCORDED TO CARBONATED SOFT DRINKS AND NEEDED TO CONSULT THE RATIONALIZATION STRUCTURE. HE ALSO ADDED THAT SPECIAL EXCISE RATES WERE CREATED FOR A FEW PRODUCT CATEGORIES. CHATURVEDI OFFERED TO SET UP MEETINGS WITH COKE AND PEPSI TO SEE REVENUE SECRETARY MANKAD, IF REQUESTED. EMBASSY WILL CONTACT COMPANIES, SEEK DUTY CLARIFICATIONS, AND REPORT.

11. (SBU) DOUBLE TAXATION. MULLOY RAISED THE DOUBLE TAXATION PROBLEMS FACING MOTOROLA WITH CHATURVEDI. CHATURVEDI SAID, "IF THERE ARE THINGS HAPPENING", THERE WAS AN APPEAL MECHANISM WITHIN THE MINISTRY OF FINANCE, CENTRAL TAX BOARD, THAT COULD BE PURSUED BY THE COMPANY. THE EMBASSY IS FACILITATING A MEETING BETWEEN THE CENTRAL TAX BOARD (CTB) AND THE IRS IN MID- MARCH TO RESOLVE (HOPEFULLY) THE MANY DOUBLE TAXATION COMPLAINTS BROUGHT TO OUR ATTENTION. WE EXPECT THE IRS-CTB TO PUT A STAY ON THE GOI'S TAX RULINGS UNTIL THESE DISPUTES ARE RESOLVED.

12. (SBU) WTO ISSUES. A/S MULLOY RAISED ITA II, TRIMS, AND TRIPS WITH PRABHU AND BRIEFLY WITH SINGH AND CHATURVEDI. PRABHU INDICATED THAT INDIA SUPPORTED THE MORATORIUM ON DUTIES ON E-COMMERCE. HE CONCLUDED THAT ITA-II SHOWED THAT WE COULD WORK TOGETHER. ON TRIPS, HE NOTED THAT THE AMENDMENTS TO INDIA'S PATENT LAW HAD GONE THROUGH 3-4 "SEATINGS" OF THE SELECT COMMITTEE AND WOULD BE READY IN A MONTH

FOR CONSIDERATION BY THE PARLIAMENT. HE BELIEVED THAT THE BILL MEETS WTO STIPULATIONS. WITH REGARD TO TRIMS, PRABHU SAID THAT IT WAS A "MINOR" ISSUE THAT WE SHOULD BE ABLE TO SORT OUT. HE ASSERTED THAT INDIAN AUTO MANUFACTURERS, INCLUDING FOREIGN AUTO MANUFACTURERS WITH INDIAN PRODUCTION, SUPPORTED LOCAL CONTENT REQUIREMENTS. HE THOUGHT THAT COMPETITION WAS GOOD, BUT THAT INDIA DID NOT NEED MORE AUTO MANUFACTURERS.

13. (SBU) TELECOM POLICIES. A/S MULLOY RAISED THE DISPUTE BETWEEN FIBER OPTIC LINK AROUND THE GLOBE (FLAG) TELECOM AND VSNL, IN WHICH FLAG CLAIMS THAT VSNL IS SEEKING TO PREVENT THEM FROM DIRECTLY SELLING ACCESS TO ITS FIBER OPTIC CABLE LINK TO ISP PROVIDERS IN INDIA, AND ASKED FOR DOT'S INTERPRETATION OF THE ISSUE. SECRETARY GHOSH STATED THAT THE FLAG - VSNL DISPUTE WOULD BE DECIDED BY THE NEWLY-CREATED DEPARTMENT OF TELECOM SERVICES (DTS), NOT BY THE DOT, ALTHOUGH HE UNDERSTOOD THAT THIS WAS A POLICY ISSUE INASMUCH A COMMERCIAL ISSUE. HE AGREED TO LOOK INTO THE AGREEMENT SIGNED BY FLAG AND VSNL. EMBASSY WILL SEND GHOSH A COPY AND REPORT ON PROGRESS.

14. (SBU) INDIAN TRADE ISSUES. AS INDIAN DELIVERABLES FOR THE PRESIDENT'S TRIP, PRABHU ASKED FOR RESTORATION OF THE GSP ON CERTAIN PRODUCTS THAT HAD BEEN WITHDRAWN FOR IPR REASONS. HE ALSO ASKED THAT THE PRESIDENT USE HIS DISCRETIONARY AUTHORITY TO ACCORD GSP BENEFITS TO INDIAN GOLD JEWELRY. PRABHU ASKED FOR AN END TO U.S. CUSTOMS'S BAN ON IMPORTATION OF BIDI CIGARETTES (A LOCAL CIGARETTE MADE WITHOUT PAPER), WHICH HE SAID HAD BEEN UNFAIRLY APPLIED WITHOUT GIVING THE GOI A CHANCE TO PROVIDE ANY INFORMATION. HE ASSERTED THAT THIS WAS A "HOUSEHOLD" INDUSTRY, PROVIDING ENORMOUS EMPLOYMENT TO WOMEN, AND THE TOTAL EXPORT VALUE WAS APPROXIMATELY USD 1 MILLION. HE ALLEGED THAT IT WAS AN UNFAIR ACT PROMPTED BY LARGE SCALE U.S. TOBACCO COMPANIES IN WHICH PEOPLE WERE PAID OFF TO CERTIFY THAT BIDI CIGARRETES WERE ROLLED BY CHILDREN. PRABHU SAID THE

GOI HAD FILED DOCUMENTATION WITH U.S. CUSTOMS IN FEBRUARY 2000.
MULLOY INDICATED THAT THE EMBASSY WOULD PROVIDE A RESPONSE. PRABHU ALSO ASKED ABOUT THE STATUS OF TWO PROPOSALS RAISED WITH USTR ESSERMAN: ONE PROPOSAL ALLOWED FOR AMERICAN COTTON TO BE SENT TO INDIA, AFTER WHICH INDIA WOULD CONVERTS IT TO YARN AND RE-EXPORT IT BACK TO THE U.S. DUTY-FREE; THE OTHER PROPOSAL ALLOWED AMERICAN YARN TO BE SENT TO INDIA, AFTER WHICH INDIA WOULD CONVERT IT TO TEXTILES AND THEN RE-EXPORT IT TO THE U.S. DUTY-FREE. MULLOY INDICATED THAT IT WOULD BE UNLIKELY TO SECURE SUCH A DEAL WITH INDIA.

PROJECTS AND CONTRACTS

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15. (SBU) POWER GENERATION. IN HIS MEETING WITH THE MINISTRY OF POWER, A/S MULLOY PROVIDED A LIST OF SELECTED POWER PROJECTS PENDING INDIAN STATE OR CENTRAL GOVERNMENT APPROVALS AND THEN ASKED SECRETARY PANDHIT IF THESE COULD BE EXPEDITED IN TIME FOR THE PRESIDENT'S VISIT. THE LIST OF PROJECTS INCLUDED: THE SHRINAGAR HYDROELECTRIC POWER PROJECT (SYNERGICS); THE NORTH CHENNAI STAGE III TRISAKTHI POWER PROJECT (PSEG); THE JEGURUPADA POWER PROJECT (CMS); THE KRISHNAPATNAM POWER PROJECT (BBI); AND THE 360 MW COMBINED CYCLE POWER PROJECT (UNOCAL).

16. (SBU) PANDHIT IDENTIFIED THE FOLLOWING PROJECTS AS THE CLOSEST TO BEING APPROVED BY THE GOI: THE 360 MW COMBINED CYCLE PLANT (UNOCAL); THE JEGURUPADA POWER PLANT PROJECT (CMS); THE SHRINAGAR HYDROELECTRIC POWER PLANT (SYNERGICS); THE NORTH CHENNAI STAGE III TRISAKTHI POWER PROJECT (PSEG); THE MAHESHWAR HYDRO 440 MW PROJECT (OGDEN); AND THE KRISHNAPATNAM POWER PROJECT (BBI). EMBASSY AND COMMERCE'S ADVOCACY CENTER WILL BE FOLLOWING UP WITH THE COMPANIES AND STATE/CENTRAL AUTHORITIES TO EXPEDITE APPROVALS.

16. (SBU) ADVOCACY FOR BBI. A/S MULLOY DRAFTED A LETTER TO CHIEF MINISTER CHANDRABABU NAIDU, REQUESTING THAT THE ANDRHA PRADESH TRANSMISSION COMPANY (APTRANSCO) GRANT ESCROW TO BBI. THE LETTER WILL BE HAND-DELIVERED TO THE STATE POWER MINISTER OF ANDRHA PRADESH BY MIKE MIRON, ADVOCACY CENTER, ON THE WEEK OF MARCH 6TH.

17. (SBU) RAILWAYS. A/S MULLOY ADVOCATED ON BEHALF OF GENERAL ELECTRIC (GE) AND GENERAL MOTORS (GM) WITH MEMBER SECRETARY KUMAR, MINISTRY OF RAILWAYS. KUMAR ACKNOWLEDGED THAT GENERAL ELECTRIC'S PROPOSAL TO UPGRADE LOCOMOTIVES IN USE BY INDIAN RAILWAYS WAS IN AN "ADVANCED STAGE", ALTHOUGH HIS MINISTRY STILL NEEDED TO CONDUCT TECHNICAL AND FINANCIAL EVALUATIONS. HE SOUNDED A WORD OF CAUTION, SAYING THAT THE MINISTER OF RAILWAYS WOULD HAVE TO APPROVE THE OFFER. KUMAR SAID THE PROJECT COULD BE APPROVED BY THE END OF APRIL, BUT POINTED OUT THAT THERE WAS CURRENTLY NO LINE ITEM IN HIS MINISTRY'S BUDGET FOR THIS PROJECT. WITH REGARD TO GENERAL MOTOR'S FOLLOW-ON CONTRACT TO SUPPLY OF 21 LOCOMOTIVE KITS TO INDIAN RAILWAYS, KUMAR UNDERSTOOD THAT TEN ADDITIONAL KITS WOULD BE PROCURED SOME TIME IN THE NEXT FISCAL YEAR. IT WAS "PERHAPS POSSIBLE", KUMAR SAID, THAT THESE KITS COULD BE PURCHASED IN TIME FOR THE PRESIDENT'S VISIT. KUMAR SAID GENERAL MOTORS WAS CURRENTLY FINALIZING ITS RATE CONTRACT: "IF GM QUICKLY DECIDES THE RATES, THIS COULD BE DONE IN TIME FOR THE PRESIDENT'S VISIT." EMBASSY AND COMMERCE'S ADVOCACY CENTER WILL FOLLOW-UP AND MONITOR PROGRESS.

18. (SBU) ASKED IF U.S. EXIM OR THE ASIAN DEVELOPMENT BANK (ADB) HAD STRUCTURED FINANCING INTO GE'S OFFER, KUMAR SAID THAT NEITHER EXIM BANK NOR ADB FINANCING WAS PART OF THE OFFER. HE SAID ADB FUNDING IS FREIGHT-ORIENTED IN THE EASTERN AND SOUTHERN SECTORS.

19. (SBU) CIVIL AVIATION. A/S MULLOY SAID TO

SECRETARY GUPTA THAT A SALE OF BOEING AIRCRAFT TO INDIAN AIRLINES -- POSSIBLY 100-SEATER PLANES -- ANNOUNCED DURING THE PRESIDENT'S VISIT WOULD BE TIMELY. GUPTA FRANKLY DOUBTED THIS LIKELIHOOD, CITING THE "LONG PROCESS" IN OBTAINING BOARD AND CABINET APPROVAL FOR SUCH A DECISION.

20. (SBU) WITH REGARD TO PRESIDENTIAL DELIVERABLES, GUPTA SAID THERE WAS A POSSIBILITY THAT AIR INDIA MIGHT AGREE TO BUY OR LEASE ONE PLANE FROM BOEING TO REPLACE ITS EXISTING AIRCRAFT. GUPTA SAID EXIM WAS WILLING TO FUND 85 PERCENT OF THE PURCHASE, BUT THE REMAINING BALANCE WOULD NEED TO COME FROM BOEING. GUPTA SAID IF BOEING COULD PRESENT ITS PROPOSAL TO HIS MINISTRY, AND IF AIR INDIA AGREES, THIS COULD BE A POTENTIAL DELIVERABLE. EMBASSY AND BOEING WILL FOLLOW-UP WITH SECRETARY GUPTA.

21. (SBU) WE ALSO BROUGHT TO SECRETARY GUPTA'S ATTENTION THE FORTHCOMING VISIT OF BOTH TRADE AND DEVELOPMENT AGENCY (TDA) DIRECTOR JOE GRANDMAISON AND FAA REPRESENTATIVE DAVID KNUDSON ON MARCH 9-10. GUPTA INDICATED THAT AIR INDIA IS KEEN ON IMPLEMENTING ITS WIDE AREA SURVELLANCE SYSTEM (WASS), AND ASKED THAT THE EMBASSY COMMUNICATE THIS INFORMATION TO FAA IN ADVANCE OF DAVID KNUDSON'S TRIP.

22. (SBU) TELECOM. A/S MULLOY ASKED SECRETARY GHOSH IF DOT'S UPCOMING TENDERS FOR CELLULAR CIRCLES WOULD BE TECHNOLOGY NEUTRAL, NOT GSM-SPECIFIC, SO THAT U.S. COMPANIES WITH CDMA TECHNOLOGY COULD BID. GHOSH SAID: "BY AND LARGE, AS FAR AS I KNOW, TENDERS ARE TECHNOLOGY NEUTRAL. BUT THERE IS A LEANING TOWARDS GSM." A/S MULLOY SAID THAT THE TRADE AND DEVELOPMENT AGENCY (TDA) WAS PREPARED TO OFFER DOT OFFICIALS AN ORIENTATION VISIT TO THE UNITED STATES, SO THEY COULD LEARN ABOUT OUR REGULATORY AGENCY (FCC) AND SEE U.S. TECHNOLOGY/SERVICE COMPANIES. GHOSH THOUGHT THAT WAS A FINE IDEA AND SUGGESTED THE BEST TIME FRAME WOULD BE IN MID-MAY 2000. EMBASSY/FCS AND TDA PLAN TO MEET WITH DOT OFFICIALS THIS MONTH TO LAY THE GROUNDWORK. REGARDING THE OPENING OF THE MARKET

TO PRIVATE DOMESTIC LONG DISTANCE SERVICE PROVIDERS PROMISED FOR JANUARY 2000, GHOSH SAID THE GOI SHOULD BE READY TO ANNOUNCE SOMETIME THIS MONTH.

23. (SBU) PRIVATE SECTOR AND TRADE ASSOCIATIONS. A/S MULLOY HAD SEVERAL MEETINGS WITH PRIVATE SECTOR REPRESENTATIVES, INCLUDING QUALCOMM, FLAG TELECOM, SOUTHERN COMPANY, GENERAL ELECTRIC TRANSPORATION SYSTEMS, AND BOEING. HE ALSO MET WITH KEY TRADE AND INDUSTRY ASSOCIATIONS --AMERICAN CHAMBER OF COMMERCE, CONFDERATION OF INDIAN INDUSTRY (CII), FEDERAL OF CHAMBER OF COMMERCE AND INDUSTRY (FICCI), AND THE INDO-AMERICAN CHAMBER OF COMMERCE (IACC). HE WAS A FEATURED SPEAKER AT A BREAKFAST BRIEFING SPONSORED BY THE AMERICAN CHAMBER OF COMMERCE IN NEW DELHI, WHICH DREW AN ARRAY OF U.S. COMPANY REPRESENTATIVES. MULLOY HIGHLIGHTED THE PURPOSE OF HIS VISIT AND LISTENED TO COMPANY VIEWS ON POLICY ISSUES THAT AFFECTED THEIR BUSINESSES. SECTORS COVERED INCLUDED FINANCIAL SERVICES AND BANKING, POWER, INFORMATION TECHNOLOGY, AND TELECOMMUNICATIONS. MULLOY MADE A POINT OF CITING THESE INDIVIDUAL COMPANY CONCERNS IN HIS GOVERNMENT MEETINGS. MANY OF THE U.S. PRIVATE SECTOR REPS AND CHAMBERS DEMONSTRATED CONSIDERABLE ENTHUSIASM FOR THE UPCOMING VISIT BY THE PRESIDENT AND HOPED TO BE INVOLVED IN ANY BUSINESS EVENTS DURING THAT TIME.

24. (SBU) MEETINGS WITH THE INDIAN CHAMBERS WERE POSITIVE. CII OFFERED TO WEIGH IN WITH THE INDIAN GOVERNMENT (BOTH STATE AND CENTRAL) TO EXPEDITE U.S. PROJECTS/CONTRACTS AND MARKET ACCESS DISPUTES REQUIRING INDIAN STATE AND LOCAL GOVERNMENT APPROVALS. TARUN DAS TASKED MEMBERS OF HIS STAFF WITH FOLLOW-UP ACTIONS. CII WAS KEENLY INTERESTED IN COLLABORATING WITH THE COMMERCE DEPARTMENT ON THE PROPOSED INDO-U.S. COMMERCIAL DIALOGUE, AND ASKED TO BE INVOLVED IN ANY BUSINESS EVENTS ORGANIZED FOR THE PRESIDENT'S TRIP. FICCI'S AMIT MITRA WAS KEENLY INTERESTED IN PARTICIPATING IN THE PROPOSED U.S.-INDO COMMERCIAL DIALOGUE, AND ASKED TO BE INVOLVED IN ANY

BUSINESS EVENT ORGANIZED DURING THE PRESIDENT'S VISIT. FICCI INDICATED THAT IT HAD ALREADY GIVEN, IN COLLABORATION WITH USIBC (UNITED STATES INDIAN BUSINESS COUNCIL), SOME BUSINESS EVENT PROPOSALS FOR THE CONSIDERATION OF THE POTUS ADVANCE TEAM.

25. (SBU) BXA SIDE MEETINGS. IN MEETINGS WITH U.S. AND INDIA INDUSTRY OFFICIALS, THE BXA OFFICIAL ON THE DELEGATION OUTLINED CURRENT EXPORT CONTROL POLICIES FOR INDIA, THE UPCOMING REMOVAL OF 51 ENTITIES FROM THE ENTITY LIST, AND RECENT CHANGES IN INFORMATION TECHNOLOGY CONTROLS. NUMEROUS INDUSTRY REPS EXPRESSED DISSATISFACTION WITH THE SANCTIONS POLICY WHEREBY EVEN NON-SENSITIVE ITEMS TO SANCTIONED ENTITIES REQUIRE LICENSES AND ESTIMATED MILLIONS OF DOLLARS IN SALES HAVE BEEN LOST TO EUROPEAN AND OTHER COMPETITIORS WHO FACE NO SUCH RESTRICTIONS.

26. (SBU) OTHER ACTIVITIES. A/S MULLOY HELD A PRESS BRIEFING SET UP BY PUBLIC AFFAIRS, DRAWING REPORTERS FROM THE ECONOMIC TIMES, BUSINESS STANDARD, AND BUSINESS LINE. THE COMMERCIAL COUNSELOR HOSTED AN EVENING RECEPTION AT HER RESIDENCE. THE EVENT WAS WELL-ATTENDED AND DEMONSTRATED STRONG INTEREST IN EXPANDING U.S-INDO BUSINESS RELATIONS.

CELESTE##

Confederation of Indian Industry

Green Business Centre (GBC)

Hyderabad

Agenda

- Initiatives of CII
  - Energy
  - Environment
  - Climate Change
- Previous Indo-US Initiatives
- Green Business Center
- Proposed Areas of Cooperation

Pioneering Role in

- Energy
- Environment
- Climate Change Initiatives

Energy Policy Initiatives

- Proactive role in forming National policy
- Illustrative major initiatives
  - Reform & Restructuring of Utilities
  - Constitution of CERC & SERC
  - Privatisation of Power Generation,T & D
  - Energy Conservation Bill

Energy Cell

- Objective-Promote Energy Efficiency
- 230 Energy Audits Completed
  - Annual Savings : Rs 550 million
- Winner of "Best Energy Auditors Award"-Second Successive Year (1998 & 1999)

Environment Cell

- Objective – Promote Eco-Efficiency
- Policy Initiatives
- More than 100 Companies Certified ISO 14000 with CII assistance
- 600 Professionals trained as Internationally qualified Environment Auditors

Climate Change Initiatives

- Outreach & Awareness Center
  - Website,Newsletters,Business Dialogue
- CEO – Mission to USA-May 1999
- Indo –US Business Dialogue on CC
- Environment Summit-1999

CEO Mission – May 1999

Meeting at White House with

- John Podesta, White house Chief of Staff
- Todd Stern , President's Senior Advisor on GCC
- George Frampton ,Acting Chair of White House council
- Sally Katzen, Deputy Director, National Eco. Council

Meeting addressed by

- Laurence Summers,Treasury Secretary
- Bill Richardson, Energy Secretary

Indo –US Business Dialogue

Some - US & Indian Corporate Participants

USA	India
Allied Signal	ABB
Bechtel	Bajaj Auto Ltd
Bradford Consulting	BSES
Enron	CRISIL
Chevron USA Inc	DCM Shriram
Lighthouse Energy	Gujarat Ambuja
PSEG Global	Mahindra Group
Shell Oil	NTPC
Trigen Energy Corp	Shree Cements
&	Thermax
20 leading Companies	Wartsila NSD

Areas of Indo – US Cooperation CII-USAID Program

- *Trade in Environmental Services and Technologies/ Clean Technology Initiative (TEST/CTI)*
- *Energy Conservation Commercialization (ECO)*
- *Greenhouse Gas Pollution Prevention Project(GEP)*
- *Technology Cooperation Agreement Pilot Project(TCAPP)*

Climate Change Initiatives.....

1st Environment Summit 1999

- A Special Session on Climate Change
- Key note address of Mr Bill Richardson
- Launching of Website on Climate Change
- Signing of Indo – US Joint Statement on Cooperation on Energy & related Environmental aspects

Energy & Environment

Proven track record

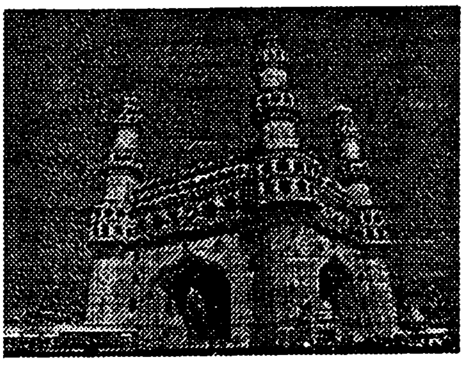
with

In-house technical Expertise

&

Industry Driven

CII Proposes "Green Business Center" Andhra Pradesh

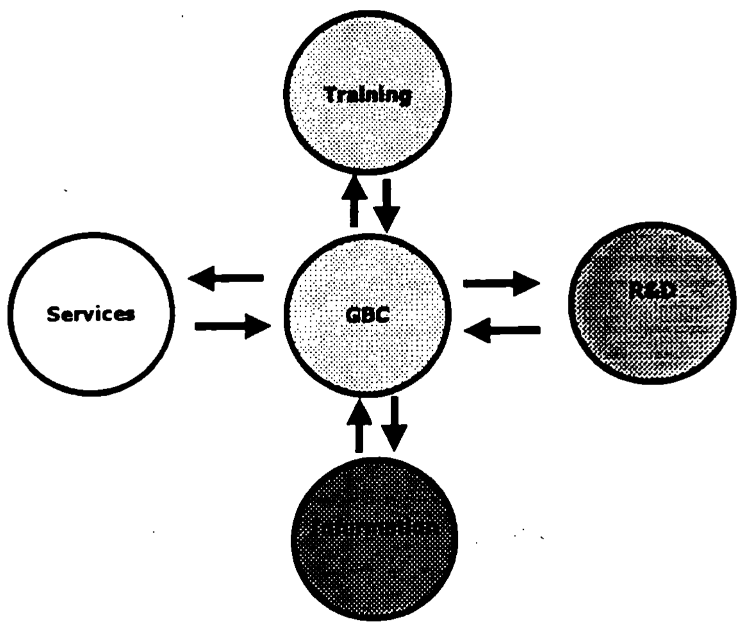


A Center for Excellence on Energy & Environment

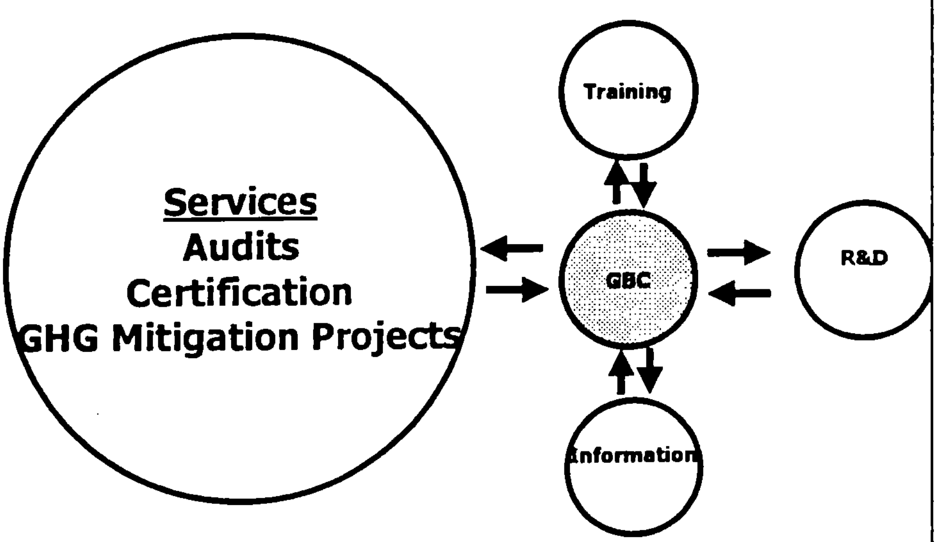
A Centre to:

- **Catalyse achieving excellence in Energy, & Environment**
  - **Reduction of greenhouse gas emissions**
  - **Sustainable Development**
- **Be the Focal point for Energy, Environment & Efficiency (EEE) in India , South & South East Asia**
- **Enhance Competitiveness**

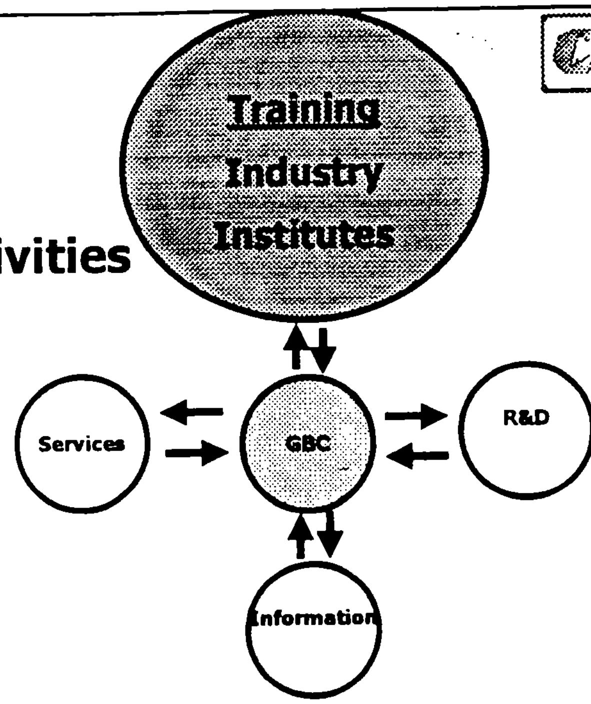
GBC



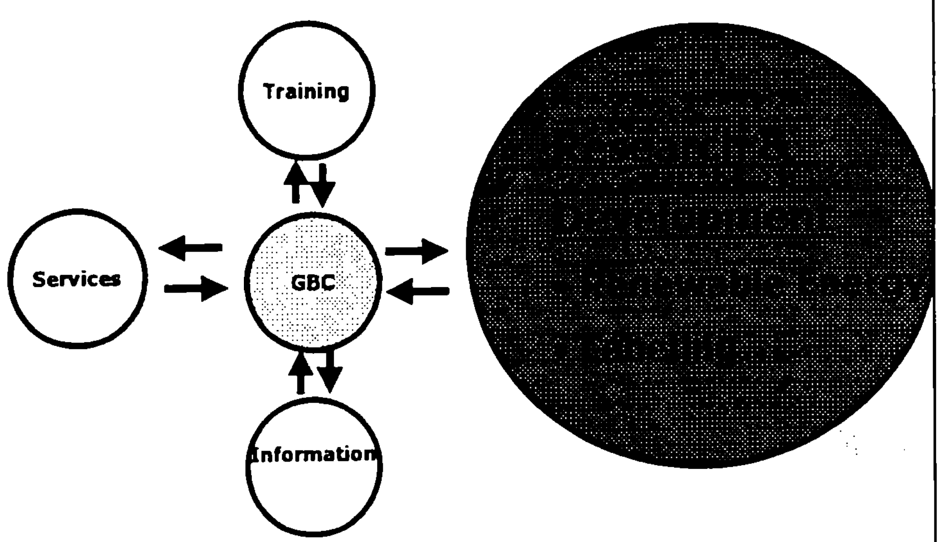
Focus Activities of GBC

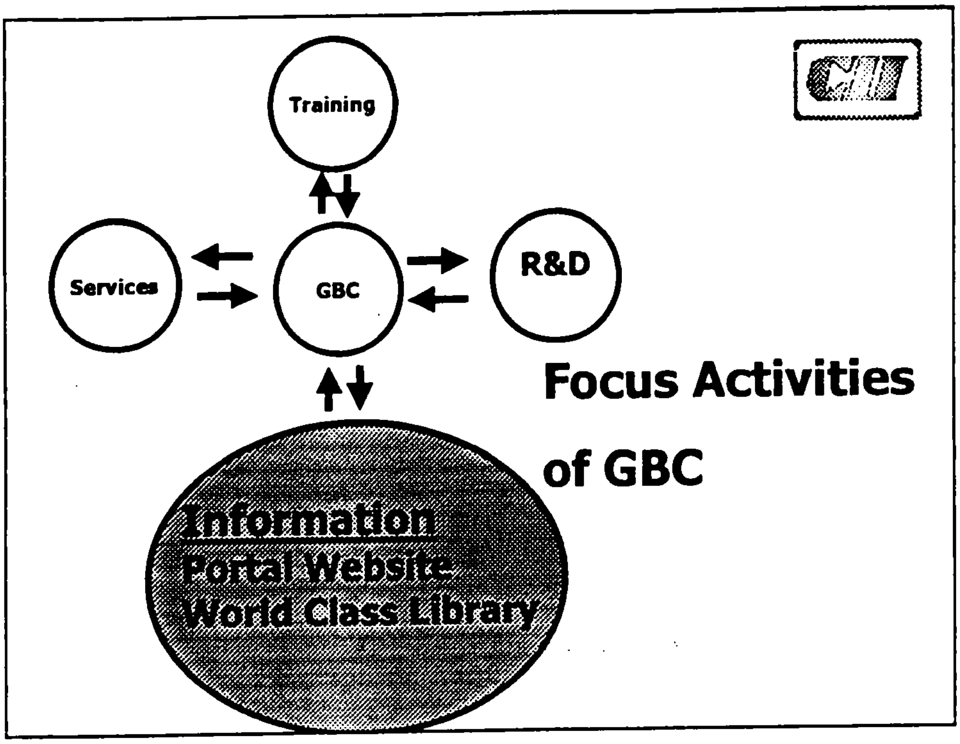


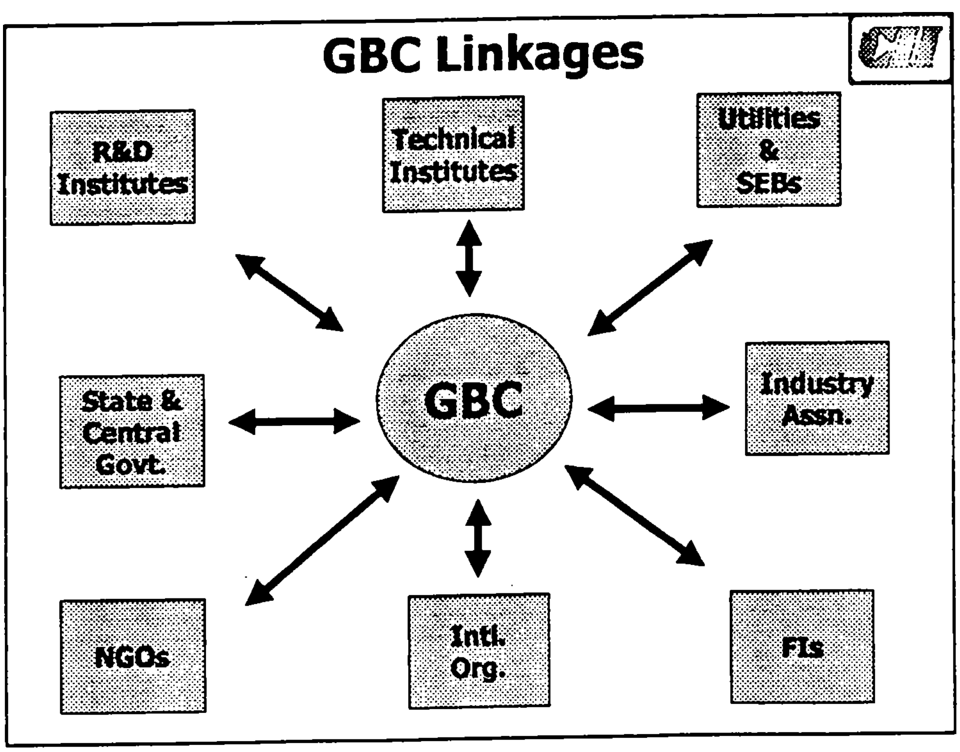
Focus Activities of GBC



Focus Activities of GBC




Training
Services
GBC
R&D
Focus Activities
of GBC
Information
Portal Website
World Class Library


GBC Linkages
R&D Institutes
Technical Institutes
Utilities & SEBs
State & Central Govt.
GBC
Industry Assn.
NGOs
Intl. Org.
FIs

Initial Funding

(CII, Corporates & AP Govt. to Provide)

Infrastructure

- ➢ Land
- ➢ Building
- ➢ Computers
- ➢ Office equipment
- ➢ Training & Others

Operational

- 2 Yrs Operating Cost
- Training

GBC

Professionals (Technical,R&D, Administration)	**:45**

GBC

- Registered Under Societies Act
- "Not for Profit" Organisation
- Managed by Professionals from CII

Advisory Council

- Corporate Leaders
- Senior Govt Representatives
- International Experts
- Financial Institutions

Objective: To Steer & Guide GBC

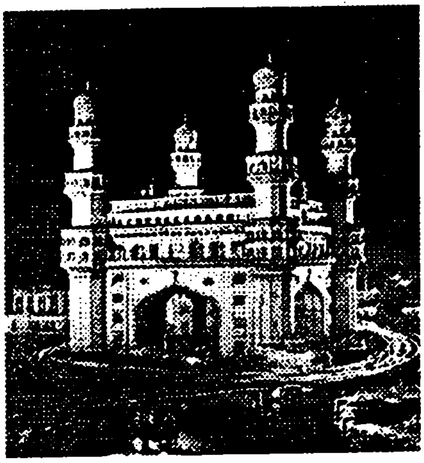
GBC – ACTION PLAN

- Foundation Stone- March 24, 2000
- Commencement - January , 2001

Why GBC ?

- Center of Excellence on Energy & Environment
  - First in India
- With AP as Model – Benefits to be spread to other states
- Global Focus

Andhra Pradesh



The ideal location for the "Green Business Center"

Why Andhra Pradesh ?

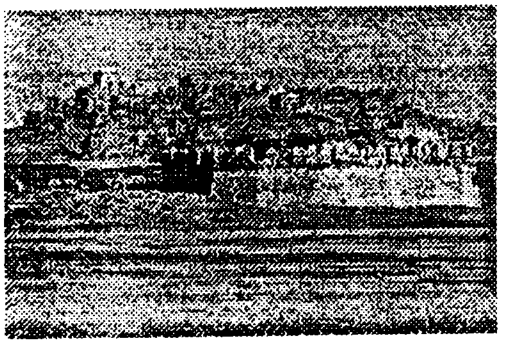
- Ideal Industrial Destination
- Leader in Overall Reforms
- Attractive Industrial Policy
- Vision 2020 : 7 fold SGDP growth

Why Andhra Pradesh ?....

- Hyderabad : A City of Excellence
- Vision : To become "Knowledge Capital"
- Already has
  - IT
  - Health Care
  - Financial Services
  - Institutes of Excellence

And Now
  - Energy & Environment – A right step

CII to assist AP



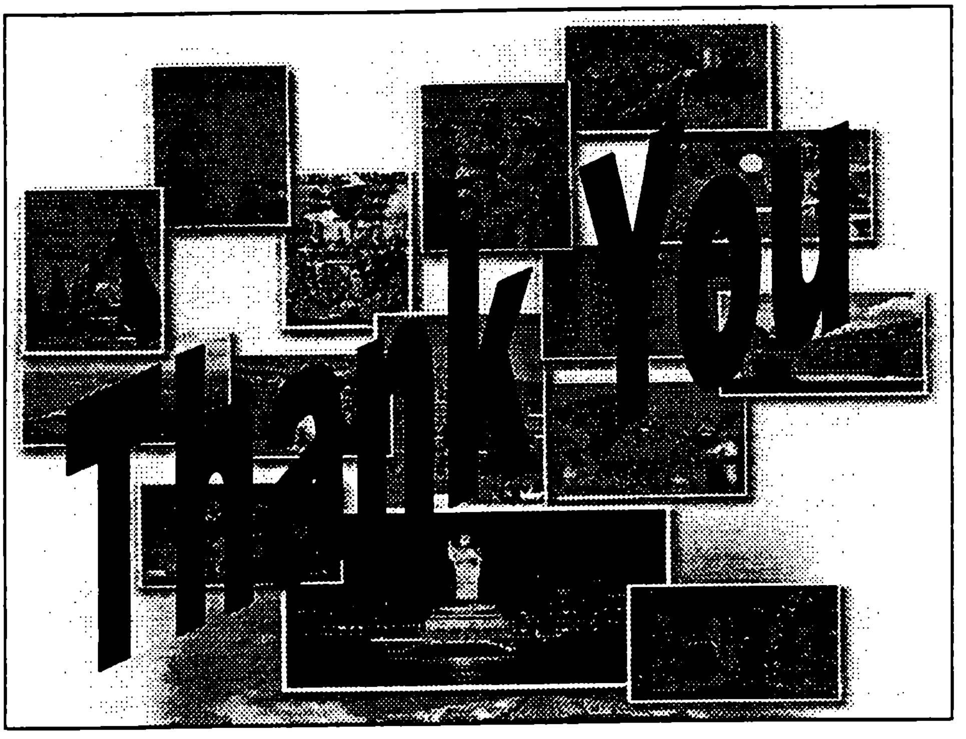
AP to Become a "Model State" and Trendsetter on Energy & Environment

CII Proposes Possible Collaboration With US Institutions such as

- GBC, Minnesota
- Southern electric Institute, California

Inauguration By President

- US President – A Champion for Climate Change
- Inauguration will further strengthen ties on Energy & Environment


Thank You

GOI Participants in Climate Change Working Group

March 6, 2000

Mr. Alok Prasad, Joint Secretary (Americas), Ministry of External Affairs.

Mr. A. Gopinathan, Joint Secretary (UN Economics), Ministry of External Affairs.

Mr. A.K. Mangotra, Joint Secretary, Ministry of Non Conventional Energy Sources, Block #14,CGO Complex, Lodhi, Rd., New Delhi.

Mr. D. Choutray, Joint Secretary, Ministry of Coal, Shastri Bhavan, New Delhi.

Mr. Vijay Sharma, Joint Secretary, Ministry of Environment and Forests, Paryavaran Bhavan, CGO Complex, Lodhi Road, New Delhi.

Mr. Anil Razdan, Joint Secretary, Ministry of Power, Shram Sakti Bhavan, New Delhi.

Mr. C.L. Bashal, Joint Secretary, Ministry of Petroleum, and Natural Gas, Shastri Bhavan, Dr. Rajendra Prasad Road-1, New Delhi

3/2/00

The U.S. Mission to India - Global Climate Change Strategy
January 1999-December 2000
New Delhi, India

I. The GCC Strategy

1. Objective

The main objectives of the strategy are to: a) influence the GOI so that it takes a more proactive and constructive stand during international global climate change negotiations, and b) promote Indian participation in the flexible instruments for greenhouse gas (GHG) emissions reduction, especially the Clean Development Mechanism. (A third objective is to help develop a better understanding of the term "meaningful participation", both by the U.S., and by key developing countries, so that a successful Kyoto Protocol is achieved.)

2. Summary

The participating sections of the U.S. Mission to India will collectively encourage Indian counterparts to take credit for the considerable GHG mitigation work that has already been accomplished. Examples of such work include increasing thermal power generation efficiency, reducing power subsidies, enacting reform legislation like the Energy Conservation Act and the Energy Reform Act, and increasing power generation from renewable energy sources. The objectives of the strategy will be accomplished through significantly broadening current climate change outreach and awareness activities to important new stakeholder groups, especially business groups and NGOs. This strategy identifies various tools and resources that the Mission can use to engage Indian agencies in outreach and capacity building activities such as exchange visits, training, roundtables, seminars, workshops and institutional strengthening. The strategy also identifies specific interventions and expected outcomes.

The four main areas of focus will be:

(i) Development of local capacity to design projects that reduce greenhouse gas emissions and simultaneously fulfill the economic development goals of the nation.

(ii) Demonstration of selected win-win strategies through facilitation of increased Indian and U.S. partnerships to undertake AIJ/JI or CDM projects.

(iii) Increased partnerships (public-private, private-NGO) for developing constructive positions on various GCC issues and implementing GHG reduction activities.

(iv) Voluntary participation by leading industries and utilities to reduce GHG emission rates at their facilities in partnership with U.S. initiatives.

The Mission will work with Indian private and public sector agencies, academic institutions and NGOs to meet the objectives of the Strategy.

In addition, the Mission will work closely with an NGO to launch an "Indo-U.S. Dialogue on Climate Change," – a forum of senior industry leaders who will address the challenges and promote the opportunities presented by climate change mitigation, with special emphasis on the potential role of AIJ/CDM. The objective is to further public disclosure by industry, attain government recognition, and make CDM a successful vehicle for partnerships between India and the U.S.

The Strategy will stimulate projects for AIJ/JI, or CDM activities in the following areas:

Power: Supply-side efficiency improvement, energy efficiency and demand side management (DSM), renewable energy, and clean power generation technology.

Urban Management: Efficient transportation, methane recovery from waste, efficient building and construction.

Industry: Low GHG emitting processes for cement, fertilizers, etc.; low energy intensity production of steel, cement, automobile; tools for assessing legal, financial and insurance risks in projects arising from climate change.

Agriculture – cultivation of low methane emitting rice as profitable agribusiness.

Sinks (forestry) - creation of increased sustainable carbon sinks, and dry land development.

Media – public campaign to garner support for above referred activities.

II. Managing the Strategy

1. Role of Various Agencies and Sections

- **USAID/India**

The centerpiece of the strategy is the USAID/India's Greenhouse Gas Pollution Prevention Project (GEP) and the Energy Conservation and Commercialization (ECO) project. The USAID Program will increase awareness and understanding of GCC issues, mitigation strategies and flexible instruments, and will provide a forum for greater dialogue and cooperation between the U.S. and Indian academic, private, non-government, and government institutions. The program will foster new partnerships to develop and help demonstrate the use of cost-effective strategies that benefits the local economic development and environmental quality while mitigating potential global climate change. Use of market based mechanisms for greenhouse gas emissions reduction (such as CDM, joint implementation, and emissions trading) for implementation of energy and other infrastructure-related projects that promote sustainable development will be specially targeted. This will be achieved with active participation of Indian institutions such as the Development Alternatives, Tata Energy Research Institute, Confederation of Indian Industry, and others. The Program will build on ongoing USAID activities in energy efficiency and demand side management, power sector reform and restructuring, power generation efficiency improvement, clean coal technologies, renewable energy activities, and clean technology initiative for industries. In addition, USAID will closely collaborate with the ECON/SCI Section to maintain an effective channel of communication with the GOI on policy issues related to diplomatic negotiations on GCC issues.

- **Public Affairs Section (PAS)**.

PAS will use its strengths and skills in public diplomacy and education in implementing the Strategy, particularly for disseminating information to the media. An essential element of their participation will be the Indo-American Environmental Leadership Program (IAELP) which supports enhanced environmental collaboration and exchange between India and the U.S. This program could increase public awareness and outreach on GCC issues among general public and the media. PAS, working in tandem with USAID, will improve materials development and press coverage of GCC events; especially those implemented by USAID. PAS programs will reinforce other GCC activities through structured lecture series and media education.

- **ECON/SCI**

Central to the Strategy is ECON/SCI's role in maintaining a timely and effective channel of communication with the GOI on actions undertaken in India under the Mission Strategy and providing inputs to USG for diplomatic negotiations with GOI on GCC issues. ECON/SCI will participate in GCC activities and collaborate with the other Mission agencies engaged in implementation of the Strategy, while providing the key liaison function with STATE/OES. ECON/SCI will maintain diplomatic contacts with GOI representatives and other multilateral and bilateral organizations, and will be the primary liaison with the State Department's regional Environmental Hub.

- **US-AEP/FCS**

US-AEP supports the Strategy focus areas (iii) and (iv) and will bring the members of the American Business Council (ABC) and the U.S-India Commercial Alliance to the table for collaboration and participation in the Strategy. US-AEP technology representatives act as environmental experts, matchmakers, problem solvers and a link to U. S. experiences. They will actively collaborate with USAID and *PAS* in forging U.S.-India partnerships on GCC issues. US-AEP will disseminate information on CDM and the benefits of early participation in emissions trading and other flexible instruments through the Clean Technology Centers in Calcutta and Mumbai.

FCS and US-AEP representatives will be the key contacts in identifying market opportunities and advocating U. S. environmental technology and services to Indian businesses. Activities which stimulate direct technology transfer, disseminate information, identify financial assistance vehicles, provide grants and fellowship, and organize business and technology exchanges can all be used to support the Strategy, especially CDM projects.

2. Monitoring and Measuring Results

The Global Advocacy Group (GAG) will monitor the implementation of the Strategy through bimonthly meetings to discuss progress and planned actions. The following indicators will measure results:

(a) Positive response by the GOI on taking official credit for its GCC related actions by COP6,

(b) Commitment by at least two industrial organizations or utilities to develop CDM projects,

(c) Adoption of voluntary CO_2 emissions limitation by one or two organizations,

(d) Creation of at least one GCC Center of Excellence,

(e) Completion of a minimum of eight analytic studies on issues related to impacts of Indian participation in GCC mitigation efforts, and

(e) Organization of at least eight roundtables or workshops to discuss issues related to Indian participation in GCC mitigation efforts.

(f) Development of a portfolio of Indian projects that could potentially qualify for GHG emissions reduction projects using market based mechanisms.

(g) Increased newspaper reporting and objective media analysis on Climate Change and CDM issues.

III. Planned Activities

1. Short Term Activities (0-6 months)

(a) ***Mission GCC Strategy Reporting Cable*** to Washington to inform STATE/OES and receive their feedback on the Strategy.
[Action: ECON/SCI]

(b) ***One-on-one Discussions*** with Indian champions (and U.S. industries operating in India) initiated by Ms. Katie McGinty and Ambassador to:
- remove misperceptions on U.S. positions,
- persuade them to take credit for "win-win" actions already taken,
- solicit their cooperation in making Kyoto Protocol successful, and

- highlight benefits of early participation – once analytical results are available.

(c) ***Kick-off Roundtable*** around March 1999 to brainstorm and identify issues that must be addressed to objectively analyze what it means for India to participate in projects based on flexible instruments (participants to include identified champions). [Action: USAID, *PAS*]

(d) Identify a team of Indian and U.S. businesses by May 1999 to start an ***Indo – U.S. Business Dialogue on Climate Change***" to discuss issues of mutual concern on GCC and initiate work to develop a joint statement of commitment on GCC mitigation. [USAID, *PAS*, US-AEP]

2. Long Term Activities (7-36 months)

(a) ***Commissioned Papers by Indian Experts*** on
- actions already taken by India that influence GHG mitigation positively and the carbon dioxide equivalent offset potential from those actions,
- critical issues related to early participation, such as identifying potential funds flow from flexible instruments (and its cost compared to other avenues of financing), and
- issues related to baseline development, monitoring & verification, certification and selection criteria for projects.

[Action: USAID]

(b) Support the proposed joint U.S.-India ***Working Group*** on developing a framework for U.S. – India cooperation on developing the rules for flexibility mechanisms for Indian participation in reducing growth rate of greenhouse gas emissions.
[Action: ECON/SCI, USAID]

(c) ***Roundtable Series*** to engage various stakeholder groups to discuss GCC issues of implementation, case study analyses, and results of the commissioned papers. [Action: USAID, PAS]

(d) ***Exchange Visits, International Training and Study Tours*** for GCC decision-makers. [Action: US-AEP/FCS, ECON/SCI, USAID]

(e) ***Environmental Lecture Series*** involving eminent speakers and experts from the U.S. [Action: PAS, USAID]

(f) ***Voluntary Commitment*** to limit GHG emissions per unit product made by one or two utilities or energy-intensive manufacturing concerns in India.
[Action: USAID, US-AEP]

(g) ***Development of a GCC Center of Excellence*** with capability to identify, develop proposals for flexible instruments (AIJ/JI, CDM), information dissemination, and facilitate partnership with prospective U.S. investors. [Action: USAID]

(h) ***Development of at least two AIJ/CDM project proposals*** by industry for presentation to the relevant Indian authorities under the Indo-U.S. Business Dialogue on Climate Change. [Action: US-AEP, USAID]

(i) ***Media Education*** on critical issues related to GCC mitigation. [Action: *PAS*]

(j) ***Mass Media Campaign*** on global climate change and the importance of Indian participation in the international GCC mitigation efforts. [Action: PAS]

Annexure

GCC Contacts in India

Government Agencies

Ministry of External Affairs

Mr. Jaswant Singh, Minister
Mr. A. Gopinathan, Joint Secretary (U.N.)
Mr. Alok Prasad, Joint Secretary (U.S. Desk)

Ministry of Environment and Forests

Mr. T.R. Balu, Minister
Mr. Vishwanathan Anand, Secretary
Mr. D. Roy Paul, Additional Secretary
Mr. Vijay Sharma, Joint Secretary
Dr. Subodh Sharma, Director
Dr. J.R. Bhatt, Joint Director

Planning Commission

Mr. K.M. Lal, Advisor (Agriculture, Environment and Forests)
Mr. Montek Singh Ahluwalia, Advisor (Finance)
Mr. Pradeep Kumar, Joint Advisor (Environment and Forests)

Ministry of Power

Mr. Rangarajan Kumaramangalam, Minister
Mr. Y.K. Pandit, Secretary
Mr. Anil Razdan, Joint Secretary (Thermal)
Mr. Shashi Sheker, Director

Ministry of Finance

Mr. Yashwant Sinha, Minister
Dr. E.A. S. Sarma, Secretary, Department of Economic Affairs

National Thermal Power Corporation

Rajendra Singh, Chairman and Managing Director
Mr. B.N. Ojha, Director (Operations)
Mr. S.L. Kapur, Executive Director (Corporate Planning)

Indian Meteorological Department

Dr. S.C. Gupta, Director

Council for Scientific and Industrial Research

Dr. R. A. Mashelkar, Director General

Private Sector

Confederation of Indian Industry, Mr. Tarun Das, Director General; Mr. Raghuraman, Senior Energy Advisor; Dr. K.P.Nyati, Senior Environmental Advisor
FICCI, Dr. Amit Mitra, Secretary General
Indo-American Chamber of Commerce, Mr. M.V.Rameshwar Rao, President
Amercian Business Council, Mr. Ramesh Bajpai, Executive Director
Cement Manufacturers Association of India, R. Parthasarathy, Secretary General
Steel Authority of India Limited, Mr. Arvind Pande, Chairman
CRISIL Advisory Services, Mr. Hemant Joshi, Executive Director
IDBI, Mr. G.P.Gupta, Chairman
ICICI, Mr. K.V. Kamath, Managing Director
IPPs, Cement, Steel, Construction, Agribusiness and Plantation companies
Financial firms, legal firms

NGOs

Tata Energy Research Institute, Dr. R.K. Pachauri
Center for Science and Environment, Mr. Anil Agarwal
Development Alternative, Dr. Ashok Khosla
Indira Gandhi Institute of Developmental Research, Dr. Kirit Parikh
Center for Research on Sustainable Agriculture, Dr. M. S. Swaminathan
Consumers Education Research Society, Mr. Manubhai Shah
National Council for Applied Economic Research, Mr. Rakesh Mohan
Centre for Environmental Education, Mr. Kartikeya Sarabhai

Academic / Research Institutions

Indian Institute of Technology, Mumbai, Dr. Anand Patwardhan
Indian Institute of Technology, Delhi, Dr. V.S. Raju, Dr. M. Lal
Public Systems Group, Indian Institute of Management, Ahmedabad, Dr. P. R. Shukla
Center for Ecological Sciences, Indian Institute of Sciences, Bangalore, Dr. N. H. Ravindranath
Delhi School of Economics, Dr. Srikanth Gupta
School of Environmental Sciences, Jawaharlal Nehru University, New Delhi, Dr. Syed I. Hasnain
Indian Agricultural Research Institution, New Delhi, Dr. P.K. Singh
National Physical Laboratory, Dr. A.P. Mitra

US-AEP Technology Representatives in India

K. Balakrishnan, Northern Region
Suneel Parasnis, Western Region
Arup Mitra, Eastern Region
Sundaresan Subramanian, Southern Region
P.U. Asnani, Urban Infrastructure

THE ECONOMIC TIMES NEW DELHI
FRIDAY 21 JANUARY 2000

Focus on telecom, energy & transport: PM

Our Calcutta Bureau
CALCUTTA 20 JANUARY

THE government will lay maximum emphasis on the crucial areas of telecom, energy and transport in its economic policy, said Prime Minister Atal Behari Vajpayee.

Inaugurating the 'World Congress on Sustainable Development" here today, he said the infrastructure is expected to expand at an accelerated rate, particularly in the crucial areas of telecom, energy and transport. And in our economic policy the Centre would make sure that it so happened, he said, adding that his government was committed to rapid economic development and creation of infrastructure for sustained growth. He said all development activities must not be allowed to result in severe depletion of natural resources and degradation of environment.

"We must synergise our needs with the availability of natural resources," he said.

Stating that an important input for sustained economic growth is technology, the Prime Minister said that technology upgradation is required for providing Indian enterprises with global competitiveness in the era of liberalisation. He said that transfer of environmentally sound technologies from industrialised to the developing countries was seen as a major element of global strategies of sustainable development.

But international commitment for the transfer of technology on 'concessional and preferential terms' remained only as a concept on paper.

The industrialised countries, he said, were transferring highly-polluting technologies to the developing countries as 'proven technology' or as low-cost technology. He said it was imperative that the international community evolved an effective and meaningful mechanism to ensure transfer of environmentally sound technologies to the developing countries at concessional and preferential terms.

Mr Vajpayee said India welcomed the clean development mechanism that was being negotiated under the UN framework convention on climate change and the Kyoto protocol of 1997.

Speech of Prime Minister Shri Atal Bihari Vajpayee
At the
World Congress for Sustainable Development
Calcutta, January 20, 2000

Deputy Chairman of Planning Commission K C Pant,
Governor of West Bengal,
Chief Minister Jyoti Basu,
Mayor of Calcutta,
Shri G. P. Lal,
Prof J Medem Sanjuan
Ladies and Gentlemen:

I am happy to be present here today at the World Congress for Sustainable Development that has been convened to discuss key global issues and concerns. For developing countries like India, the issue of sustainable development has gained importance in recent years, especially in the context of globalisation.

The Rio Conference of 1992 launched a global partnership on environment and development. It was acknowledged that sustained economic growth, eradication of poverty and the attempt to meet the basic needs of the people constitute the over-riding priorities for developing countries. No development process can be sustainable unless it leads to visible and widespread improvement in these areas.

It was also agreed at the Rio Conference that concerted international action is needed to ensure global prosperity and better quality of life for all. In the years following the Rio Conference, several initiatives have been taken to address the pressing problems of today, aiming at preparing the world for the emerging challenges of the 21st century which we have just entered.

Developing countries need a favourable international economic environment, combined with financial and technical assistance, favourable terms of trade, access to markets and transfer of environmentally sound technologies to supplement their efforts in achieving sustainable development.

Given the limited resources available to them, developing countries are doing their best to achieve ***that*** national economic security which alone can provide the global environmental security that we all seek. Since the Rio Conference, developing countries have made considerable progress in their efforts towards achieving sustainable development. India has not lacked behind.

My Government has adopted an ambitious programme to fight the battle against poverty, illiteracy and disease. We are committed to the goal of providing a better quality of life to our citizens by ensuring access to basic health care, primary education, clean drinking water and shelter. These goals form the core of our social development initiatives.

At the same time, we are also committed to rapid economic development and creation of infrastructure for sustained growth. The present infrastructure is expected to expand at a much more accelerated rate. This expansion is especially necessary in the energy, telecommunications and transport sectors.

But all these development activities must not be allowed to result in severe depletion of natural resources and degradation of our environment. We must synergise our needs with the availability of natural resources.

Policies and programmes aimed at sustainable development call for considerable co-ordination given the complexity of the many organisations, both private and government, that are involved in the development process. We need to ensure smooth co-ordination so that projects are not held up or fall through due to inordinate delays caused by conflicting views among the organisations.

An important input for sustained economic growth is technology. New and efficient technologies are essential to achieve sustainable development. Moreover, technology upgradation is required for providing Indian enterprises with global competitiveness in the era of liberalisation.

To ensure regular and timely technology upgradation, it is necessary that enterprises have information on relevant technologies available in the international market and also within the country. No less important is the need to ensure that this technology is environment friendly.

Environmentally sound technology encompasses a total system, which includes know-how, procedures, energy supplies, energy technologies. Bearing this in mind, we need to invest in -- and, therefore, increase -- our Research and Development capacity since this is crucial for effective dissemination of environmentally sound technologies and their generation locally.

We have to focus attention on some key areas in this regard. They are:

- Access to information on state-of-the-art technologies;
- A framework for dissemination of information on the sources of availability of environmentally sound technologies;
- Development of guidelines for transfer of technologies; and,
- Training of personnel to undertake technology assessment for the management of such technologies.

The transfer of Environmentally Sound Technologies from the industrialised to the developing countries has come to be seen as a major element of global strategies to achieve sustainable development. But, and regrettably so, the international commitment for the transfer of technology on "Concessional and Preferential Terms" has remained only as a concept on paper.

On the other hand, the industrialised countries are transferring highly polluting technologies to the developing countries as "Proven Technology" or as "Low Cost Technology". It is, therefore, imperative that the international community evolves an effective and meaningful mechanism to ensure transfer of environmentally sound technologies to the developing countries at concessional and preferential terms.

In this context, India welcomes the Clean Development Mechanism that is being negotiated under the UN Framework Convention on Climate Change and the Kyoto Protocol of 1997. The latter provides for foreign investment and transfer of technology to developing countries for reducing green house gas emissions as part of the developed countries' commitment to limit their emissions to certain levels.

I wish to stress here that it is in the interest of our global environment -- and our future generations -- that the negotiations in this direction are concluded within the deadline of November, 2000.

In order to strengthen the technological capabilities of the various sectors of our economy, both for meeting national needs and for providing global competitiveness to our industry, a number of initiatives have been launched in the country. Some of these are: research on the design of catalytic converters and introduction of battery-operated vehicles in urban areas, use of alternative fuels and improving the quality of fuel.

Here I wish to touch upon a crucial sector of our economy -- the small and rural industrial sector which together produce a large number of items used by the common man and provide employment to millions of people. This sector needs to be enriched with appropriate technology that is cheap, clean and efficient.

In recent years, though Indian business and industry have made significant efforts -- including investment of considerable resources in the development of environmental management systems and environmentally sound technologies -- towards reducing the impact of industrial activity on our national environment, much more still needs to be done.

A Technology Development Board has been set up with the mandate to facilitate development of new technologies, apart from assimilation and adaptation of imported technologies by providing catalytic support to industries and Research and Development institutions to work in partnership.

I would urge business and industry associations to actively associate themselves with Government programmes so that rapid progress can be made towards achieving the goal of environmentally sustainable development.

The crucial task of institutionalising sustainable development in India is being achieved by strengthening institutions and governing structures concerned with environment and social infrastructure management. My Government is looking at certain critical areas in which such activities need to be pursued with greater vigour than before, and which can be achieved with the co-operation of industry and technological experts.

For, it is only with the co-operation of all, be it industry, the scientific community, voluntary organisations or local communities, that Government can respond suitably to the challenges of economic and sustainable development.

India is proud of her large reservoir of scientific and technical manpower that is second to none in competence. The Institution of Engineers symbolises this talent and I commend its effort in organising this world congress. It gives me great pleasure that our engineers and technologists have come forward to help India attain the goal of sustainable development.

I look forward to the World Congress for Sustainable Development coming up with appropriate sustainable development strategies and ideas.

I thank you all for providing me with this opportunity to share some of my thoughts with you.

Thank you.

Drafted:	SWickwire, OES/EGC
Cleared:	JMiotke, OES/EGC - ok
	LBrodey, OES/PCI - ok
	PDunn, EB/ESC - ok
	STicknor, SA/INS - ok

US-INDIA CLIMATE CHANGE WORKING GROUP
NOTIONAL AGENDA
March 6-7
New Delhi

1. Report on U.S. and Indian domestic situations

2. Terms of Reference for the Working Group

3. Priorities in the negotiations

4. Potential Areas for future cooperation

5. Venue, timing and theme of next meeting

6. Other Business

GOI Participants in Climate Change Working Group

March 6, 2000

Mr. Alok Prasad, Joint Secretary (Americas), Ministry of External Affairs.

Mr. A. Gopinathan, Joint Secretary (UN Economics), Ministry of External Affairs.

Mr. A.K. Mangotra, Joint Secretary, Ministry of Non Conventional Energy Sources, Block #14,CGO Complex, Lodhi, Rd., New Delhi.

Mr. D. Choutray, Joint Secretary, Ministry of Coal, Shastri Bhavan, New Delhi.

Mr. Vijay Sharma, Joint Secretary, Ministry of Environment and Forests, Paryavaran Bhavan, CGO Complex, Lodhi Road, New Delhi.

Mr. Anil Razdan, Joint Secretary, Ministry of Power, Shram Sakti Bhavan, New Delhi.

Mr. C.L. Bashal, Joint Secretary, Ministry of Petroleum, and Natural Gas, Shastri Bhavan, Dr. Rajendra Prasad Road-1, New Delhi

3/2/00

Meeting with Environment Minister T.R. Baalu

Objectives

- Express appreciation for the Ministry of Environment and Forests' participation in the Indo-U.S. Joint Working Group ~~on Climate Change~~ and share your perspectives on the progress made at the meeting.

- Seek the Minister's support for the "Joint Statement on Cooperation in Energy and Environment" to be signed during President Clinton's upcoming visit to India.

- Make general reference to other environmental activities being planned for POTUS trip and express broad interest in enhancing our cooperation on environmental issues.

- Emphasize the importance we place on making progress in the climate change negotiations so that we can reach acceptable outcomes at COP-6, including rules and guidelines that enshrine the cost-effectiveness of the Kyoto Mechanisms.

Background

Since you will likely have only a short time with Minister Baalu, your conversation could touch upon the progress made at the joint working group meeting, the status of the joint statement, and briefly upon the international negotiations. You will have a more extensive opportunity in your meeting with MOEF Secretary Vishwanath Anand and Joint Secretary Vijai Sharma to delve into policy issues and other non-climate issues, provided that meeting is also confirmed. You may wish to consult with the embassy regarding whether to mention this meeting to the Minister.

Engagement with India is critical to addressing global warming and to moving the Kyoto Protocol forward. While India's per-capita emissions are less than one twentieth of those of the U.S., it is currently the sixth largest global emitter of greenhouse gases and the second largest developing country emitter. Moreover, India's rate of emissions growth is second only to China. India's meaningful participation in the Protocol will also be critical to obtaining Senate advice and consent to its ratification.

In the international negotiations, India remains a leader among those Parties resisting any form of binding commitments by developing countries to limit emissions, opposing even voluntary commitments by Parties such as Argentina. India has typically based its opposition to limiting its emissions on a concept of "equity" that emphasizes India's low per-capita emissions levels and developed countries' historical contribution to the problem. Indian negotiators have also tried to use equity arguments to obstruct development of the Kyoto Protocol's flexibility mechanisms.

While convincing the Indian government to participate more meaningfully in the Kyoto process will not be easy, we should base our approach on making the case that India has much to gain from taking steps -- such as improvements in energy efficiency, technology transfer or improving local air quality -- that will lessen the growth of its emissions in the future, while remaining sensitive to the need to address India's significant vulnerability to the impacts of climate change.

A more cooperative relationship between the U.S. and India on this issue could transform the dynamic surrounding the multilateral negotiations by permitting open consideration of more meaningful participation by key developing countries in the Kyoto Protocol. One strong incentive in this connection is the monetary gain that would come from emissions trading and the Clean Development Mechanism (CDM). Some analyses have indicated that participating Indian companies might receive up to $1.6 billion from firms in developed countries for the sale of emissions during the first compliance period, while creating substantial new incentives for public and private technology transfer and investment. India might also be in a position to emphasize in multilateral fora its efforts in promoting clean energy and reducing pollution. The Administration has used "notwithstanding" authority to allow Global Climate Change (GCC) funding for India; it has used Presidential waiver authority under the Brownback II amendment to allow some other small-scale environmental programs to go forward despite sanctions imposed following India's nuclear tests.

Although the GOI has not abandoned its overall negotiating positions, its attitude has softened noticeably in recent months. This has been most evident in an increasing interest to explore the potential for private sector cooperation on activities that would help lower greenhouse gas emissions while advancing other development goals. This newly cooperative spirit culminated in a Joint Statement on Cooperation in Energy and Related Environmental Aspects signed by Secretary Richardson and Foreign Minister Singh on October 26 in New Delhi. The statement endorses both domestic and international activity by the United States and India to mitigate greenhouse gas emissions and calls for further cooperation to advance the goals of the UN Framework Convention on Climate Change.

Under Secretary Loy and Environment Minister T.R. Baalu had an extremely amicable meeting on the margins of COP-5 in Bonn in which they agreed to continue a dialogue focused on achieving agreement on the market-based mechanisms of the Kyoto Protocol by COP-6. Since then, we have worked towards establishing a U.S.-India Working Group on Climate Change in which the Ministry of Environment and Forests will play an important role.

Drafted: SWickwire, OES/EGC
Cleared: JMiotke, OES/EGC - ok
LBrodey, OES/PCI - ok
PDunn, EB/ESC - ok
STicknor, SA/INS - ok

Meeting with Power Minister P.R. Kumaramangalam

Objectives

- Express appreciation for the Power Ministry's vice-chairmanship and participation in the Indo-U.S. Joint Consultative Group and share your perspectives on the progress made at the meeting.

- Seek the Minister's support for the "Joint Statement on Cooperation in Energy and Environment" to be signed during President Clinton's upcoming visit to India. Stress importance of energy efficiency commitments in the joint statement.

Background

In his January 17, 2000, letter to Secretary Richardson, Minister Kumaramangalam expresses his personal support for the establishment of a joint working group on climate change. He suggests that it focus on various types of clean coal technologies, reduction of transmission and distribution losses in electricity, and measures to promote energy efficiency. Interestingly, his letter also encourages further technical work (e.g., methodologies for baselines, monitoring and verification) on the Clean Development Mechanism but only after "contentious" issues are resolved. It may be useful to follow up regarding the Power Ministry's approach to the timing of work on the CDM and find out if there is flexibility to begin these types of activities earlier.

Secretary Richardson's meeting in October 1999 with Kumaramangalam touched upon several issues that may also arise in your conversation. India is very interested in reducing its dependence on coal through the purchase of natural gas from Bangladesh. However, internal political sensitivities have prevented Bangladesh from selling any to India. The Minister also cited the problems with loss of electricity due to theft. He expressed interest in technologies in developed countries that can detect such illegal diversions of power from transmission lines. Lastly, the Minister asked Secretary Richardson for support in reclassifying power projects funded by international financial institutions as a "basic human needs" (BHN) so that current sanctions would not apply. Richardson did not respond to this request, but offered to see what could be done discreetly to nudge Bangladesh. We, along with our G-7 partners, continue to maintain sanctions on support for non-basic human needs lending to India through IFIs; (they'll probably never be "reclassified" as Treasury has a strict methodology on BHN vs. non-BHN.) A number of bilateral energy activities are being reviewed for a sanctions waiver in the context of the President's trip. However, we should not signal this to the GOI at this time. Any proposal for new USG energy activities will have to be scrutinized for possible sanctions implications.

Another important area, one that will be highlighted at the "South Asia Regional Energy Forum" in Kathmandu, March 6-8, 2000, is intra-regional energy trade. There is great potential for bringing to India clean hydropower from Nepal, electricity from Pakistan, and natural gas from Bangladesh. The lack of cross-boundary trading in electricity (largely attributable to the aforementioned "political sensitivities") is part of a broader context of minimal intra-regional trade.

Drafted:	SWickwire, OES/EGC
Cleared:	JMiotke, OES/EGC - ok
	LBrodey, OES/PCI - ok
	PDunn, EB/ESC - ok
	SKraft, SA/INS -ok
	SA:Mmaynard - ok

Indian Submission on Mechanisms

General Background

- India (Vijai Sharma) serves as coordinator of the G-77 position on mechanisms, and is able to influence the G-77 position generally, although the Latins and Africans have broken with the hard-liners on CDM.

- India's recent submission to the FCCC secretariat reflects guarded support for the mechanisms (which apparently represents progress), but the net effect of its proposals would be to restrict use of the Kyoto mechanisms to an extent that would not be acceptable to the U.S.

- Most significantly, the proposal:

- Supports an approach for emissions trading that is along the lines of the Swiss proposal to limit over-selling: only excess emissions - determined *ex post* on the basis of annual inventories - could be traded.

  - Of the options for addressing the risk of overselling, this would likely have the greatest impact in stifling the development of a robust international market for emissions credits.

  - The effect of this proposal would be to reduce the number of emissions credits on the market, and hence raise the price of assigned amount. In addition, it would create complex implementation issues (in particular allocation to private entities of the right to sell internationally). Neither of these arguments is likely to be persuasive to the Indians, however, and we suggest that you not raise this issue.

- Would require Annex 1 Party involvement in CDM projects (such Parties "may involve" legal entities in projects), and would hold Annex 1 Parties responsible (i.e., liable) for project activities occurring in the party hosting the project.

  - This would require Annex 1 Party governments (as opposed to legal entities) to take on oversight obligations with respect to project activities in non-Annex 1 Parties that would be exceedingly difficult to implement (and, if fully implemented, would presumably raise sovereignty concerns in the host Party).

- It is unclear from the Indian proposal whether they expect projects to be driven by Parties or by private-sector entities. However, they are strongly opposed to the use of ODA (i.e., public sector monies) for public sector projects.

- Would limit the use of CERs from CDM projects to instances in which the financing Party had experienced a shortfall in meeting its emissions target. If the Party had sufficient assigned amount to meet its obligations, then the CERs could be banked for future periods, but could not be transferred to other Parties.

  - Both India and China are very insistent on this point, emphasizing that CERs, ERUs and AAUs are not "fungible" (meaning, in this case, transferable). It is not entirely clear what is driving their position, but they appear to fear anything that could be perceived as integrating CDM (which they consider unique) with the Annex 1 mechanisms.

  - The effect of this position would be to drastically reduce the value of CERs and hence the number of CDM projects that developers would be willing to undertake. Because a CER's value would be linked to whether a Party had an overall shortfall in meeting its target, project developers would have no way of knowing whether their emissions credits could actually be used until the end of the commitment period.

- In support of its argument that CERs should not be transferable, India proposes that acquisition of CERs should not alter a Party's assigned amount for the purpose of Article 17 trading. This appears to be contrary to the Protocol, which provides that certified emissions reductions shall be added to the acquiring Party's assigned amount (Article 3.12). and does distinguish between, or impose restrictions on the basis of, the origin of parts of assigned amount.

- India has not taken an affirmative position on sinks in the CDM. It may be useful to raise this issue, particularly since a number of environmental NGOs are now supporting inclusion of sinks (specifically forest conservation projects) on the basis of their belief that the technical issues (baselines, leakage, duration and monitoring) can all be effectively addressed.

Suggested Points

- Note with appreciation that India has been more supportive of the mechanisms, which will be critical to implementing the Protocol in a cost-effective manner.

- Note that domestic experience has convinced us that the most effective way to reduce unsustainable levels of emissions is to change the market incentives for those who produce greenhouse gases.

  - Our domestic sulfur emissions trading program showed us that, with the right incentives, we can spur technological innovation and achieve our goals much faster and cheaper than we otherwise could.

  - Even the advocates of the sulfur program were surprised at how successful it was: emissions were reduced at less than half the expected cost, more quickly than expected, because private firms had an incentive to go beyond the bare minimum to meet the regulation.

- Underscore importance we attach to ensuring that the rules provide the right incentives to make the mechanisms useful and meaningful.

Clean Development Mechanism.

  - Note the potential magnitude of the CDM's "win-win" nature for both climate mitigation and sustainable development.

- The World Business Council for Sustainable Development has estimated the potential demand for CDM as reaching as high as six thousand projects, worth tens of billions of dollars in foreign direct investment (which IEA reckons would be over ten percent of overall FDI).

  - Underscore that the benefits both to the environment and to development are potentially enormous - if we craft a regime that enables us to tap into this demand fully, in a way that benefits the environment.

- This will mean formulating rules that: 1) provide some level of predictability to potential developers; and 2) enable operational entities and the Executive Board to undertake their responsibilities in a timely, credible and effective manner.

- Note the Umbrella Group proposal's attempt to meet these objectives, through:

    - Up-front project approval by the host party, on the basis of its sustainable development priorities;

    - transparent rules for project registration and approval by operational entities, including requirements for the development of baselines and monitoring plans;

    - rules for the Executive Board and operational entities to ensure a credible system; and

    - a procedure for host parties to work with project developers and others in order to develop standardized baseline methodologies and multi-project baselines (with the approval of the Executive Board). This will help to provide a signal to potential developers regarding the level of CERs that they can expect to generate through a particular project.

- Predictability will be important in order for CDM projects to be undertaken.

- Note that India's submission calls for all CDM projects to be "sponsored" by an Annex 1 party. It also proposes that the Annex 1 Party could only use CERs if it had a shortfall in meeting its target.

    - This is likely to create substantial difficulties for project developers, because they would not know until the end of a compliance period whether their CERs would be worth anything in that commitment period. It would drive down the price of a CER, which along with the general uncertainty would drastically reduce the number of CDM projects undertaken.

    - We support a system that would allow CERs to be transferred, since this is likely to facilitate projects, which is good for both the environment and sustainable development. We note that a number of non-Annex 1 Parties also support this approach.

- Express support for inclusion of sinks projects in CDM; countries from many regions of the world are supporting their inclusion.

- If raised: note our view that the technical issues associated with sinks projects can be effectively addressed, and note that a growing number of NGOs are now supporting inclusion of sinks.

Emissions Trading

- For emissions trading, note that we support measures that will allow the market to work in an efficient manner.

[if the Indians raise issue of limiting trades to excess assigned amount]

- Note that we have looked at this option, and we believe that there are less onerous ways of addressing the risk of overselling.

- Note that this option is among those that would raise the cost of Kyoto substantially, and we simply must make this agreement cost effective if we are to implement it.

- Underscore our view that an effective compliance regime is the way to best address the risk of overselling, and that we are supporting a strong approach on compliance to ensure the integrity of the system.

Drafted: TTalley, OES/EGC
Cleared: JMiotke, OES/EGC - ok
SBiniaz/BHarris, L/OES - info
DBodansky, OES - ok
SWickwire, OES/EGC - ok
LBrodey, OES/PCI - ok
PDunn, EB/ESC - ok
STicknor, SA/INS - ok

Good stuff in here. POC

DRAFT

CLEAN ENERGY OPPORTUNITIES FOR POTUS VISIT TO INDIA

ISSUE

The United States is interested in promoting clean energy development in India. Next to China, India ranks as the largest potential market in the world for greenfield fossil fuel power plants. India seeks to add about 15,000 Megawatts of power plants in the next ten years. If these power needs could be developed in a sustainable manner, it would benefit India's own environment and significantly reduce India's greenhouse gas emissions.

BACKGROUND

The President's upcoming trip provides an excellent opportunity to pursue several initiatives. One is to push the Government of India to change its present unhelpful attitude on climate change. India sees itself as the leader of the Group of 77. A friendlier attitude by India on climate change and an acceptance of 'meaningful commitments' from Kyoto would be a huge step forward, both as regards India itself and also the encouragement of other countries to get in line with the spirit of Kyoto.

The Administration is already pursuing energy cooperation with India following up on the MOU signed by Secretary Richardson and the Indian Minister of Power and by seeking a commitment from India that it will promote clean energy development. USAID has been quite active in providing technical assistance for clean energy programs in India, including those operated by the U.S. Energy Association and those funded through the Asian Environmental Program, both of which are currently operational in India.

The Department of Commerce has deployed traditional advocacy and trade promotion programs to further clean energy development in India. The International Trade Administration's (ITA), for example, led a successful trade mission to India focusing on improving the efficiency of India's aging power plants through renovation and modernization. Until its expiration last year in the wake of sanctions issues, the U.S.- India Commercial Alliance, a bilateral business development council (BDC) established by Commerce, was also active in promoting clean energy and power sector reforms in India.

ITA is positioned to pursue several possible deliverables on clean energy for the President's visit to India. These deliverables may, for example, result from successful advocacy on behalf of U.S. firms pursuing clean energy projects, such as those dealing with natural gas or renewable energy, or from the trade promotion of U.S. energy saving services and equipment in India. This paper discusses some possible deliverables and the prospects for their success.

The Kyoto Protocol provides for Clean Development Mechanism credits for clean energy projects in developing countries. These credits could be sold to developed countries that might need them to meet the emission reduction commitments they have undertaken The World Bank, for example, has raised $85 million from public and private sources to purchase CDM credits and is likely to raise more. Under the early credits provisions of the Kyoto Protocol, projects that eventually qualify for CDM credits could begin earning credits as early as the beginning of this year.

Outside the MDBs and a limited circle of NGOs, however, the CDM credits currently have a limited market. They also have a very modest present value, given the uncertainty of Kyoto Protocol ratification. Hence, commercially-focused clean energy projects generally must be economically viable on their own, absent any direct financial aid. The clean energy features of a project, however, could make it easier for the projects to attract TDA, EXIM and OPIC involvement and financing from the Asian Environmental Partnership (AEP) and some environmental NGOs.

LIST OF POTENTIAL DELIVERABLES

I. PROJECTS.

The following is a list of potential "deliverables" that require a strong effort by both the U.S. and Indian Governments to act now so that the projects could happen in time for the President's trip.

A. Signing of an Escrow Account Agreement for Shrinagar Hydroelectric Project. Synergics (Dunkans North Hydropower Company) is working on the Shrinagar Hydroelectric project in Uttar Pradesh. The Central Electricity Authority needs to finalize updated project cost immediately. Once this is achieved, the tariff will be finalized and an escrow agreement between State of Uttar Pradesh and Synergics will be signed.

Total value: $500 million. Estimated U.S. content: $150 million.

B. Signing of an agreement with TDA/GOI to develop a regulatory framework for interstate pipelines. Such a framework would benefit U.S. firms such as CMS, Unocal, Enron, Chevron and Exxon-Mobil seeking to build LNG facilities and a 2200 MW gas fired power plant in Ennore, India.

C. Decision by GOI to extend its mega project status to natural gas fired power plant projects being developed by CMS/Unocal (Dakshin Consortium). The Dakshin consortium is also requesting the state of Tamil Nadu to classify the project as a "mega power project." Such a classification would provide tax incentives and relief from import duties for the project. According to the Embassy, Minister Kumaramangalam asked the Chairman and Managing Director of Power Trading Corporation (PTC) to examine the project's financial and tariff structure, to see if PTC can buy the power from the project company and provide a security package for financing the project. Need Central Electricity Authority's action to approve revised tariff filing immediately. Both the company and the U.S. Government received assurances from the GOI that this approval will be forthcoming.

Total project value $1.6 billion; Estimated U.S. export content $78 million.

I thought this was a mess?

D. Decision by GOI to extend its mega project status to natural gas fired power plant projects being developed by Enron. The first phase of Enron's Dabhol power project in Maharashtra is running well and the second phase is on schedule. By last quarter of 2001, Enron will have India's, and the world's, largest gas-fired power plant up and running. It will also have in operation India's first LNG terminal. Enron, like CMS/Unocal, is now seeking to obtain a "mega power project" status for its Dabhol plant. Enron argues all the tax concessions given to mega power projects will be passed through to the State Electricity Board and would benefit entirely the consumer through the lower cost of generating power. The mega power project policy accords certain tax concessions to projects above 1000 MWs. The mega power project policy, at this point, however, is being only applied to new projects, not to the existing ones.

Phase I: $950 million; U.S. export content $355 million.
Phase II $1.87 billion; Estimated U.S. export content: tbd

E. Decision by the Ministry of Power to accord the Enron's gas pipeline project an infrastructure project status. The Enron pipeline is moving forward well and will be operational in 2002. It will supply gas to industrial customers and power plants along the western coast of India. This is one of the first large scale pipeline efforts in the country and the Ministry of Power should accord it infrastructure project status (this provides certain tax benefits) so that low-cost fuel could be made available for India's power plants.

F. Decision by GOI to purchase natural gas for its underutilized plants in Gujarat from Enron, which is building a gas pipeline from Dhabol to Gujarat. Separately, National Thermal Power corporation, the government-owned power utility, is unable to use its power plants in Gujarat to full capacity because they lack fuel. India is attempting to source gas from LNG for this purpose but seems unable to make a decision. Enron can supply gas to these plants by 2002, earlier than anyone else in the country, because the company is developing a pipeline from Dabhol to Gujarat. The Ministry of Power can move this issue forward.

7

G. Finalization of Indian Railways' decision on an electric propulsion package for GE Transportation systems 3100 hp locomotives being

manufactured by Diesel Locomotive Works (DLW), Varanasi. Needs to push for a decision award in favor of GE as soon as possible.

Total project value: $33 million. Estimated U.S. content: tbd.

H. Grant ICF-Kaiser the permission to move ahead with the Calcutta Tramways Project - Ask the Government of West Bengal to grant the "green light" to develop a pilot tramway route. ICF-Kaiser has received TDA funding to design an entirely new tramway system in Calcutta.

Total Value: $200-$500 million. U.S. content: $100-$250 million .

I. LNG supply to Gopalpur complex in Orissa. Chevron Australia Pty Ltd. is seeking general U.S.G. support particularly in India and in the Asia-Pacific area for the opportunity "to bid on a level footing" to market Liquefied Natural Gas from a number of Australian sources. Total value of the project is estimated at $5 billion for the LNG supplier. The company is seeking to supply LNG to the Gopalpur LNG project in the State of Orissa. The Gopalpur integrated complex (the LNG customer) will consist of the following facilities: 1) a 5 million ton per annum LNG import/regassification terminal; 2) a urea ammonia fertilizer complex, 3) a 2500 MW power plant; and 4) a naphtha and gas cracker; and a petrochemical complex. Discussions are expected to take place from mid-November through April toward an agreement for the company to supply the complex. The competitors include Exxon-Mobil (Qatar), BP Amoco (Indonesia), Shell (Malaysia), Total (Yemen) and Shell (Oman). Any advocacy needs to take into account already existing U.S. interests in India and other companies bidding to supply LNG, i.e. Exxon-Mobil.

Total value: $5 billion U S. content: tbd.

II. OTHER ENERGY ADVOCACY PROJECTS

These are projects with perhaps less clean-energy ramifications but very much on our advocacy agenda. The President's trip affords an unparalleled opportunity to push for their realization.

BBI Power Krishnapatnam Power Project. BBI Power Corporation is developing a 520 MW project in the State to Andhra Pradesh, the first competitively bid project awarded under the Indian energy reform guidelines. However, in order to close this project, it must receive an escrow agreement from AP Transco (formerly the State Electricity Board of Andhra Pradesh). Without this escrow agreement which has already been promised, the project cannot come to financial closure. Ambassador Celeste sent two letters to the Chief Minister. So did Secretary Daley earlier this month.

Total project value: $520 million; U.S. export content: $150 million.

Jegurupadu Power Project. CMS Energy/GVK Industries' 235 MW Jegurupadu power plant in the state of Andhra Pradesh has been in operation since 1997. The plant had an initial tariff approved for the amount of RS 816 crores, which was approved based on the agreed projected capital cost with the final approval based on the actual incurred capital cost. Due to the project delays resulting from a number of GOI actions (devaluation of rupee, increased import duties and delays resulting from the issuance of counter guarantee) the final actual tariff increased to Rs1025 Crore. CMS is now seeking the Ministry's support in encouraging the Government of Andhra Pradesh to resolve this issue. The project is currently awaiting state government and the Central Electricity Authority approvals of its revised tariff filing. Both the company and the U.S. government have received repeated assurances that approval would be forthcoming. It is critical, as India seeks to increase American investment in its power sector, that those investors already committed to India be treated fairly and in accordance with their contracts.

Total value: $260 million. U.S. content: $27 million.

AES Distribution Project in Orissa. AES Corporation has been operating the Central Electricity Supply Company of Orissa (CESCO) since September 1, 1999. The company purchased this business from the Grid Corporation of Orissa (GRIDCO) for $10 million. At that time, AES allowed itself three years to turn CESCO into a long term, profitable operation. A combination of factors has resulted in the operation currently losing $100,000 per annum. These include the costs related to the cyclone that struck Orissa last October, and a December 30, 1999 order by the state regulator (Orissa Electricity Regulatory Commission, OERC) that disallowed certain items of capital expenditure on restoration. The company now feels that CESCO's long term profitability is seriously affected and continuing with the distribution operations may be difficult. No new investments can be contemplated for this business because there is no prospect of future returns. The continuing uncertainties in the regulatory environment may compel AES to pull the plug on CESCO's operations. AES feels very strongly that the government's commitment to the integrity of agreements and the need to be consistent and honor obligations is critical --or they can't do business in India.

Total value: $10 million; U.S. content: tbd

PPI Power Duburi Power Project. The Kalinga Power Corporation received its techno-economic clearance from Central Electricity Authority (CEA) for its 500 MW Duburi thermal power project in Orissa. During his recent trip to India Secretary Richardson asked GOI support in removing a language that was inconsistent with the language in the power purchase agreement. This has been accomplished. Currently, the two remaining issues that the company needs to resolve are: to get an agreement from the Coal Ministry to accept a reasonable payment for a geological survey needed to proceed ahead with the coal mine associated with the project. The Ministry is asking $1 million. The company believes that the cost of survey should be only a small portion of this amount, as it is aware that other Indian companies paid a fraction of this amount and were allowed to proceed with their projects. The company also needs an escrow account. PPI Power would appreciate the central Government's assistance in encouraging the Ministry of Coal and state government to resolve these issues.

Total project value: $630 million; U.S. export content: $245 million..

III. POTENTIAL COOPERATIVE AGREEMENTS

A. Establishing a bilateral Business Development Committee to promote clean power in India. Commerce is considering a replacement of the recently expired U.S.- India Commercial Alliance. The new BDC would focus on a few priority sectors, energy and environment certainly being one of them. The BDC could include partnership with companies and with major trade associations in India, encouraging them to embrace clean energy and energy conservation. Many Indian multinationals are receptive to the idea of environmental responsibility and the President's visit could provide an opportunity for Indian industry, as well as its government, to make a visible commitment to CDM, greenhouse gas reduction, and the adoption of voluntary programs such as Energy Star, Green Lights, etc.

B. Bilateral MOUs for technical assistance and /or cooperation could be signed between Commerce and GOI agencies, e.g., with NOAA for weather modeling, monsoon prediction and climate change impacts; NIST for fuel cells research, perhaps the Program for the Next Generation of Vehicles, etc.

IV. THE POLICY CONTEXT

We should leverage the President's visit to push for policy reforms that would enhance the business climate and the climate for clean energy projects in India. Among these:

1. Attain a commitment by the GOI and Indian industry to undertake an outreach program to explain and educate the public about the threat of global warming and the need to reduce greenhouse gas emissions.

2. Establish a mechanism to guarantee payment in power purchase contracts–many state electricity boards (SEBs) are not financially healthy.

3. Encourage continued economic reform:
   - increased transparency in procurement and decision making
   - improved policy coherence (e.g., straighten out power and telecom and don't make the same mistake with recently liberalized insurance sector)

-ensure the sanctity of contracts so that U.S. firms do not face constant renegotiation of their projects

4. Encourage Indian utilization of environmental technologies

V. POSSIBLE TRADE PROMOTION EVENTS.

A. ITA's Trade Development (TD) is developing a trade mission and a conference on Energy Saving Performance Contracts in India. Such contracts, whereby the supplier agrees to improve the energy efficiency of a facility at no cost in exchange for an equity share in the profits from the resulting energy savings, would appeal to Indian firms strapped for cash, risk averse and saddled with energy inefficient plants and facilities. A number of firms (such as Tata-Honeywell) have already entered the Indian market, but with modest success. Support from GOI and large trade associations, together with outreach to Indian industry on the benefits of such contracts is needed to move this concept forward. A model contract and setting up of auditing and dispute resolution procedures would be included as part of the technical seminars held concurrently with the trade mission.

The performance contract concept could also be applied to power plant and transmission rehabilitation and modernization (R&M). The R&M market in India is estimated to be several $ billion and it is far cheaper and faster to upgrade existing inefficient plants than build new ones. ITA has been considering a repeat of its successful 1997 trade mission to India focused on the Rehabilitation and Modernization of Power Plants this fall. This trade mission could be included with the mission above. Such a mission would include power distribution modernization and anti-theft protection as well. With increasing trend towards unbundling and privatization, there could be increased interest from U.S. firms such as Westinghouse, ABB-Combustion Energy, Black and Veatch, etc.

B. ITA/TD could also lead a trade mission focusing on auto inspection and pollution control devices. There is increasing consumer sentiment to fight urban air pollution, particularly from motor vehicles and two wheelers. TERI's Katie McGinty, for example, succeeded last November to persuade the city of Delhi to have a drive for the inspection of motor scooters. More than 60,000 scooters were inspected and adjusted to decrease particulate emissions as well as to operate with increased fuel efficiency. TD could draw upon this successful experience to form the basis of a trade mission to other major cities such as Mumbai, Ahmedabad, Calcutta and Chennai.

Apart from the above, there are a number of opportunities in clean coal and renewables such as wind power, cogeneration, biomass and nuclear power, that are for one reason or another difficult to undertake without subsidies.

VI. IMPACT OF SANCTIONS

At this point, we do not see a negative impact of the U.S. sanctions on U.S. projects. (In the past, several U.S. companies such as Enron were forced to change the sourcing of their equipment in order to obtain foreign financing.) While at this point, the sanctions do not directly affect most commercial projects, their aftermath is difficult to assess. The Perception of the U.S. as an "unreliable supplier" still lingers.

As for clean energy, we have seen no serious impact on projects other than nuclear power and the dual use computers for weather modeling.

There are a number of Indian companies on the entities list. Sales of U.S. goods to these entities require licenses. An exception exists when the seller has a previous business relationship and when a new sale is necessary to support sanctions and U.S. national security interests.

On October 27, 1999, the President exercised waiver authority for certain activities prohibited by the Glenn Amendment and other restrictions. With regard to India, the President waived all the Glenn Amendment sanctions he had waived during FY 99 under the previous Brownback Amendment. The waiver specifically covers OPIC, TDA, EXIMBANK, U.S. commercial bank lending to GOI, USDA agricultural programs (Rhinoceros and Tiger conservation Fund, Asian Elephant Conservation Fund), and the Indo-American Environmental Leadership Program.

Sanctions remaining in place for India include restrictions on: ESF – including USAID economic growth programs, military sales or financing, dual-use exports and licenses for munitions list exports. The U.S. also opposes non-Basic Human Needs (BHN) lending by IFI's to India, but in coordination with the G-8 has said it will lift this sanction once India signs the CTBT.

Decisions on further waivers for India depend primarily on the progress on the non-proliferation benchmarks.

White House Climate Change Task Force

734 Jackson Place, N.W. · Washington, DC 20503

FACSIMILE TRANSMISSION SHEET

To	Angie for Roger	From	Jeff
Office		Date	2/24/00
Fax Number	6-1736	Fax Number	395-2311
Office Number		Office Number	395-2310

Comments: FYI

Pages: 3, including this cover sheet.

IF TRANSMITTAL IS INCOMPLETE, PLEASE PHONE

FOR IMMEDIATE RELEASE
FEBRUARY 22, 2000
Contact: Nancy Publicover (202) 565-3200

EX-IM BANK SIGNS MOU TO PROMOTE CLEAN POWER PROJECTS IN INDIA
Up to $500 Million of US Exports of Environmental Technology Could Result

Export-Import Bank of the United States (Ex-Im Bank) Chairman James A. Harmon today signed two Memoranda of Understanding pledging cooperation on the financing of power projects beneficial to both India and the United States through participation in the India Energy Partnership Program (IEPP), a project of the United States Energy Association (USEA) and the U.S. Agency for International Development (USAID). Ex-Im Bank expects that up to $500 million in new transactions could be financed as a result of the initiative.

"Indian buyers and US exporters of clean energy technologies are looking for new sources of financing for power projects that will contribute to economic and job growth in both countries while protecting the environment," Harmon said.

Harmon and Dr. Uddesh Kohli, chairman and managing director of the Power Finance Corporation of India, entered a Memorandum of Understanding to study the establishment of an information sharing partnership that would lead to the identification and financing of appropriate power projects. Eligible projects may include air and water quality measuring and monitoring, emission and effluent control, waste disposal, refuse collection, waste water treatment, environmental assessments, ecological monitoring and renewable energy. Ex-Im Bank would work with potential suppliers, borrowers and lenders to expedite applications for Ex-Im Bank financing.

Ex-Im Bank and the USEA entered a second complementary Memorandum of Understanding with the United States Energy Association to place the proposed partnership program under the auspices of the IEPP. The IEPP would facilitate the transfer of information between Ex-Im Bank and PFC and organize seminars, visits, and exchanges to further the partnership.

Ex-Im Bank provides enhanced financing support for US environmental exports through its export credit insurance, loan and guarantee programs:

- Environmental export credit insurance enables small business exporters to offer Indian buyers attractive open account credit on terms of up to 180 days, as well as protecting exporters against loss with 95% commercial coverage and 100% political coverage, and providing other enhancements.

?

—more—

- Under Ex-Im Bank's loan, guarantee and medium-term insurance programs, exporters are offered the maximum allowable repayment terms under international guidelines, capitalization of interest during construction of a project, and local cost coverage equal to 15% of the US contract price.

Transactions initiated under the program would be offered the most favorable terms permitted under the Organization for Economic Cooperation and Development (OECD) guidelines and Ex-Im Bank's Environmental Export Program.

Ex-Im Bank has taken the lead in gaining cooperation among export credit agencies on common environmental guidelines for evaluating projects. In 1999, Ex-Im Bank successfully negotiated an agreement among members of the OECD Export Credit Group that encourages export credit agencies to share environmental information voluntarily on a case-by-case basis for large, multi-source projects in environmentally sensitive sectors.

Ex-Im Bank is an independent US government agency that helps finance the sale of US exports primarily to emerging markets throughout the world, by providing loans, guarantees, and insurance. Worldwide in fiscal year 1999, Ex-Im Bank supported nearly $17 billion in exports.

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Visit Ex-Im Bank's Web Site at www.exim.gov.

POTENTIAL INDIA DELIVERABLES
01/02/00

DOE
- Creation of Binational Energy, Environment and Economic Forum
- Resumption of Bilateral US-Indo Energy Dialogue*
- Working Group on Climate Change (with State)
- Clean Energy Trade Mission*
- Clean Energy Investment Conference*

State
- Communique language on climate/energy
- US-Indo Working Group on Climate Change (with DOE)
- Science & Technology Forum (climate/energy focus)

USAID
- South Asia Regional Energy Initiative (with business dialogue component); $50 million *
- Energy Conservation and Commercialization Project; $25 million
- Greenhouse Gas Pollution Prevention Project; $20 million

EXIM
- MOC with Indian entity for clean energy lending ($100 million)

OPIC
- Partnership with USEA and Power Finance Corp to promote clean energy investment
- Coal washing project in Orissa with Global Emerging Market Environment Fund

Commerce
- Re-establish US-India Commercial Alliance with energy sector focus
- Bilateral MOUs with DOC agencies (NIST, NOAA)
- Trade Mission on Energy Savings Performance Contracts
- Specific transactions:
    - Shrinagar hydro escrow account
    - TDA/GOI agreement on gas pipeline regulatory issues
    - Extend mega status to CMS/Unocal gas project
    - Extend mega status to Enron's Dahbol
    - Support Enron gas pipeline project
    - GOI purchase Enron gas for Gujurat
    - Indian railways GE technology
    - ICF Kaiser Calacutta tramway
    - BBI Power Kishnapatnam project
    - Jegurupadu project
    - AES distribution project in Orissa
    - PPI Power Duburi project
    - LNG supply to Gopalpur complex
    - Nepal/GOI on hydro power

TDA.

<u>Clean Energy/Climate POTUS Visit Deliverables</u>
February 2, 2000

Below are preliminary thoughts on what we might hope to achieve on clean energy/climate during POTUS visit to India March 20-26:

1. **Joint Statement on Clean Energy & Environment** (or part of the Communique if there is not a separate Joint statement) should include five basic elements:
    - Agreement to work together to advance Kyoto mechanisms;
    - Indian statement of national or sectoral energy efficiency goal {TBD}
    - Statement of US actions to combat climate change
    - Agreement to establish US-Indo Energy and Environment Forum
    - New bilateral energy cooperation and trade & investment initiatives.

State and DOE are working to have a first draft of the Joint Statement by COB Thursday, February 3. USAID/Delhi is working on the potential efficiency goal deliverable and will provide a status report by the end of the week.

what about $45m USAID package?

2. **Clean Energy Bilateral Assistance Deliverables**:
    - South Asia Regional Energy Initiative; $50 million *
    - Energy Conservation and Commercialization Project; $25 million
    - Greenhouse Gas Pollution Prevention Project; $20 million

The total of these efforts is $100 million; none require sanction actions (although USAID would like SARI to be waived as an economic growth activity, not climate). While the GOI is aware of all three projects (and hence there is no new news here), the announcement of all three by POTUS acknowledges the depth of the USG commitment to work with GOI on clean energy development.

3. **Clean Energy & Environment Forum**:
Create *US-Indo Clean Energy & Environment Forum* to focus on clean energy trade and investment, energy policy and climate change. The Forum would be co-chaired by State and DOE on the US side at the Undersecretary level, and include three related but separable components:
    i) A Trade & Investment Working Group, led by Commerce;
    ii) Bilateral Energy dialogue, led by DOE; and
    iii) A Climate Change Working Group led by State.

This model is based on the existing forum with China (without the S&T working group) and is similar to the Richardson proposal for a climate working group, but with a broader mandate. Sanctions on DOE activities would have to be lifted to allow the bilateral energy dialogue to resume. A one page description of the proposed *US-Indo Clean Energy & Environment Forum* is attached at Tab A.

4. US-Indo Business Partnership

We would propose incorporating the related trade/investment proposed deliverables of EXIM, DOE, OPIC, DOC & USAID into one focussed clean energy business initiative, including:

- Memorandum of Cooperation from EXIM for lending commitment of $100 million;
- OPIC partnership with Power Finance Corporation;
- Establishment of *US-Indo Business Partnership*. Commerce and USAID have proposed establishing business-business activities; we need to draw these into one focussed business activity (CII and US Chamber?) and make funds available for trade missions, investment conferences, business outreach and matchmaking.

TAB A

USAID

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

January 27, 2000

MEMORANDUM

TO: Roger Ballentine
Deputy Assistant to the President for Environmental Initiatives

Ian Bowles
National Security Council / Council on Environmental Quality

FROM: Robert Randolph
Assistant Administrator
Bureau for Asia and the Near East

SUBJECT: POTUS Trip - Environmental Initiatives

1. **Brief description of current activities in India relating to clean energy/climate change**

India is the 6th largest and second fastest growing emitter of greenhouse gases in the world. Inefficient and environmentally unsound production and use of energy, particularly electricity, have been major constraints on development in India. USAID's energy/climate change program in India addresses the critical need to help promote cleaner energy production while reducing emissions of greenhouse gas emissions.

USAID/India's energy portfolio has been built upon a foundation of energy restructuring reforms, technology, and fuel-switching activities designed to increase investment in the sector, improve efficiency, and reduce pollution. For example, the Trade in Environmental Services Project (TEST) built upon other successful experience of USAID since 1985 in providing targeted financing via lending managed by prominent Indian financial institutions, such as the IDBI (Industrial Development Bank of India) and ICICI (Industrial Credit & Investment Corporation of India), to stimulate new markets and to encourage major banks to take on greater risks in their own lending in support of our mutual development goals.

After the nuclear tests in India in May of 1998, Congressional sanctions required termination of energy activities in India, except those under notwithstanding authority that contribute to reducing greenhouse gas emissions. In response, the USAID energy/climate change program was substantially redesigned and focused. USAID is now only going forward with those elements of TEST, the Greenhouse Gas Pollution Prevention Project (GEP), and the new Energy Conservation & Commercialization Project (ECO) that conform to the notwithstanding authority.

The primary focus of the GEP Project extension is to continue efforts to mitigate increases in greenhouse gases (GHGs) associated with global warming by expanding the current efficient coal conversion component and adding two new elements: fostering climate change initiatives for sustainable development through outreach and awareness activities, and linking urban development and climate change activities. GEP will also continue to support the efforts of the National Thermal Power Corporation to increase the efficiency of power production in its plants and increase co-generation of power from biomass in the sugar industry.

Another important USAID program is the Energy Conservation and Commercialization (ECO) project. USAID is currently awaiting Ministry of Finance approval before ECO can proceed. The primary focus of the ECO activity is to reduce GHG emissions and improve end-use efficiency through commercialization of energy efficiency within the context of India's power sector. ECO will enhance the efforts of the existing USAID activities to strengthen India's power sector reforms and promote energy efficiency by developing market-oriented approaches for stimulating investments in improving efficiency. ECO will promote best energy practices at local and regional levels.

2. **List of potential deliverables for the President's trip**

- *South Asia Regional Energy Initiative – Energy Program (SARI/E)*

SARI/E is a new $50 million USAID program that will encourage regional economic integration by promoting cooperation and trade in clean energy (natural gas and renewables) among South Asian countries. SARI/E will improve the institutional capacity of South Asian policy makers to promote clean energy, with an emphasis on encouraging private sector participation in, and civil society support for energy development. SARI/E provides a vehicle to showcase the Administration's interests in energy efficiency, public-private partnerships, and related climate change goals, and to spotlight the true spirit of cooperation between the U.S. and South Asian countries, particularly India and Bangladesh. USAID proposes that the President announce SARI/E at both the Delhi and Dhaka stops at very senior level Public-Private Partnership staging events that feature government and private sector representatives from both countries. USAID is in discussions with the U.S. Chamber of Commerce to facilitate these staging events. This could include launching of South Asia regional and U.S. utility (and/or grid company) partnerships. Such a partnership between power grid companies in Bangladesh and India would be a concrete symbol of the spirit of cooperation in the energy sector that the Administration is seeking to promote through the POTUS trip.

- *U.S.-India Climate Change Working Group*

The establishment of a U.S.-India Working Group on Climate Change has been proposed by STATE and DOE to provide a forum for high level energy policy and climate change dialog and promote clean energy and energy efficiency programs in India. This group could provide a useful forum for conducting an Indo-U.S. policy dialogue on energy sector policy and regulatory reform in India that supports more open markets, and free trade and investment. It could also promote deployment of clean energy technologies, tackle a variety of energy supply and demand issues, and help to build support for CDM in India. USAID endorses this proposal and, given our experience working in these areas, would like to participate in the establishment and operations of the group.

- *Tropical Forest Conservation Trust Fund – Bangladesh*

The President could announce a decision to allocate $4,000,000 [notional amount] for debt relief and the conservation of tropical forests in Bangladesh, under the 1998 Tropical Forest Conservation Act (TFCA). The TFCA authorizes a debt reduction mechanism in which a developing country is allowed to place the interest on the reduced debt in a tropical forest fund to be administered by a board within that country. USAID would assist the establishment of this foundation. The actual amount of debt relief would be considerably more than $4,000,000 because of the difference between the face value and asset value of the debt. The primary target for forest conservation in Bangladesh would be the Sunderbans, a globally significant mangrove forest that is the habitat of the last 400 genetically distinct Royal Bengal tigers in the world.

- *India Clean Energy/Climate Change programs*

USAID/India is expanding its Greenhouse Gas Prevention Program (GEP) and launching a new Energy Conservation and Commercialization program (ECO). Among the areas GEP will address are integrated gasification combined cycle technologies, super critical boilers for improved efficiencies, fluidized bed combustion, and other technologies designed to improve power plant efficiency. GEP will also add two new elements: fostering climate change initiatives for sustainable development, and linking urban development and climate change activities. The aim of the ECO program is to reduce greenhouse gas emissions and improve end-use efficiency through commercialization of energy efficiency in India. This $45 million energy/climate change package, focusing on energy efficiency and clean energy generation, would make a nice POTUS deliverable that the President could announce during a visit with the National Thermal Power Corporation of India in New Delhi or during a roundtable of Indian and U.S. private power producers (e.g., ENRON).

3. **Short summary of key outstanding policy issues relating to clean energy in India**

Although the basic policy decisions have been made at the top to transition the energy sector from the public to the private sector, this process will require several decades for completion. The height of barriers to trade and investment are still largely influenced by the progressiveness and depth of the energy sector reform work underway in a particular state, but in even the most progressive states the job of breaking down old habits and suspicions is still a nascent process. It will take time, strong political will, new legal and regulatory platforms, and training at many levels of the bureaucracy to instill the use of instruments and detailed contracts that the private sector requires, for example in Power Purchase Agreements (PPAs) and Operation and Maintenance (O&M) contracts.

Building a wide range of public-private partnerships in India to facilitate and catalyze this change process will be critical during the next few years, encompassing bureaucrats, policy makers, politicians, regulators, financiers, economists, and plant managers who deal with the development and expansion of the power industry.

Especially important is the development of energy regulatory commissions in India in each of its 26 states, as well as at the national level. These commissions are the vanguards of real reform because they are independent and can make decisions based on merit, their working is transparent, their books are open to public scrutiny, and hearings are open to the public. These agencies especially pave the way for more privatization and foreign and Indian private investment in the sector. They also help in improving efficiencies and reducing wastage of financial resources--which is the real reason why India embarked on the path of economic reform. While USAID, the World Bank, and the Asian Development Bank have each committed to working with several of the 26 states to develop these vanguards of real reform, this process has only just begun to bear fruit within the newly-formed regulatory bodies at the national level and in several states (e.g., Orissa). In fact, many states not yet having begun this process.

Setting up regulatory bodies is a first step--there are still many tasks ahead in formulating implementing rules and regulations that help to level the playing field for private sector investors, and internalizing the externalities that prevent clean and efficient energy technologies and fuels from out-competing the dirtier options which the public sector has invested in for so many decades in India. Although the Power Finance Corporation (PFC) is already working with several State Electricity Boards (SEBs), which are generally bankrupt across India, to introduce private sector thinking into the investment and operational decision-making of the SEBs, this process is also uneven and shallow at present.

4. **Status of USAID's climate change/clean energy activities in India with regard to sanctions and waivers**

After the nuclear tests in India in May of 1998, Congressional sanctions required termination of all economic growth and energy activities in India, except for those under notwithstanding authority that contributed to reducing greenhouse gas emissions. USAID is now implementing only those elements of its energy programs in India that conform to this notwithstanding authority. Although nuclear-related sanctions remain in place for India, the FY 2000 Department of Defense Appropriations Act includes a provision that permanently grants the President waiver authority over certain nuclear-related sanctions.

Although USAID is implementing its current bilateral energy programs in India under notwithstanding authority, a Presidential waiver for the South Asia Regional Initiative – Energy Program is requested so that India can fully participate in SARI/E. Without a Presidential waiver, any activities undertaken in India would need to be justified under a global climate change rationale. Although we are comfortable with this approach, the climate change provision is restrictive, limited to DA resources, and subject to congressional notification.

One of the major purposes of SARI/E is to help create a sound environment for expanded U.S. trade and investment in India (the rationale for earlier lifting of sanctions on EXIM, TDA, and OPIC activities). In addition, SARI/E, with its focus on the energy sector, has the added advantage of seeking to strengthen economic ties and foster economic integration in the South Asia region and thereby improve regional stability. As the largest potential market for energy generated elsewhere in the region (i.e., by Nepal and Bangladesh), India's full participation in

SARI/E is essential to SARI/E's success and the realization of the full benefits of U.S. investments in energy elsewhere in the region.

Pollution in India could rise to "alarming levels" by the middle of the century unless urgent action is taken, according to a study by the Tata Energy Research Institute.

The group estimates that under current conditions, the suspended particulate matter load in India's air would rise to 52 million tons by 2047, up from 17 million in 1997. And methane gas released from landfills would increase from seven million to 39 million tons during the same period. The study cited industrial production, motorized vehicle transport and the use of fossil fuels as the biggest potential contributors to increased pollution.

Environmentalists blame worsening air quality in New Delhi on a sharp increase in vehicles. Last year, India's Supreme Court ordered that all new cars sold in and around the city conform to Euro 1 emission standards and said they may be ready for tougher standards by April.

And pollution in many of the country's rivers has also increased because of industrial waste from factories and fertilizers and pesticides from farms. The TERI study projected that the biological oxygen demand load would rise to 9.4 million by 2047, compared to 7.3 million tons in 1997. A ban on the use of chemical fertilizers over the past five years has been "ineffectual," and farmers continue to spray their fields "liberally" with pesticides

(Reuters/PlanetArk, Feb. 21).

Meanwhile, Bruce Corrie, a professor of economics at Concordia University in St. Paul, writes in a St. Paul Pioneer-Press op-ed that the respect for the natural world he observed in a trip to India could serve as a model for Minnesota. Corrie: "We need the rule of law to help institutionalize our environmental values and people to help enforce these laws. But for the system to work well, the institutions and the people involved in environmental conservation must have a deep love for nature in order to preserve our natural gifts" (Feb. 22).

Hundreds Of Endangered Turtles Die On Indian Coast

Wildlife officials are investigating the "mysterious" deaths of hundreds of endangered Olive Ridley turtles on east Indian beaches.

And the officials said extensive trawler fishing near the Digha coast could kill more turtles in the Bay of Bengal. Environmental groups in Calcutta said the turtles, which are protected under India's Wildlife Protection Act, face possible extinction in the next few decades because of trawler fishing. But government forest official Arin Ghosh said, "I am not pessimistic about the turtles." Ghosh: "There was a time when people said the tiger would not see the next millenium, but the species survived" (Reuters/PlanetArk, Feb. 21). -- CF

(Back to Contents)

Jefferson B. Seabright
02/15/2000 06:05:23 PM

Record Type: Record

To: Roger S. Ballentine/WHO/EOP@EOP, ibowles@nsc.eop.gov @ inet

cc:

Subject: Clean Energy Trade and Investment in India

I hope we can make progress this week in crafting an Administration clean energy trade and investment package for India that will 1) reflect the President's commitment to clean growth thru trade and investment; 2) show that our intl initiative is being applied in one of the largets (if not the largets) market in the developing world; and 3) adds value to the initiatives and deliverables agencies and departments submitted in early February.

- Commerce has proposed a rejuvenated US-Indo Business Dialogue and trade missions;
- DOE has proposed trade missions and an investment conference;
- USAID has several trade compoenents of its exisiting and planned activities, inluding the work with CII;
- EXIM has expressed an interest in a $100 million Indian offer and an MOU with an entity tbd;
- OPIC wants to partner with the Power Finance Corporation through USAID's USEA funds;
- a "matchmaker" intiiative has been prosed (that would go beyond USAEP, I presume);
- CII has proposed a Green Business Center with USAID support. This has the potential to be the Indian "partner" for the trade/investment effort and could make an attractive delioverable package.

At a minimum, we need to coordinate the efforts on business outreach. A more ambitious goal would have us actually think through the ways in which agency efforts could be coordinated for maximum benefit -- so that USAID efforts support real project development that can lead to a financeable flow of deals for EXIM and OPIC, etc.

The CEQ conference room on Jackson Place is available at 2 on Thursday to meet on this. I suggest the following attendees (in addition to Ian/Jeff):

Alan Bowser, Carlos Montolieux, Commerce
John Wilkinson/John Wilson, USAID
Peter Kimm, US-AEP
Jim Mahoney/Craig Oconnor, EXIM
Kate English/Tom Cutler, DOE
Tom Enge/Mary Boomgard, OPIC
State E/B?
Others?

Let me know your thoughts and I will work to set up the mtg/.

White House Climate Change Task Force

734 Jackson Place, N.W. • Washington, DC 20503

To: Roger Ballentine
Ian Bowles

Fr: Jen Seclright

Attached is info. from USAID/Delhi on possible national goal analysis — as well as what appears to be 'wish list' from MoE in response —

To:

ANE/ESA, Bill Anderson	202-216-3017
ANE/SEA, John Wilson	202-216-3171
G/ENV/DAA, David Hales	202-216-3174
ANE/AA, Karen Turner/ Kristi Hunt	202-216-3386
Jeff Seabright	809-221-7030
Scott Tickner	202-736-4463
Dan Balzer	202-647-0217
Kate English, DOE	202-586-0861
From:	Kavita Sinha, E3, USAID/New Delhi

Per Dick Edwards' e-mail yesterday on possible articulation of energy efficiency goals as a POTUS deliverable;, please find attached the following documents:

(1) Working Draft of the Matrix indicating "Potential GOI Goal for Efficiency Enhancement/ GOI Emissions Growth Rate Reduction", and

(2) Note from Mr. Shashi Shekhar. Please note that this note is FYI only and was shared with us in confidence and it should not be quoted or referenced in discussions.

Regards.

DRAFT DRAFT DRAFT DRAFT DRAFT DRAFT DRAFT

Potential GOI "Goal" for Efficiency Enhancement / GHG Emissions Growth Rate Reduction (Goal Period: 2000 - 2005)

Electric Power Generation	Performance as on March 1997, MW	Current Known Targets, MW	Available for Economic Use, MW	Notes	Source	Possible USG Assistance
Hydro Electric Power	21044.0	31403.8			Ninth Plan	
Coal Based Thermal	53468.5	67091.5			Ninth Plan	
Oil Based Thermal	787	6000			Ninth Plan	
Gas Based Thermal	6865	10000			Ninth Plan	
Nuclear Power	2225	3105				
Total Installed Capacity by the end of the plan period	85019.3	117500.3			Ninth Plan	
PLF, %	64%	70%			Ninth Plan	
Auxiliary Power Consumption	7.120	1% reduction over 8th plan	1175.603	1% of the total installed capacity by 2002	Ninth Plan	
Energy Conservation Targets		5000 MW savings	5000		Eighth Plan	
Heat Rate Improvements (thermal energy required to produce one kwh of power)	Avg. 2500 kcal/kwh	10% over 8th plan	5090.674	Equivalent additional delivered electricity	Ninth Plan	
Transmission and Distribution	23%	reduced by 5%	5878.015	5% of the total installed	Ninth Plan	

Additional Power Available to the Economy 17117.892 MW

% of Total Installed Capacity that would be off-set as a result of the savings 15%

% of Total Installed Coal Capacity that would be off-set as a result of the savings (if it were to be assumed that coal is what is desirable to be reduced in the energy mix) 26%

Carbon Dioxide Emissions Per Unit Delivered to Customer (without savings)

Carbon Dioxide Emissions Per Unit Delivered to Customer (with savings)

Notes:

1. The matrix tabulates the targets articulated by GOI in their ninth plan document in the power sector and converts (wherever reduction in losses is a target) the losses in the system that would be avoided into generating capacity available for economic use. For example, the auxiliary power consumption (power consumed by power plants to generate electricity) target by GOI is 1% lower than the previous period. Which means that 1% of the ninth plan installed capacity will get freed for sale to customers (instead of being consumed by the power plants). Similar analysis is used for 5% cumulative reduction in T&D losses.

2. For Heat Rate improvement - the analysis use is that with 10% reduction in the amount of thermal energy (basically coal) required for generating each unit of electricity, 10% more units can be generated using the same amount of coal - or 10% additional coal capacity will become available at the generating end. After reducing the losses in the system (6% auxiliary power and 18% T&D - assuming targets would be achieved - would be available to be delivered to the customers.

Kind attn: Ms Kavita Sinha
USAID

Discussed with Secretary (P), Additional Secretary (P) & JS (PP&EA). For the meeting on 16.2.2000 with the Foreign Secretary and raise specific area on bi-lateral cooperation, we may inform the following areas: -

i) For introduction of Clean Coal Technology which enables efficient conversion of coal to electricity than the existing technology, the US Government to provide grant assistance for carrying out feasibility study and setting up of demonstration plants of 50 to 100 MW.

ii) Once feasibility through demonstration is established, the US Government through bi-lateral or multi-lateral funding assessed in getting required loan fund for the future capacity addition using clean coal efficient technology.

iii) For re-powering an old station which require rehabilitation life extension, with a new technology, feasibility and demonstration through bi-lateral assistance.

iv) Demonstration of performance guarantee contract mechanism for taking up R&M/RLE works through bi-lateral assistance.

v) Funding a consultancy for establishment of national grid for transport of power from the North Eastern Region & Eastern Region to the rest of the country through the least cost and least technical loss options. US Government can assist in commissioning the consultancy work through a reputed consultant.

vi) The bi-lateral assistance can create a framework for easy technology transfer both for supply side and demand side.

vii) US Government can provide technical and financial assistance for providing electronic meters throughout the country.

viii) To establish feasibility through demonstration by setting up of a State-of-Art coal washery for use of washed coal is economical even for a pithead station.

ix) For introduction of CFL in a big way at least all the metropolitan towns through financial assistance.

x) Establishment of ~~loan fund~~ through a dedicated financial agency to take up energy efficiency projects on the demand side.

xi) Assist in all the ~~[illegible]~~ barrier removals in promoting flyash products particularly in the areas of construction, road formation and back filling of mines.

Jefferson B. Seabright
02/01/2000 06:19:32 PM

Record Type: Record

To: Roger S. Ballentine/WHO/EOP@EOP
cc:
Subject: Initial Thoughts on India Deliverables

Below are some very preliminary thoughts on structuring our discussion on deliverables:

1. **Joint Statement on Clean Energy** would include three basic elements:
- reference to working together on Kyoto mechanisms per Richardson statment (and proposed Climate Change Working Group);
- Indian statement of intent to reduce energy intensity of economic development, possible national or sectoral energy efficiency goal TBD (expanded para 10 of Richradson statement);
- new bilateral cooperation on clean energy and business development (see #2, 3 below).

2. **Clean Energy Bilateral Assistance Deliverables**:
- USAID ECO
- USAID GEP
- USAID SARI

Total of these efforts is $100 million; none require sanction actions (although USAID would like SARI to be waived as an economic growth activity, not climate).

3. **Clean Energy Trade Deliverables**:
Create *Binational Energy & Environment Forum* (*BEEF* -- but this may not work in a Hindu country) to focus on accelerating commercialization of clean energy technologies through private sector partnerships and programs. This forum would have two related but separable components: a business and trade track and a government to government track. The business/trade track would include:
- Memorandum of Cooperation from EXIM for lending commitment of $100 million;
- OPIC partnership with Power Finance Corporation;
- Establishment of US-Indo Business Partnership (join DOE, DOC and USAID proposals on trade missions, investment conference, business outreach)

The governmental track would consist of resumption of the Bilateral Energy Dialogue .

4. **Climate Change Working Group:** TBD

POSSIBLE CLEAN ENERGY AND ENVIRONMENTAL DELIVERABLES FOR THE PRESIDENT'S PLANNED TRIP TO INDIA

A Joint DOE and USAID Paper

Background

The President's trip is a significant opportunity to make progress on a variety of key issues relating to clean energy and the environment.

Impact of Sanctions on Deliverables for India

The presence of Glenn Amendment sanctions against India blocks funding of several categories of energy cooperation absent a waiver. Energy cooperation activities related to greenhouse gas reduction such as USAID's Greenhouse Gas Prevention (GEP) and Energy Conservation and Commercialization (ECO) programs have already been exempted from sanctions by " notwithstanding authority" language in the Foreign Assistance Act. Thus, dependent upon relevant DOE legislative authorities and IWG review, it would be reasonable for proposed DOE programs addressing the same substantive topics as USAID's to be similarly exempt from sanctions and allowed to proceed. In any case, there are opportunities for the Administration to advance our clean energy and global climate change agenda in these areas without compromising other policy agendas, such as non-proliferation.

Suggested Deliverables (Grouped by those requiring an IWG Review and/or Presidential Waiver to sanctions and those that do not.)

Deliverables NOT Requiring a Presidential Sanctions Waiver or IWG Review:

1. **Announce Clean Energy Programs**: USAID is moving ahead with a $25 million Energy Conservation and Commercialization Project (ECO) which promotes regulatory reform and policy support to create market-based incentives for energy efficient services and technologies, and a $20 million Greenhouse Gas Prevention Project (GEP) which provides technical assistance to improve the efficiency of Indian power plants, promote sugar mill power cogeneration, and increase awareness of climate change issues. Both activities have been the subject of extensive discussions leading up to their being exempted from Glenn amendment sanctions under FAA "notwithstanding authority". They should be ready for Presidential announcement. The Government of India would like to see both of these programs proceed.

2. **Announce USG approval of new Activities Implemented Jointly (AIJ) projects**: These

projects are designed to reduce greenhouse gas emissions under the United Nations Framework Convention on Climate Change (UNFCCC). The proposed AIJ reforestation projects at Bagepelli and in Tamil Nadu would involve American financing and technology in conjunction with Indian firms. The Bagepelli project should be ready by the time of the President's visit but the Tamil Nadu project does not yet have a U.S. partner and might not be ready.

3. **Announce extension of the U.S. National Renewable Energy Laboratory-India Solar Energy Center (NREL-SEC) Memorandum of Understanding (MOU)**: This MOU (which expired in December 1999) would be the basis for additional USG cooperation in renewable energy technologies (USAID is already supporting renewable activities in India). Secretary Richardson announced approval of the extension of the MOU during his October trip to Delhi. The President could announce the actual extension, as well as some specific activities (if DOE funding is obtained). Implementing activities under this MOU would have to be negotiated with the Indian government.

Deliverables REQUIRING an IWG Review and/or a Presidential Sanctions Waiver:

4. **Announce Further Energy-Related Adjustments to the U.S. and/or DOE Entities List**: This would build on the recently announced removal of several Indian institutions from the nuclear "entities list" and allow even greater lab-to-lab cooperation in basic sciences and related clean energy technologies. This would facilitate cooperation with a number of Indian science labs with which work was suspended after sanctions were imposed. Inter-agency approval would be required.

5. **Announce Re-Establishment of the Indo-U.S. Bilateral Energy Consultations**: The Bilaterals would be the high-level focal point for discussing selected energy policy and technical cooperation and assistance activities, including several activities mentioned elsewhere as separate deliverables. The Bilaterals would be the vehicle for developing, negotiating, coordinating and conducting the Indo-U.S. policy dialogue on selected energy sector policy and regulatory reform in support of open markets, free trade and investment, and the deployment of clean energy technologies.

Funding activities under the Bilateral may require a sanctions waiver and would require negotiation with the Government of India, except for those USAID activities already covered by FAA "notwithstanding authority" and already negotiated with the GOI.

Technical assistance programs could include the following (Note that the funding and sanctions status of each activity needs to be clarified before moving ahead, especially to the extent that DOE's appropriation and legislative authorities are involved, instead of USAID's FAA " notwithstanding authorities".):

a. Coal Advisory Group (CAG) technical assistance: Public and private sector reps would have to be recruited by both countries in order to start the CAG. The CAG would provide expert advice on a wide range of coal pricing deregulation, coal sector privatization, coal mine rationalization, coal handling, cleaning, and combustion issues, with coal mining being a possible topic as well. The deployment of clean coal technologies and coal handling practices would be environmentally beneficial and reduce greenhouse gas emissions.

b. Minerals Management Service (MMS) MOU on oil spill clean up, etc.: This MOU was ready to go before sanctions between MMS and the Directorate General for Hydrocarbons in India. MMS does not currently have funding for this activity. Department of Interior legislative authorities vis-a-vis sanctions would need to be reviewed for this activity to go forward.

c. DOE Energy Information Administration (EIA) MOU on Energy Information Exchange: If accepted by the Indians, this MOU would allow for the exchange of information and statistics that could provide a better understanding of India's energy sector. Technical presentations on data collection, sampling, forecasting and other topics could help India be more responsive to requests for data from potential foreign investors. Other topics could include forecasting greenhouse gas emissions.

d. Implement NREL-SEC MOU: Specific activities have not been identified but in general implementation for this MOU would promote the deployment of solar energy technologies in India, and help reduce greenhouse gas emissions.

e. Motor Challenge program: Building on the cooperation under the Bilaterals prior to sanctions, this activity would build public-private partnerships that would introduce more efficient motors in Indian industry on an economic basis and reduce greenhouse gas emissions through improved energy efficiency.

f. Clean Cities program: Helping India establish its own Clean Cities program promoting vehicles powered by alternative fuels would reduce air pollution considerably, especially in major cities.

g. Technical assistance on natural gas reform: Technical seminars involving the private sector similar to what DOE organized under the Bilaterals prior to sanctions would be held. Topics would include regulatory and tariff reform as well as LNG pricing and coal bed methane. Legal advice on drafting gas laws and implementing rules and regulations could also be provided.

The Bilaterals could also be a vehicle for promoting additional areas for Indo-U.S. cooperation in energy that could include additional activities for: market-based greenhouse reduction mechanisms (such as the Clean Development Mechanism), future cooperation on vehicle technologies, clean cities and efficient and environmentally sound resource development policies.

6. **Announce the initiation of the South Asia Regional Initiative (SARI) Energy regional program to promote regional cooperation in energy development.** Announcing SARI/E would provide the opportunity for the President to delivery a message to India about: (1) the opportunity to help India shift its energy mix from "dirty coal" to cleaner energy sources; (2) its key role in influencing the region's economic and energy development; (3) its potential impact both regionally and worldwide on pollution and global warming; and (4) how cooperation with Bangladesh, Nepal and Bhutan on sustainable clean energy develop would significantly contribute to both economic development and global climate change concerns.

POTENTIAL INDIA DELIVERABLES
01/02/00

DOE

- Creation of Binational Energy, Environment and Economic Forum
- Resumption of Bilateral US-Indo Energy Dialogue*
- Working Group on Climate Change (with State)
- Clean Energy Trade Mission*
- Clean Energy Investment Conference*

Matchmaker?

State

- Communique language on climate/energy
- US-Indo Working Group on Climate Change (with DOE)
- Science & Technology Forum (climate/energy focus)

USAID

- South Asia Regional Energy Initiative (with business dialogue component); $50 million *
- Energy Conservation and Commercialization Project; $25 million
- Greenhouse Gas Pollution Prevention Project; $20 million

EXIM

- MOC with Indian entity for clean energy lending ($100 million)

OPIC

- Partnership with USEA and Power Finance Corp to promote clean energy investment
- Coal washing project in Orissa with Global Emerging Market Environment Fund

Commerce

- Re-establish US-India Commercial Alliance with energy sector focus
- Bilateral MOUs with DOC agencies (NIST, NOAA)
- Trade Mission on Energy Savings Performance Contracts
- Specific transactions:
    - Shrinagar hydro escrow account
    - TDA/GOI agreement on gas pipeline regulatory issues
    - Extend mega status to CMS/Unocal gas project
    - Extend mega status to Enron's Dahbol
    - Support Enron gas pipeline project
    - GOI purchase Enron gas for Gujurat
    - Indian railways GE technology
    - ICF Kaiser Calacutta tramway
    - BBI Power Kishnapatnam project
    - Jegurupadu project
    - AES distribution project in Orissa
    - PPI Power Duburi project
    - LNG supply to Gopalpur complex
    - Nepal/GOI on hydro power

To: Grant Anderson@ANE.ESA@AIDW,James Dzierwa@ANE.ESA@AIDW,Joseph Carroll@ANE.ESA@AIDW,Robert Randolph@ANE.AA@AIDW
From: Linda E. Morse@DIR@NEW DELHI
Cc: Barbara Bever@DIR@NEW DELHI,Jim Bever@DIR@NEW DELHI
Subject:
Attachment: POTUSNEW.DOC
Date: 01/19/2000 7:26 AM

Attached please find what I hope will be the master list of USAID suggested POTUS events, sites, delivera etc. DO NOT USE WHAT ANE PREPARED IN DRAFT. If ANE and/or G have other ideas please let us know. If you object to any of these ideas please let us know. This document has NOT yet been shared with the E so I do not know if the Ambassador objects to any of this. I will show it to him on Friday, January 21. Pl know how the NSC meeting turns out.

As you can see, some of these events are more well developed than others. Some were sites for the VIP have just hosted. I dont know if that makes them more or less attractive to the President's trip planner course, we have no idea what the GOI thinks of any of this. We understand that there is an advance tea on February 1.

Please do NOT in open messages again refer to the proposed dates of the visit. While this information unclassified in DC it is tightly held here. We have zapped all messages with this information.

If the meetings at the NSC are going to proceed sectorally we still need to be in all of them including th pertains to the S & T Forum (which includes both health and info tech info of interest to USAID), Global Change/Energy and Environment, Economic/Trade Issues, Health Issues, etc. The only time we dont nee at the table is on issues of non proliferation, terrorism, etc. Good luck.

Possible POTUS Events/Deliverables – USAID/India suggestions

1) Theme: The Technology Revolution Past and Present

Location: Flight to Lucknow (55 minutes) and Helicopter ride (20 minutes) if POTUS goes to campus in Kanpur. Could also be done in New Delhi.

energy related?

Event: IIT Kanpur is rated the #1 Technical University in India. It was built with USG funds; and the curriculum was designed by MIT and faculty trained at MIT, Cal Tech, Carnegie Mellon, Case Western Reserve, Ohio State, Princeton, Purdue and University of California. Funding for this University was a USG deliverable from President Kennedy to Nehru during his first trip to Washington as Prime Minister. At this event the 50th anniversary of US assistance to India could be celebrated. The President would receive an honorary degree and make an IT speech, or speech on future of Indo US relations. IIT Kanpur represents the best of the past relationship, and basis of new relationship (exports most software engineers). Presidents of the founding US Universities could accompany.

Time: half-day with travel time if in Kanpur. Event is one hour if not in Kanpur.

Deliverable: a) Announce India's participation in the Presidential IT initiative, and/or b) announce new US—India S & T Forum.

2) Theme: Village Visit: Health/Family Planning

Location: Villages can be located within 30 minutes of Kanpur, and somewhat further away from Agra (45 minutes from Taj, closer to Fatehpur Sikri) and 45minutes—one hour from Hyderabad.

Time: 2-3 hours total depending on location

Event: If the President goes to Kanpur per above or to Agra (Taj Mahal) or Hyderabad we can arrange for him to visit a village where he will be able to view a "health day"—children being immunized, health education for women. Given the politics re family planning funding in DC this may be just the right time to do this…or just the wrong time. Someone there would have to gauge this factor. CODELS Gephardt and Daschle visited a village outside of Agra.

3) Theme: Climate Change

Event: The President could visit the office of the National Thermal Power Corporation of India in New Delhi, meet with a roundtable of Indian and American private power producers, or with the same group at the Training Campus of Bombay Surburban power company, the oldest private power producer in India. Alternatively, the President could travel to the Dadri Power Plant (15 minutes by helicopter from New Delhi) with the Power Minister and/or Prime Minister, to ENRON's power plant in Dahbol (one hour flight from Bombay)or finally to Bombay Suburban's (BSES) power plant one half hour from Bombay.

NTPC is the largest power producer in India, is committed to energy efficiency targets, and has received USAID support to improve energy efficiency in its plants which is already reducing carbon emissions by the millions of tons. ENRON is the first large foreign power project to be approved and completed. ENRON has made long term substantial commitments to the Indian power sector. It would be a good partner for Clean Development Mechanism projects under the Kyoto mechanisms. Bombay Suburban is the oldest private power company in India, and has the best record in terms of transmission, i.e. the lowest transmission losses. BSES is a leader in power sector reform. BSES is also developing a world class training center for power companies and utilities in India and in South Asia. BSES received USAID support in the form of a partnership arrangement with an American utility.

Time: 1 hour if the Delhi office is visited, 1-2 hours if the Bombay site (BSES office), 2-3 hours for either of the power plants.

Deliverables: The President and PM or FM announce the establishment of a joint working group on climate change and jointly announce energy efficiency "targets" for each government. The President announces the new regional energy project—SARI.

4: Theme: Children, Democracy and the Future

Event: CASP (the Indian equivalent of Foster Parents Plan International) has formed Children's Congresses in slum communities and villages throughout India. These are children generally from 8—16 who decide on the children's' platforms and issues in their communities and proceed with CASP help to educate adults, lobby local governments and politicians, etc. In New Delhi they have taken on the issues of child marriage and environment. CASP could collect 150—200 child "Congressmen and women" from around the country and bring them to New Delhi where they would meet the POTUS and President of India and discuss children's' issues and aspirations.

Time: 1-1/2 hours in the Presidents House in New Delhi

Deliverable: a) India can be part of IT initiative and/or b) a few computers and printers to each Congress Office of CASP. As in the US, increasingly the difference between rich and poor will be access to information technology. FYI recently Rep Gedjenson visited the New Delhi Children's Congress.....Every child in the Congress watched television.... Not one had ever touched a computer.

5) Theme: Children, Education and the Future Continued: Deepalya School, New Delhi

Event: This is the largest non-governmental school in New Delhi. It serves poor children in a large slum community, including street children and disabled children. Enrollment and completion ratio is about 50-50 boys and girls. As with CASP per above, the difference between the poor and non-poor, in India as well as in the US, will be access to information technology. These children get a good education (comparable and even superior to Indian public schools) but have no access to computers. Secretary Summers visited this school.

Deliverable: a computer lab for the school (computer printers, power packs, etc) This is a great photo op where statements can be made re access to info tech and its importance for everyone.... its ability to serve as an "equalizer" in society.

6) Theme: HIV/AIDS

Deliverable: Announce funding for India from new HIV/AIDS presidential initiative—"LIFE". USAID proposes to use new funding for national information resource center, and perhaps a business initiative. CDC also has funding from this initiative. Announce new programs for children at special risk for HIV/AIDS. USAID is about to complete 3 new grants in this area with existing funding—two for Indian NGOs and one for Project Concern International.

Site: Delhi or Mumbai – In Delhi the President could visit the shelter for female street children run by Salaam Balaak Trust (an Indian NGO set up by Indian film director Meera Nair after her successful film Salaam Bombay). Girls on the street are at particular risk of sexual exploitation and HIV AIDS. USAID has provided support to this organization for shelters for street children and HIV/AIDS education.

Visit to Salaam Balaak would take 2 hours including transportation. We do not yet know travel time to the two organizations in Bombay.

7) Theme: E-Commerce and the Poor

Event: POTUS could visit an anti child labor organization called TARA in New Delhi. This group trains the adult family members of child laborers in crafts production to offset the income of working children and exports those crafts, as well as providing schooling for the children. The Tara office is 40 minutes from the Embassy. POTUS would meet children freed from child labor and talk to their parents who are now crafts exporters. He will then be able to sit down at the computer and call up the web site and order these crafts from the Internet. Tara has been working with Peoplelink under an AID grant to establish its website, and enter the world of E-commerce.

Time: 1-1/2 hours

Deliverable: India can be part of Presidential Initiative on Info Tech.

8)Theme: Trafficking

Event: Visit centers either in Bombay or New Delhi that shelter trafficked women and their children.

Time: 1-2 hours in either city

Deliverable: More funding for region from FY 2000 ESF (Currently 1-2 million set aside for this)

9)Theme: Microcredit

Event: This is a photo op where the President can make a statement re the status of women. There are women's microcredit organizations in all of the currently identified possible POTUS sites—Bombay, Delhi, Hyderabad, Kerala, and Bangalore. USAID has funded technical support to a few of these organizations to professionalize their lending programs. We can work with the advance team depending on sites selected. Of the cities/states currently on the list there is one AID assisted credit organization in Mumbai that focuses on slum upgrading. We could assemble about 40 credit groups in Bangalore for a discussion of credit, and/or there are at least 3 AID assisted groups in Kerala (in the cities of Aleppe and Trivandrum).

Time: 1-2 hours including travel

Deliverable: none

10) Theme: Urban Infrastructure--the Tirrupur Water System Project

Urban India faces enormous infrastructure constraints that harm people and endanger the world environment. The only way to improve this situation is through greater private sector participation in the financing and operating of urban services. The Tirrupur project is India's (and South Asia's) first financially sustainable, urban water and sewerage system to be operated by the private sector. Funds have been raised from government as well as from the market partially based on a USG guaranty. The project total is $250 million plus and the winning contractor is Bechtel. We are waiting final date for financial closure but it is expected to occur in February or March.

Event: The POTUS could announce the project with the Chief Minister from Tamil Nadu (in New Delhi) and discuss the importance of urban issues in a modernizing and urbanizing India where almost 300 million Indians live today and where more than half of India will live within a generation.

11)Theme : Biodiversity and biotechnology

Visit the USAID financed, world-renowned National Plant Genetic Resource Bank in New Delhi and give a speech on the second green revolution and the importance of both protecting plant biodiversity and biotechnology. NPGBR is the second largest gene bank in the world after the USG's gene bank at Fort Collins Colorado and is essential in the world's sharing of plant biodiversity.

Time: 1 hour

Should the President Visit Hyderabad:

12) Event: Speech at the International Ag Research Center (USG funds about $2 million per year) (ICRISAT) on the second green revolution and the issue of biotechnology. 1-1/2 hours

13)Hyderabad is also the site of India's largest microcredit organization (SHARE) and some of its best child labor and girls education programs (the MV Foundation). There are also villages within range of Hyderabad, which the President could visit per village health days above. We can develop these sites with the advance team arriving o/a February 1, 2000.

14) Theme: New Technology and Climate Change

Event: The President could visit the REVA auto plant in Bangalore where they are going into mass production of the REVA electric car. USAID supported the design and the US Indian joint venture that is now producing this car. The president could drive the car, and talk about energy efficiency, pollution reduction, and climate change. In addition, we would arrange to have other alternative energy vehicles at the plant (2 and 3 wheelers and other electric cars being developed in India some with some without USAID support)—an alternative transportation "fair."

Time: 1-2 hours

Deliverable: see climate change above.

15)Theme: Health/Communicable Diseases

Event: There will be a National Immunization Day on March 26 in six states including Uttar Pradesh, and Rajasthan (among states currently being considered for POTUS visit). The President could visit a clinic/ community in Agra, or in Udaipur or other locations in Uttar Pradesh and Rajasthan, even if prior to the actual immunization day to increase publicity around the upcoming event. Many donors including CDC and USAID for the USG support the national polio program.

Timing: No more than one hour in any location.

16) Theme: Investment Promotion

Foreign investment in India both portfolio and direct investment are constrained by a capital market which does not meet international standards for efficiency and transparency. Many investment instruments do not exist and long term funding for infrastructure investment is non existent. Prior to the imposition of sanctions USAID financed a very successful program to work on these issues. As a result, the first municipal bond was issued, and the establishment of a national depository and other improvements to the Indian regulator (SEBI) and Indian banking and capital markets legislation were beginning to work.

Event: POTUS could visit the stock exchange, discuss capital market reform with regulators and investors, promote further privatization of state owned enterprises, etc.

Deliverable: announce the lifting of the sanctions on USAID's FIRE project and/or USG assistance in general (depending on status of Talbot talks). (The wider waiver would potentially cover the regional energy project as well.)

Should the President visit Kerala

17) Cochin the historic city of Kerala received USAID support prior to sanctions to improve its historic preservation and increase city revenue from tourism, and to design improved drainage systems to prevent flooding from the many canals. This was done in preparation for working with this city on a municipal bond or other private sector approach to improve its infrastructure. In this regard, USAID supported the partnership of this old

port city with Charleston South Carolina. Sanctions interrupted this program.

If the president visits this city he could take part of the historic walking tour visit the old spice trading areas, the 16th century Jewish area including synagogue, etc.

Time: 1-2 hours

Deliverable: Announce resumption of support to Cochin...i.e. lifting of sanctions on non basic human needs bilateral assistance.

January 17, 2000

To: Roger Ballentine
From: Jeff Seabright
Re: **POTUS India Visit**

This memo outlines a range of possible ɩate change/clean energy deliverables for the POTUS visit to India .n March, building on communications with USAID/India and Katie McGinty (e-mails attached). If you agree with the ideas proposed here, we should touch on them at Tuesday's oversight meeting and convene an inter-agency meeting by Thursday, with a view towards generating a memo from you to Podesta and Steinberg by the end of the week outlining the proposed construct.

Three broad and related baskets of issues define our climate/energy agenda and the range of possible deliverables (and track Katie's proposed issue areas):

1. Diplomatic Agenda
2. Policies and Goals
3. Trade and Investment.

The visit of the Power Minister on January 24 will be the first opportunity to float some of the new ideas and to follow up on existing proposals. We should work closely with Richardson and Ambassador Celeste to script our discussions with the Minister -- and to follow up in New Delhi.

1. Diplomatic Agenda

A. *Indo-US Working Group on Climate Change* . Richardson proposed this following his October statement; we may hear initial Indian reactions with Kumarangulam's visit next week. The establishment of the WG could be announced in March. The working group need not be tied exclusively to the BAPA agenda, although it has been proposed that it be co-chaired by State and MOFA. Sandalow's December 23 letter to Alok Prasad at MOFA makes clear State's desire to have the working group focus on Kyoto mechanisms pre COP 6. Katie states that the UK and Brazil may be prepared to join such a dialogue.

B. *High Level Dialogue* pre-COP 6?

C. *CDM Project Development?*

D. *Other?*

2. Policies and Programs

A. *Prime Ministerial Goal*: Given the range of energy efficiency policies and programs India has underway, it may be possible to envision the PM articulating a "no regrets" voluntary national goal to further increase energy efficiency by x% by a date certain. A less ambitious proposal would be to set a sectoral goal – or one for a powerful parastatal like NTPC. This idea has been discussed with USAID/India and they are working to establish the building blocks for such a goal in efforts and policies already embraced by the GOI. USAID reps met last week with Sashi Shakar at the Power Ministry (see email attached) who seemed positive about a PM-level energy efficiency/GHG reduction goal. To balance this PM commitment, POTUS would have to articulate US goals, as well as continued bilateral and multilateral support for India's energy sector modernization.

How is this to be measured??

B. *Bilateral programs:* USAID has 2 new clean energy/climate programs totaling $45 million – one on energy efficiency and the other on clean energy generation – which are POTUS deliverables. Lifting remaining sanctions and new budget proposals should allow a significantly expanded DOE role as well.

different?

C. *Public-Private Leadership Council*: It might also be possible to structure a joint government–business high level effort focussed on clean energy solutions. This would allow the continuation of Katie's and CCOA's successful engagement of the private sector. For DOE this would require sanctions to be lifted. This would need high-level commitments and could, at least for the private side, be structured by the US Energy Association which has deep ties. This effort could be in tandem with or a replacement for the Climate Change Working Group already proposed.

?

C. *Regional Energy Cooperation*: South Asia Regional Initiative (SARI) is a $45 million USAID program to strengthen cross-border energy trade among Nepal, India, Bhutan and Bangladesh. Large potential climate benefits. If sanctions are waived for this program, it too could be a deliverable. Sharing Nepal's hydropower and Bangladesh natural gas reserves in South Asia could pave the way for a cleaner regional; energy economy.

D. *Multilateral:* Support at MDB's for loans for transmission modernization and other efficiency improvements. Other? This is Treasury's arena.

3. Trade and Investment:

A. CCOA Business: USAID's Climate Change Outreach and Awareness (CCOA) program – with Katie's considerable help – has developed a strong network of Indian business interested in generating clean energy/CDM projects. Some dedicated follow-on phase to this effort, perhaps in the form of a pre-feasibility study cost share program, would help carry this momentum forward. USAID would be the logical choice to lead since they have resources, but if we do get new monies in the global initiative, DOE could and should play a role here.

aren't we past this?

B. Matchmaker Initiative: Given the large potential interest on the part of Indian companies in finding investors, partners and technology vendors for clean energy solutions, a new "matchmaker" initiative could be created with USAID and Commerce to expedite and nurture such ventures. The US Asian Environmental Partnership makes most sense to lead this effort.

what is this?

C. Project Development Fund: We might also structure a "one stop shop" function for TDA/OPIC/EXIM on the back side of the matchmaking so that USG support for qualifying deals would be highlighted and expedited (similar to the EXIM $100 million for China). Given that one of the impediments to the deployment of high first cost clean energy technologies (renewables and clean coal both fit in this category), it may be possible to establish a MOU that would allow the two sides to bundle sufficient project solicitations to lower costs. This would be a new initiative flowing from the "Clean Energy for the 21st Century" initiative.

D. *Specific Clean Energy Deals -- MOUs/Statements of Intent*: ????

Next Steps:
Meeting with David Sandalow and regional bureau rep (State), Mike Copps/ Alan Bowser (Commerce); David Hales and Bob Randolph (USAID); Kate English and David Goldwyn and David Jhirad (DOE); Ian Bowles (CEQ/NSC); Other NSC staff?

Attachments: Dick Edwards emails, Katie's letter to Podesta

ATTACHMENTS

A. EMAILS FROM DICK EDWARDS, USAID/INDIA

Hi Jeff,

Thanks for your message. My email address is riedwards@usaid.gov and Linda's
is limorse@usaid.gov, so please resend the attachment you mentioned in your fax.

I have a few initial reactions to your POTUS ideas, but will be discussing in more detail with Kavita, Linda and other team members in the next day or two. You should be aware that the embassy (including AID) is swamped with several CODELs this week and Larry Summers next week, so GCC issues are not a
top priority for the Ambassador and others right now. Nonetheless, a letter from Bill Richardson to Jaswant Singh (and a similar one to power minister Kumaramangalam) on the climate change working group concept was delivered last week and the DCM will follow-up with Alok Prasad (Ministry of External Affairs) as soon as his CODEL-filled schedule allows. The Richardson letter builds on the Joint Statement signed with Singh when he was out here in October, which lays the foundation for a further deliverable during the POTUS visit. The Joint Statement itself was the culmination of much of the work done under the GEP-CCOA, including the stellar performance of Katie McGinty and Karl Hausker during their one year sabbatical here. As you know, we have a GCC strategy that seeks to get the Indians to take credit for the work they've already done on GHG reduction and move from their intransigent stance during the treaty negotiations. NTPC is probably the furthest advanced within the GOI in terms of bragging about their accomplishments in reducing CO_2 emissions, mostly as a result of our TA. The CCOA work has included a number of workshops, conferences and the Indo-US Business Dialogue led by Katie to DC last May. We now have a core group of Indian businesspeople that are actively developing a pipeline of GCC projects for pre-CDM funding (eg. Prototype Carbon Fund) and developing a fairly sophisticated understanding of what it will take to make India competitive for the eventual CDM market. I agree with Amit and Tom that a PM pledge on GHG reduction/energy efficiency targets will require champions within the bureaucracy (Rajendra Singh, Chairman of NTPC comes to mind, as does Ministry of Power), but the business community plays an important policy-influencing role here and will continue

to do so - so it'll be important to get them to take this mission on as well. CCOA can definitely support this attempt for a PM announcement, but you're right about the time frame being tight.

There have been some promising developments lately - Vijay Sharma, chief GOI negotiator on Kyoto recently attended a CCOA workshop in Ahmedabad on GCC policy and came away with a much-enhanced understanding of the level of sophistication among the business community on GCC issues. He called me the day after the workshop and asked if he could have a briefing on our GCC/CCOA program - we went to his office and gave him a full two hour presentation, with lots of questions from him. He seemed very impressed and thankful - a marked shift in attitude from past encounters when he was very difficult to deal with. There are rumors of a shake up at the environment ministry with a more GCC-friendly Secretary being talked about - in fact one of our CCOA "champions" - but the rumors remain unconfirmed.

We've also been approached by the Director of the IAS officer (the bureaucrats that run the GOI) training academy in Mussoorie and the Ministry of Power to help them put on a workshop on energy efficiency and climate change - and perhaps launch a full curriculum on these topics. They mentioned this was being considered as a GOI deliverable for the POTUS visit, but we're not sure what that really means at this point.

If we could get enough ducks in a row (and it will take the Ambassador, Sandalow/Ballentine's February visit, phone calls from Katie, and any other big guns we can mobilize) I could envision a PM-level statement which would build on the Joint Statement, the successes of NTPC and interest of MOP in training IAS officers, energy efficiency (the Energy Conservation Act will be tabled next session of parliament), and the business community's interest in things GCC. You can be sure it will fall short of anything resembling "commitments" in the Kyoto context, but it could state energy efficiency and sustainable development as national goals and pledge to work with the US on GHG reduction through GEP, ECO, etc. For our part, we suggested over a year ago that the GEP expansion ($20 million) and ECO ($25 million) would comprise a nice $45 million POTUS deliverable. GEP is rolling ahead with the RFP out last week, ECO is hung up in the bureaucracy at present but should shake loose soon - we're targetting a March 1 contract award under the Energy IQC.

To make a long story short, we're ready and able to support such an effort through the CCOA mechanism, but it will take the Ambassador's good offices, the White House, probably Katie-from-a-distance and others to pull it off. As I mentioned at the outset, it will be difficult this week to get much attention from this end due to the CODELs. In any case, let me discuss further with the team and let us know your reaction to the above.

Thanks and enjoy the islands (its sooo gray and chilly here in Delhi!)...Dick

Dick Edwards
Director
Office of Environment, Energy and Enterprise
USAID/New Delhi
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email: riedwards@usaid.gov
Visit our website at http://www.info.usaid.gov/india

Jeff -

I hope you already received the message below, but am resending it to be sure. I also wanted to update you on a meeting I had today with Shashi Shekar, Director (Thermal) Ministry of Power, who has been tasked with drafting a response to Sec. Richardson's letter to Minister Kumaramangalam regarding establishment of the Indo-US Working Group on Climate Change. He is favorably inclined to setting up such a working group and said that the MOP will respond directly to Ambassador Celeste since he had conveyed the Richardson letter to the Minister.

Shekar laid out some areas of interest that he would like to see the working group address. He referred to the Joint Statement signed by Richardson and Jaswant Singh as the basis for ongoing Indo-US cooperation in the energy field under this proposed working group. Specifically, he would like the working group to tackle:
- a variety of energy supply and demand issues, and
- CDM - specifically, capacity building for CDM, including monitoring and evaluation, certification issues, and baselines. He expressed particular interest in US assistance to operationalize CDM. I mentioned our GEP program and subsequently sent him some detailed material describing our ongoing efforts on the GCC front.

I took the opportunity to mention to him the idea of a PM-level declaration of energy efficiency/greenhouse gas reduction goals, and his response was positive. There are a number of stated goals on record already, including in the latest 5-year Plan, in the text of the draft Energy Conservation Act, from NTPC, etc. Our staff is now in the process of putting these together to get some rough idea of what an overall goal might look like that might also be reasonable to the GOI (in a sense taking credit for what they are already doing, and then perhaps seeing how much further we can push it).

I was heartened by Shekar's reference to the Joint Statement and apparent eagerness to engage the US in the working group on specific climate change issues, particularly CDM. He even asked me what I'd like to see the working group handle, which is when I mentioned the idea of a PM-level goal statement.

Let's see what they actually come out with in terms of a formal response to Richardson's letter, but early indications are good.

Please confirm that you've received this email and we'll be in touch.

Best regards,

Dick

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---------- Original Text ----------

B. EMAIL FROM KATIE MCGINTY

January 16, 2000

Mr. John Podesta
Chief of Staff
The White House
Washington, DC

Dear John:

Warmest New Year Greetings. We can only imagine that the "holiday glow" has long since faded for you in the course of the usual speed of work and events in the White House. But, we do hope that you had some very good, restful and happy time with family.

We now are also a "family." You may have heard our wonderful news: as a perfect end to a terrific year in India, on December 15th we succeeded in adopting twin girls. We have named them Alana Emily and Tara Ann. They are nine months old now and a tremendous joy to us. We are finding parenthood to be the most rewarding-but also the most challenging-effort we've ever undertaken. Returning to the Washington scene seems easy by comparison!

With the upcoming trip of the President to India, we wanted to share with you a few ideas that can build on the momentum we were able to help generate there on the climate change issue. In short, if the Administration speaks clearly, consistently and persistently on climate as an agenda item for the President and Prime Minister, the Indians will partner with us and help us make significant strides on this issue. The Indians are now eager to engage with us on climate. But, it will be up to the Administration to make clear the priority we attach to this matter.

As you know, we were able to accomplish a great deal with Indian government and business leaders on this front. The Joint Statement on energy and climate change signed by Energy Secretary Richardson and External Affairs Minister Singh on October 26th in Delhi represented a sea change in prior Indian policy and opinion on the climate issue. The President can solidify the commitments made in the Joint Statement and convert those words into actions that can and will dramatically move the international debate forward. On the contrary, if the Administration fails to pursue this matter intensively with the Indians during the President's visit, the momentum will be lost and in fact, the international effort will suffer significantly as the seriousness of purpose of the US will justifiably be open to question.

The following represent three initiatives the Administration can put on the table for the President's visit. They are in the areas of diplomatic advancement on the continuing climate negotiations; demonstrations of US and Indian domestic commitment to clean, "energy-lean" economic growth; and promotion of renewable and energy efficient technologies. Taken together, these initiatives can very meaningfully advance the Administration's efforts on climate change.

Diplomatic Advancement: As you may know, to follow up on his visit to India in October, Secretary Richardson wrote to Minister Singh suggesting, among other things, that an Indo-US working group on climate change be set up at the Assistant Secretary/Joint Secretary level. The group would aim to resolve differences in US and Indian positions and then build a broader consensus by bringing other developed and developing countries into the dialogue as well. There are indications already that, should the US and India undertake such an effort, Brazil and the UK would be eager to join. It would be very significant, indeed, if the President and the Prime

Minister were to announce the establishment of such a working group and charge it with developing a statement of principles on the major issues that remain in the continuing climate negotiations by a date certain.

One very important note in this regard: from conversations with various Administration officials, it seems that there is a sense that the Indians have reservations about the Kyoto Protocol and therefore may not be interested in advancing the post-Kyoto negotiations. This impression is in error. In fact, the Indians added reference to the "Kyoto Mechanisms" in the Joint Statement beyond those that appeared in initial drafts. The Indians are signatories to the Protocol, and they take that commitment seriously. However, India will oppose the notion that it should undertake legally binding emissions targets (a position shared by nearly all developing countries). The Administration should not attempt to persuade India to adopt such targets. In contrast, India is very much interested in working with the Administration to implement the modalities in the Kyoto Protocol that the Administration fought hard for, and that are aimed at securing the meaningful participation of developing countries-including in particular, the Clean Development Mechanism.

Domestic Clean, "Energy-Lean" Growth Commitments: President Clinton has issued several Executive Orders that quantify reductions in energy use/greenhouse gas emissions to be achieved by the various Federal agencies. We understand that additional such orders may also be in preparation. The results to be achieved by these initiatives should be added up so that a comprehensive energy use/greenhouse gas emission reduction target for the Federal government could be announced by the President. If this is done, the Indians could be encouraged to announce a similar effort. For example, the GoI could set an efficiency target (in terms of energy or CO2 per kilowatt-hour) for the operations of the state-owned National Thermal Power Corporation (NTPC). Given that NTPC controls some 60-70% of electricity generation in India, a commitment pertaining to NTPC's efforts would be quite significant. Our dealings with the Chairman of NTPC, Mr. Rajendra Singh, convince us that he is ready-indeed eager-to undertake such an effort and could be be ready with a commitment in time for the President's visit. U.S. technical assistance to NTPC would allow an ambitious commitment.

Promotion of Renewable and Energy Efficient Technology: As a result of extensive outreach work sponsored by USAID that we participated in, many businesses in India have now developed proposals significantly to reduce the amount of greenhouse gas and other pollutants generated by their operations. These proposals would aim to harness renewable energy technologies and/or reduce energy use per unit of output. The business leaders concerned are very much interested in partnering with US firms to demonstrate the "win/win" potential of the Kyoto Mechanisms, and the Clean Development

Mechanism in particular. Two initiatives should be considered by the Administration in this regard: first, funds currently being deployed for climate-related ~~activities~~ by the Department of Energy and USAID should be directed at project support (rather than, for example, to further study or assessment of energy ~~needs and efficiency potential~~). These funds can and should be enhanced by, for example, Department of Commerce funds aimed at promoting the export of US environmental technologies. New funds likely would not be necessary to support one or more of the Indian clean technology projects if current funds were combined and directed at this purpose. Second, a modest sum of money should be made available for a "Matchmaker Initiative". That is, the President could announce th~~at one~~ (or a combination of several) federal agencies will issue a contract ~~to~~ an individual or organization with the express purpose ~~of finding~~ willing US business partners to tie up with the Indian firms now eager to engage in partnerships and transactions like those to be enabled by the Kyoto Mechanisms. As noted, only modest sums would be necessary to launch this initiative. Indeed, since carbon reduction units will be generated by these partnerships and transactions, compensation to the "matchmaker" individual or organization could be some combination of cash and carbon units. — Not sure

In addition to these climate initiatives, we strongly recommend that the President consider lifting all sanctions on environmental assistance to India in general. This is justifiable on humanitarian grounds alone, given the terrible toll on human health caused by air pollution, water pollution, and inadequate waste management. India would benefit enormously from technical assistance, especially from EPA, on a whole spectrum of environmental problems.

We hope these ideas are helpful to you and the rest of the Administration team in planning the environmental portion of the President's trip to India. If initiatives like this are articulated clearly to the Indians, we believe strongly that the Indians will agree and will partner with the US in this regard. And, if that is achieved, the international effort to combat harmful climatic change will very substantially be propelled forward. President Clinton could be the architect of an international consensus on this critical matter.

We will be back at our home in Arlington starting January 24, 2000. Our number there is 703-522-6430. Our email addresses are: kamcginty@hotmail.com and khausker@hotmail.com. Prior to the 24th, we can be reached in Philadelphia at 215-598-3121. Please feel free to contact us directly or to have one of your staff call if we can be of any help to you.

All the very best to you, John, and we will look forward to seeing you soon.

Sincerely,

Hon. Kathleen A. McGinty　　Karl Hausker, Ph.D.

cc: George Frampton
Jim Steinberg
Roger Ballantine

: 7bit

The 20 March CII Event in Hyderabad

Preliminary Ideas

1.	**Venue**	At the land where the Center will be established
2.	**Tour of Exhibition** (15 minutes)	The work being done by CII, USAID, Government of Andhra Pradesh, Corporates etc to be presented in a special exhibition to be organized by CII at the venue. VVIP to walk through -photo opportunities with Indian & US Corporate Executives.
3.	**Tree Planting** (5 minutes)	VVIP to plant a sapling - the "green" symbol
4.	**Foundation Stone** (5 minutes)	VVIP to either unveil a plaque by pressing a button or, actually, lay the Foundation Stone of the Indo-US Green Business Center.
5	**Speeches**	
	Welcome & Introduction (5 minutes)	Mr. Rahul Bajaj, President, CII
	State's Commitment to "Green" Business Center and Reform Agenda (4 minutes)	Mr. N Chandrababu Naidu Chief Minister of Andhra Pradesh
	Keynote Address (25 minutes)	VVIP
	Concluding Remarks & Vote of Thanks (3 minutes)	Mr. Arun Bharat Ram Vice President, CII
6.	**Tea/Reception (15 minutes)**	
	Total Time	Item 2 : 15 minutes Item 3 : 5 minutes Item 4 : 5 minutes Item 5 : 40 minutes Item 6 : 15 minutes 80 minutes

Note: There is a plan to organize a Workshop earlier the same day, between Indian and US corporates and the Government of Andhra Pradesh, which will set the Agenda, plan of action and time-frame for the Green Business Center.

SPECTRUM OF SERVICES

- Detailed energy audit in all types of industry

  (80% of the Cell's Activity)

- In-house training programs, for Indian companies, on Energy Conservation
- ENCON Missions (organize team visits from Industry to energy efficient units to learn best practices)
- Setting up norms and standards on energy Efficiency for different sectors of Industry
- Detailed feasibility studies on Energy Efficient Technologies
- Publications on Energy Conservation (General guides, Industry-specific manuals, advanced technical documents / handbooks)
- Organising "Energy Summit" (International Exhibition cum Conference on energy efficiency)

ACHIEVEMENTS

- Conducted more than 230 detailed energy audits in companies, covering all industry sectors

- Energy savings of Rs. 550 Million ($14 Million) per year achieved

- Received "National Best Energy Auditor Award for the second consecutive year, Instituted by the Petroleum Conservation Research Association (PCRA)

- Developed unique manuals on:

  - Energy Efficiency at Design Stage
  - Applications of Variable Speed drives for Energy savings
  - Energy Efficiency In Pumps

- Developed specific energy consumption norms for energy intensive sectors:

  - Paper
  - Cement
  - Foundry
  - Mini steel

- Launched a Website on Energy Efficiency for a wider outreach to spread the message of Energy Conservation

Sector-Wise Energy Savings Achieved

	Sector	Annual Savings Achieved / year (Rs.million)	Number of Units
1	Engineering	90	95
2	Pulp & Paper	70	25
3	Chemical	210	25
4	Cement	55	20
5	Sugar	15	10
6	Textiles & Synthetic Fibres	50	15
7	Others: Tyre Glass Ceramic Food, etc	60	40
	Total	**550 ($14 m/Yr.)**	**230**

An Illustrative List of Companies Serviced in Andhra Pradesh

	Company	Annual Savings Achieved / year (Rs.million)	Type of Industry
1	Vasavadatta Cement	8.2	Cement
2	KCP Sugars Limited	2.0	Sugar
3	Madras Cements Limited	5.0	Cement
4	Sirpur Paper Mills	7.0	Paper
5	Delta Paper Mills	1.5	Paper
6	Biological E Limited	0.5	Pharmaceuticals
7	Raja Rajeshwari Paper Mills	1.5	Paper
8	Coromandel Cements	1.5	Cement
9	Grindwel Norton Limited	1.0	Abrasives
	Total	**28.2 ($ 0.7 m/yr.)**	

Energy Savings Achieved by CII :
An Illustrative List of Some Major Companies

	Company	Annual Savings Achieved / year (Rs.million)	Type of Industry
1	DCW Limited	174.00	Chemical
2	Seshasayee Paper Boards	40.80	Paper
3	Tamil Nadu News Prints Limited	24.90	Paper
4	Hindustan Paper Corporation Ltd.	20.00	Paper
5	Century Enka Limited	14.80	Chemical
6	Chettinad Cement Corporation	15.80	Cement
7	LMW Limited	13.60	Engineering
8	Sterlite Industries Limited	15.20	Metallurgical
9	Vasavadatta Cements, AP	8.20	Cement
10	Century Pulp & Paper	7.10	Paper
11	TVS – Suzuki Limited	6.00	Automobile
12	Bajaj Auto Limited	5.50	Automobile
13	Godrej & Boyce	5.10	Engineering
14	Sirpur Paper Mill, AP	7.00	Paper
15	**Other Companies (216 Companies)**	192.00	All sectors
	Total Savings Achieved	**550 ($14 m/yr.)**	

The Green Business Center - The New Millennium Initiative

(Energy and Environment Technology Cooperation for Sustainable Business Development)

A joint partnership between CII, Government of Andhra Pradesh and USAID

1. Introduction & Background:

As India enters the new millennium, there is a genuine concern about managing economic growth without depriving future generations of abundant natural resources and a healthy environment. Optimizing energy use and supply options, including environmentally sound industrial processes, is vital to meeting this challenge of sustainable development and equitable growth.

This challenge of ushering in environmentally sound, energy efficient technologies, products and services is global and depends on cooperation between developed and developing nations. Recognizing the role of businesses in addressing the "green" opportunities that are rapidly unfolding, the Confederation of Indian Industry (CII) and State Government of Andhra Pradesh plan to establish a Green Business Center (GBC) at Hyderabad, the state capital. Recent discussions between CII and Shri Chandrababu Naidu, Chief Minister of Andhra Pradesh have been most encouraging and characterized by a strong show of support. As a gesture that is indicative of his interest, the Chief Minister has offered land and infrastructural facilities as the state's contribution towards the establishment and functioning of the Green Business Center. Furthermore, the Chief Minister and the CII have evinced keen interest in President Clinton inaugurating the Center during his forthcoming visit to India,

The proposed inauguration of the Green Business Center by President Clinton is the natural culmination of recent Indo-US bilateral initiatives that CII has been privileged to host. Under USAID sponsorship, CII has initiated activities aimed at enhancing energy efficiency, environment protection and the commercial development of renewable technologies. CII is also the designated center for USAID's Global Climate Change Awareness & Outreach program aimed at promoting business partnerships to reduce Green House Gas emissions

Recognizing that cooperation on climate change needs to be built on a common understanding between developed and developing country businesses, the CII initiated the process by organizing in May 1999 an Indo-US Business Dialogue between a group of leading CEOs and senior business leaders from India and the US. This initiative was furthered during the visit of US Energy Secretary, Bill Richardson to India in October 1999. The visit was marked by the signing of the Indo-US Joint Statement between Shri Jaswant Singh, Foreign Minister and Secretary Richardson where the two countries agreed to cooperate within the framework of the Conference of the Parties and the UN Framework Convention on Climate Change, and work towards early agreement on the elements of the Kyoto Mechanisms.

The Green Business Center proposed by CII and the Government of Andhra Pradesh is thus a logical conclusion to the preceding sequence of Indo-US events aimed at promoting and fostering energy efficiency and clean technologies in India. It is expected that the proposed US support through the participation of President Clinton will provide a high degree of visibility and recognition in India, US and the rest of the world. This would enable CII to rapidly build upon the good will and international support that would surely follow.

2. The Green Business Center - Brief Description and Objectives

The Center would advance the public policy goals of sustainable development, efficiency and equitable growth through catalyzing private sector business motivations. To this end, the GBC would follow two guiding principles. Firstly, it will assist Indian businesses create the demand for appropriate, effective and efficient energy systems and environmentally sound technologies, i.e. available commercial technologies that provide energy and industrial processes and products at the least cost, both economically and environmentally. This would entail assisting Indian industry to develop the technical and analytical skills to use the technology and to design least cost green house gas emission reduction strategies. Second, the private sector would be the primary means of technology transfer through international trade in goods and services and investment. This would entail promoting and fostering opportunities available through global agreements such as the Clean Development Mechanism for mitigating carbon emissions.

When fully functional, the GBC will have state-of-art facilities for networking, conferencing, training, library services & documentation and information dissemination on clean energy and the environment. It is planned to focus on:

- Clean production technologies;
- Energy efficiency projects in supply and use;
- Renewable energy technologies and programs;
- Policy planning and research;
- Climate change awareness programs;
- Business development and demonstration of green house gas mitigation;
- Facilitating ISO 14001 implementation and certification;
- Environmental benchmarking; and
- Greening the supply chain.

The Partners:

It is proposed that the Green Business Center is established through the partnership between the State Government of Andhra Pradesh and the CII (with support of its corporate members from industry), and with the initial sponsorship of the USA through technical assistance and other forms of support that are possible under USAID's bilateral energy/environment programs.

USAID Environment USAID india

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Development Challenges

- India is the world's sixth largest and second fastest growing producer of greenhouse gases.
- Delhi, Mumbai and Chennai are three of the world's ten most polluted cities.
- Two-thirds of city dwellers lack sewerage; one-third lack potable water.
- India grows equivalent of another New York City every year in its urban population.
- By the year 2000, more than 350 million Indians will live in cities.
- In 15 years, more than half of Indians will be urban dwellers; 1/3 will be slum dwellers and squatters.

NEW USAID's $33.4 million ECO project targets greenhouse gas reduction through market-based incentives.

NEW USAID and the Society of Indian Automobile Manufactures (SIAM) sponsored the first ever series of free inspections and maintenance camps for two-wheeled vehicles (scooters and motorcycles).

To fuel economic growth, India needs power and lots of it. India is burning inefficient high-ash coal as the primary method of producing electricity. And this means major releases of greenhouse gases. In fact, the power sector alone accounts for 48 percent (or 71 million tons) of India's carbon emissions. In addition, most of India's commercial sector depends on inefficient coal and lignite for its energy needs, further contributing to India's emissions of air particulate matter and greenhouse gases. Yet, India's current power capacity falls 30 percent short of demand. Future growth will require a doubling of power-producing capabilities.

Urban centers are the engines of economic growth, but also require necessary environmental infrastructure and services. With the urban population nearing 350 million, and many of those slum dwellers, the demand for water and sanitation services is growing faster than the cities' ability to supply.

Activities

USAID's energy- and industry-related activities include promoting clean energy development, efficient energy use, and pollution reduction in key industries (textiles, cement, fertilizer, and steel), especially with regard to greenhouse gases. USAID is strengthening incentives for the adoption of clean technology practices and certified environmental management systems that are climate friendly, thereby reducing greenhouse gas emissions. USAID also advises local governments on approaches to improve urban water and sanitation, such as the use of municipal bonds to finance infrastructure projects. USAID is also working directly with NGOs to improve community environments, clean up waterways, and improve access to municipal and financial services for low-income families.

Success

In the state of Haryana, USAID identified and developed projects worth $40 million for the World Bank to improve low-tension electricity distribution. USAID technical assistance in the states of Punjab, Haryana, and West Bengal is helping establish State Electricity Regulatory Commissions to improve power sector efficiency. USAID recommendations have led to the reduction of 2 million metric tons of carbon dioxide emissions by power plants of the National Thermal Power Corporation and by the Gujarat Electricity Board. The signing of a new partnership agreement between leading Indian and U.S power utilities and regulatory agencies provides a long-term mechanism for the transfer of U.S. technology and experience. The Energy Training Program also provides training for ongoing regulatory reform and energy efficiency.

USAID's support for renewable energy technologies has resulted in the installation of nearly 200 MW of sugar cogeneration plants, (using sugarcane waste for power) that will offset approximately one million tons of carbon dioxide annually. USAID credit assistance to the Indian Solar Electric Light Company helped establish a multi-million credit line for the company to bring power for pumping water, lighting and communication to 2500 rural homes. Zero-emission electric vehicles, to replace the heavily polluting three-wheelers, are being introduced to India through an Indo-U.S. joint venture brokered by USAID.

USAID's Clean Technologies Initiative is providing assistance to Indian industries to adopt certified environmental management systems and to enhance the capacity of industry to incorporate best technologies and practices for enhanced productivity and profitability. Energy intensive sectors of cement, thermal power and steel are targeted for assistance. Nine firms will achieve ISO 14000 certification under a pilot phase.

Through its Trade in Environmental Services and Technologies (TEST) program, USAID has collaborated with FICCI's Business Information Services Network and ICICI Limited to establish an online Environmental Information Centre. The website is dedicated to facilitating and promoting Industry Actions for environmental protection and addressing key issues such asglobal climate change, adoption of clean technologies, waste management and energy efficiency.

USAID's Urban and Environmental Credit Loan Guarantee of up to $25 million helped launch South Asia's first municipal bond for improvement of water, sewerage and waste collection systems. This bond, for the city of Ahmedabad in Gujarat state, has encouraged thirteen other Indian cities seek credit ratings for future bonds or other debt instruments. USAID technical and capital assistance is making a $200 million infrastructure project in Tirupur in Tamil Nadu a reality. Negotiations for the first build-own-transfer water supply and sewer project have been completed , with construction to commence in 1999.

Responding to the needs of both city governments and NGOs working on community-based environmental initiatives, USAID provided technical assistance to develop a tool kit of improved environmental management approaches and helped five cities prepare environmental status reports/workbooks, comparative risk assessments, and environmental action plans.

Related Information (click icon)

NEW The Biodiversity Support Program (BSP), a USAID globally-funded consortium of the World Wildlife Fund, The Nature Conservancy, and World Resources Institute, launched a new website in December 1999. To learn about what BSP is doing in India click here.

HUDCO gets $10 million U.S. capital market loan for development projects.

The Clean Development Mechanism (CDM), a key feature which emerged from the U.N. Conference of Climate Change at Kyoto in 1997, was discussed and its modalities outlined to more than 70 participants at a round table in New Delhi on September 30, 1999.

USAID, through its partner, the Alliance to Save Energy, is working with school children in Chennai to educate their parents and others on the need for conservation and purchase energy-efficient goods.The Green Force for "Sustainable Living - A Teacher-Student Movement for Energy Efficiency, was launched on September 25, 1999.

U.S. Ambassador Richard Celeste inaugurates the Environmental Resource Center in Mumbai. The center will help provide answers to India's environmental problems.

With help from Friends of the Ganges and funds from USAID, Mishra's Sankat Mochan Foundation was able to prepare and submit a feasibility report for an alternate Ganga Action Plan to the government.

The National Thermal Power Corporation (NTPC), in association with USAID and the U.S.Department of Energy, has set up the Center for Power Efficiency and Environmental Protection (CENPEEP) to ensure sustainable and eco-friendly power development for the entire country.

Industry has to take a pro-active approach to the environmental and pollution control challenge and not be led by regulatory pressure alone.

USAID's Clean Technology Initiative is assisting Indian industry to realize the business and environmental benefits of adopting a private-sector driven, voluntary approach as a means to improve overall performance.

Energy partnerships between U.S. and Indian Utilities and Regulatory Commissions promote efficient and environmentally sound methods of production.

The Indian Chamber of Commerce, the Federation of Indian Chamber of Commerce and Industry, and USAID are creating an environment information center on the Internet.

Inaugural address by U.S. Ambassador Celeste to the roundtable on "Climate Change and Indian Industry: Preparing for the Year 2000," presented April 6, 1999.

NTPC: From 200 MW to 17,000 MW

Based on an article in *The Times of India*

NEW DELHI, July 20, 1999. The National Thermal Power Corporation (NTPC), the world's sixth largest thermal power generating company, has gone from installing 200 MW units to 17,735 MW since 1982 when the first unit at Singruali was commissioned, and it has plans to add another 16,000 MW by 2007.

Over the years, performance of NTPC's power stations has been the benchmark for Indian power sector. Of the 10 best rated coal based stations in the country, six belong to NTPC. The corporation, with less than one fifth of country's capacity, has been generating more than one fourth of the country's total electricity.

In an effort to benefit the entire Indian power sector, NTPC, in association with USAID and the U.S. Department of Energy, has set up the Center for Power Efficiency and Environmental Protection (CENPEEP) to ensure sustainable and eco-friendly power development. The centre aims at acquiring, assimilating and dissimulating new technologies to improve efficiency of power generation and reduce greenhouse gas emissions.

NTPC, in association with USAID and the U.S.Department of Energy, has set up the Center for Power Efficiency and Environmental Protection (CENPEEP) to ensure sustainable and eco-friendly power development for the country.

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USEA/USAID Forge Strong Partnerships in India's Revamped Power Sector

by John R. Hammond, Program Manager, United States Energy Association, Washington, D.C.

From the *Business Times* Volume XVI No. 2. April 1999.

The United States Energy Association (USEA), with funding from the United States Agency for International Development (USAID) is forging strong relationships in the Indian Power Sector. The USEA team, led by Mr. John R. Hammond, Program Manager and Mr. Sridhar B. Samudrala, Deputy Program Manager, has been actively developing partnerships in India since November 1995. USEA has established a system of matching the Indian utilities, State Electricity Boards (SEBs) and newly formed State Electricity Regulatory Commissions (SERCs) with U.S. Utilities and Regulatory Commissions.

Primary Goal

The primary goal of these partnerships is to assist Indian utilities, SEBs and newly formed SERCs promote more efficient, environmentally sound supply and use of energy by transferring commercially viable, market-oriented approaches to the Indian utilities, SEBs, SERCs, and energy sector activities in India. Additionally, these partnership help enhance joint venture opportunities for U.S. investments and trade in international energy markets and reduce the climate impact of energy activities.

Bringing Parties Together

The team starts off by visiting Indian utilities, SEBs and regulatory commissions determined by USAID and requests their participation in the partnership program. They then request appropriate U.S. utilities and regulatory agencies with similar characteristics and common business interests to participate in the two-year partnership program with the Indian organization. Once the U.S. organization shows interest in the Indian partner, the team then invites the two interested parties to meet with each other in the host country. During this initial meeting the U.S. and Indian organizations determine the issues to be discussed during this partnership and develop a detailed work plan which is then followed by a Memorandum of Understanding and a Cooperative Agreement signed with USEA.

Eight Partnerships Formed

USEA has established the following partnerships in India between U.S. and Indian organizations in the power sector over the past three years:

1) Bombay Surbuban Electric Supply (BSES) with Niagara Mohawk Power Corporation (NMPC);

2) Calcutta Electric Supply Corporation (CESC) with Gulf Power Company;

3) Andhra Pradesh State Electricity Board (APSEB) with Pennsylvania Power & Light Company (PP&L);

4) Karnataka Electricity Board (KEB) and Karnataka Power Corporation Limited (KPCL) with Duquesne Light Company (DQE); click for more info on this partnership

5) Orissa Electricity Regulatory Commission (OERC) with the Public Service Commission of the District of Columbia (PSCDC), and Public Utilities Commission for the State of Colorado (PUCSC); click for more info on this partnership

6) Tamil Nadu Electricity Board (TNEB) with Texas Utilities Company (TU); click for more info on this partnership

7) Haryana Electricity Regulatory Commission (HERC) with the Public Utilities Commission of Ohio (PUCO); click for more info on this partnership

8) Central Electricity Regulatory Commission (CERC) with Massachusetts Department of Telecommunication and Energy (MDTE).click for more info on this partnership

Exclusive Benefits Gained

Some of the exclusive benefits gained from the partnerships are listed below:

APSEB has collaborated with PP&L to inform its employees of the benefit of restructuring using PP&Ls privatization literature. PP&L has also helped its partner to improve the generation efficie coal-fired power plants and utili waste, APSEB is applying up-to-date methods to improve the generation efficiency of its coal-fired power plants, which it learned from PP&L . The direct result of this will be a decrease in CO_2 emissions for the APSEB's plants.

BSES and Niagara Mohawk Power Corp's (NMPC) international subsidiary, Plum Street Enterprises, have signed a joint venture agreement to market solid state electric meters, made under a Niagara Mohawk patent, in India to replace the unreliable mechanical meters used by most utilities. BSES in turn has developed a SCADA system to reduce distribution system losses based on NMPC's model.

Reducing Line Losses

CESC, India's second largest private sector utility, has designed a connector to reduce line losses from oxidation, breakage and inefficient bolted connections based on information gained from Gulf Power Company and in return CESC's parent company RPG has invited Southern Company of Atlanta, Georgia, Gulf Power's parent company, to participate in a joint venture to build-own-operate a 700 MW naphtha-fired independent power plant in Rajasthan State in India.

KPCL has proposed the implementation of multi-crafting, the training of employees to do multiple tasks in order to qualify for higher compensation, to the unions, which it learned from DQE of Pittsburgh. By implementing multi-crafting, KPCL could significantly increase the efficiency in its workforce.

OERC has recently established a Regulatory Information Management System (RIMS), a Consumer Complaint handling system, and a web site with the assistance from the Colorado Public Utility Commission and the District of Columbia Public Utility Commission. Using USEA and USAID's guidance, results have already proven to be useful to OERC, the India power sector.

Three New Partnerships

USEAs has recently started three new partnerships with TNER and CERC, and HERC. USEA is actively seeking U.S. partners for the Maharashtra State Electricity Board (MSEB) and the Power Finance Corporation (PFC). The program is moving in tune with the current climate of structural and regulatory transactions in India by assisting the Indian utilities, SEBs and regulatory commissions and also providing the U.S. utilities a platform to wedge a more secure footing in the otherwise fluid power market in India.

CLIMATE CHANGE AND INDIAN INDUSTRY - PREPARING FOR THE YEAR 2000

Inaugural Address by U.S. Ambassador Celeste

April 6, 1999, Nilgiri Hall, Hotel Oberoi, New Delhi

Mr. Shahi, Mr. Raghuraman, Hon. Katie McGinty, distinguished CII members, delegates, ladies and gentlemen:

It gives me great pleasure to inaugurate the CII's Roundtable on "Climate Change and Indian Industry - Preparing for the Year 2000". I congratulate CII in taking this lead on preparing the Indian industry for global climate change - both the challenges and opportunities. This is indeed an important issue and the U.S. Mission to India is helping leading Indian institutions such as CII strengthen their capability in dealing with the challenges of global climate change.

In India, as in most of the developing world, there is growing awareness of the synergies between economic development, and problems associated with local pollution control and preventing global climate change. The international treaty on climate change recognizes these synergies and has created a mechanism that has the potential to increase foreign direct investment, technology transfer, and job creation, while reducing local pollution and the greenhouse gas emissions that cause global climate change. This mechanism, which I will describe shortly, holds tremendous potential for India.

Overview of the Science and Impacts of Global Climate Change

Industrialization and population growth have begun to change the very composition of our planet's atmosphere by increasing the concentration of greenhouse gases, and enhancing their heat-trapping effect. Combustion of coal, oil, and natural gas releases about 6 billion tons of carbon into the atmosphere each year worldwide, another 1-2 billion tons results from burning and logging of forests. If current emissions trends continue over the next century, concentrations will rise to levels not seen on the planet for 50 million years leading to warming of 2 to 6.5° F by 2100 --- a faster change in the temperature than any experienced in the last 10,000 years. The global mean surface air temperature has increased by 0.5 to 1° F since the late nineteenth century.

Warming of this magnitude will affect many aspects of our lives as it changes temperature and precipitation patterns, induces sea level rise, and alters the distribution of fresh water supplies. The impacts on our health from new outbreaks of infectious disease, losses in

In 1998, USAID launched the "Climate Change Outreach and Awareness" activity to build local capacity within India to take advantage of the challenges and opportunities emerging in the global climate change arena.

One major focus of USAID's initiative is to help prepare India and Indian industry to capture the benefits of the Clean Development Mechanism, in order to bring new technology, investment, and jobs to the country while simultaneously reducing environmental pollution.

productivity of agriculture, and movement of large populations affected by land submergence - such as in India's coastal zones and the Bay of Bengal, for example - would be very costly. The broad scientific consensus that human activities are disrupting the Earth's climate grows stronger each year. 1998 was the warmest year on record, it's extreme weather events have been of historic proportion and devastating cost -- from raging fires in Indonesia, the Amazon, Florida, and Mexico, to floods in China and Bangladesh that left tens of thousands homeless, hungry, and sick. Although consensus is that El Ni˜no may have contributed to much of this, these events are a window to what the Earth may be like with global warming.

Overview of Climate Treaty Provisions

In 1997, the nations of the world strengthened the existing climate treaty by agreeing to the Kyoto Protocol that requires industrialized countries, to cut their aggregate emissions by just over 5 percent below 1990 levels by 2008-2012. Several provisions of the Kyoto Protocol allow for flexibility in how to achieve these cuts, in effect creates a market for reductions in greenhouse gas emissions.

One of these provisions, the Clean Development Mechanism, is specifically designed to create "win-win" opportunities for industrialized and developing countries. Using the Clean Development Mechanism, firms in the industrialized countries would make investments in counterpart firms in developing countries. Firms in industrialized countries would get credit toward their emissions reduction targets, while firms in developing countries that would receive new capital flows and clean technology. Developing countries would also benefit from lowered local pollution.

The provisions of the Protocol that allow for flexibility in ways to effect reductions in greenhouse gas emissions have found resonance with a growing section of the U.S. and western industry, some of which are leaders in the fossil fuel industry, such as BP/Amoco, ENRON, Dupont, and may others. Many businesses are organizing themselves to adopt energy efficiency targets and are advocating adoption of no regrets measures today - measures that save energy, lower costs, raise profits and increase global competitiveness.

Some states in the U.S., Oregon for example, already have legislation in place to encourage their businesses to invest in carbon dioxide reduction activities at home and overseas.

India, without doubt, will be an important player in global climate change in the decades to come. India is already making impressive strides forward in making its thermal power sector more efficient, increasing the use of environmental management systems by energy-intensive industries, exploring alternative fuel vehicles, and expanding the use of renewable energy technologies nationwide - all of which are also reducing greenhouse gases at the same time. There is now a great opportunity to do much more in these areas in a way that benefits the business community and the economy as a whole.

The Clean Development Mechanism (CDM) allows countries like India to "monetize" greenhouse gas emissions reductions to help finance economic expansion and infrastructure development while enhancing environment quality at the local, regional, and global levels. Indeed, you will hear later today experts from CRISIL discuss the volume of financial flows that could be attracted to India through the Clean Development Mechanism. You will also hear from Hon. Katie McGinty on what it might take to convert this potential to business reality.

There is potential for India and the U.S. to create these "win-win" partnerships. For instance, an electric utility in the United States could invest in a state-of-the-art clean coal technology in India, and earn some emission reduction credits from that investment, while the Indian firm could gain greater access to both technology and capital, and the Indian citizens breathe less particulates and carbon monoxide. Or, as has now happened between a Japanese and a Chinese steel company, a U.S. business could invest to upgrade the manufacturing and processing equipment of an Indian manufacturing firm - increasing efficiency, reducing local pollution, and earning emission reduction credits at the same time!

Commensurate with its status as a leader in the developing world, India should also play a leading role in developing the detailed "rules of the game" for the Clean Development Mechanism that are currently under negotiation. By making its voice is heard at this stage, India can ensure that the final agreements serve India's interest.

In November last year USAID launched the "Climate Change Outreach and Awareness" activity to build local capacity within India to take advantage of the challenges and opportunities emerging in the global climate change arena. One major focus is to help prepare India and Indian industry to capture the benefits of the Clean Development Mechanism, in order to bring new technology, investment, and jobs to the country while simultaneously reducing environmental pollution.

This activity is a part of USAID's overall environmental program in India designed to address pressing problems of energy sector reform and restructuring, water supply and sanitation, and air pollution and solid waste management. Various USAID programs help reduce greenhouse gas emissions through adoption of more efficient and advanced fossil fuel technologies, improved policy framework for efficient power supply and end-use, and increased use of environmental management systems and clean technologies for lower greenhouse gas emissions from industry.

I am proud that CII is a partner in the "Climate Change Outreach and Awareness" effort and has taken the initiative to launch its Climate Change Center with this roundtable. We are also privileged to have as partners the Indian Institute of Management in Ahmedabad, the Development Alternatives, Tata Energy Research Institute, and Credit Rating Information Services of India, Ltd. as part of this activity.

I challenge you to investigate how your firms can benefit from the

Clean Development Mechanism. Realizing these benefits will require not just participation in projects once the rules are set but actually helping frame the rules in a way that make them work best for you. I also urge you, the champions of Indian business, to monitor and observe the cutting edge developments in global emissions trading, starting to take place now among industrialized countries, such as between U.S. and Canada. If possible, you can pilot test some of these transactions between your own firms or with some of our firms, to be ready to jump in when India is ready to participate in this mechanism.

In closing, I welcome you again to this discussion and encourage your active participation to identify actions for preparing the Indian industry for the year 2000 when the Clean Development Mechanism is in full force and effect. Thank you.

"Richard L. Edwards" <riedwards@usaid.gov>
02/15/2000 06:38:13 AM

Please respond to riedwards@usaid.gov

Record Type: Record

To: Jefferson B. Seabright/WHCCTF/EOP, jibever@usaid.gov

cc: See the distribution list at the bottom of this message

Subject: Re: fwd: Meeting with Shashi Shekhar

Jeff -

We finally received your email this morning and are pleased to offer the following comments.

1. Kavita has been working on the "goal" calculations with our MOP counterpart Shashi Shekar, Director (Thermal). Note again that Shashi works for the Additional Secretary, who reports to the Power Secretary who reports to the Minister! So you get an idea of what level we are working with on a daily basis. He and Kavita are to meet tomorrow to go over the "goal" numbers again. Shashi is suggesting that the goal cover the period until 2005, or three years beyond the current 9th 5-year Plan, which ends in 2002. Since they don't yet have a 10th plan, these three additional year commitments are above and beyond what they've already articulated in the 9th plan. This is a significant bureaucratic stretch as it goes beyond an involved GOI planning process - so may be difficult to get buy-in further up in the bureaucracy.

We agree with you that savings in terms of emissions/KWh is the preferred option and feel that energy efficiency should be presented to the Indians in terms of enhanced capacity to reach more currently underserved people. As long as supply falls short of demand, more capacity will be required until some point in the future when supply and demand reach equilibrium. It will be at that point that efficiency savings will have real meaning in terms of meeting demand with less carbon emissions than would have occurred without efficiency measures. In other words, they will have met their energy demands on a cleaner energy path than they are currently on. We also believe that emissions/ KWh stands a better chance of being accepted by GOI than emissions per unit GDP. This helps them link it to their own economic agenda of increasing the reach of electric power to more people, industry, and agriculture more efficiently. Energy intensity per unit GDP seems improbable as a "goal" statement at this time since this will involve fiscal and economic reforms, gets further complicated because of exchange rate fluctuations, etc. We are happy to share the matrix with you (it won't be ready until tomorrow, however) but please note that this a first-cut working draft only. At this stage we've calculated a 10% total capacity off-set as a result of efficiency savings or an 18% coal capacity addition off-set -- numbers that at least MOP's Shekar seems comfortable with. Basically the matrix tabulates the targets articulated by GOI in their ninth plan document in the power sector and converts (wherever reduction in losses is a target) the losses in the system that would be avoided into generating capacity available for economic use. For example, the auxiliary power consumption (power consumed by power plants to generate electricity) target by GOI is 1% lower than the previous period. Which means that 1% of the ninth plan installed capacity will get freed for sale to customers (instead of being consumed by the power plants). Similar analysis is used for 5% cumulative reduction in transmission and distribution losses.

We suggest that you leave the numbers out of the draft document when you present it to the Indians, in order to show that you are open to dialogue and negotiation. Keep the attached calculations in mind during your discussions and we will be there to back you up once agreement is reached in principle on the approach. At this point we have good support from MOP on both the approach and the numbers.

2. On the US-Indian business to business partnership, there are indeed a number of related initiatives underway, including:
- the Indo-US Business Dialogue on GCC under the GEP activity
- other SARI initiatives are TBD, but will most likely include workshops, exchange visits, training opportunities, etc. In any case, we will focus significant attention on the private electric utility companies and other energy companies. SARI will advance hydropower and gas trade to meet Indian requirements that otherwise could be met only by coal.
- the Green Business Center - which at this point is just an offer of land and facilities by the AP state government as a POTUS deliverable and some concepts for how to use them by CII with our input - it's really wide open and could be used for project support, training, conferences, etc. We feel it could serve as a base for a number of potential USAID/India activities in AP. Your ideas are welcome!
- the "matchmaker" initiative you referred to - which Katie and Kate can provide more info on than I can at this stage.
- various USAID/India initiatives, including things like JVs for electric vehicles between US and Indian firms, clean technology project funds and of course the pipeline of some 25 GHG reduction projects in the energy and industrial sectors under GEP.
- USAEP of course does matchmaking as a matter of course
- The TCAPP team is here this week and we are interested in their access to the Business Council on Sustainable Energy to help match US investors with our GHG projects.
- USEA's utility and regulatory partnerships (we've done nine so far) have been a source of Indo-US deals in the power sector.
- the Bangladesh gas MOU under discussion with UNOCAL as a SARI initiative

There are others, but I offer this indicative list to illustrate how many and sundry "business-to-business" activities are either ongoing or proposed (not to mention the other agency initiatives we aren't aware of). Although I'm hesitant to suggest that government "coordinate" or "bundle" good private sector initiatives, one way to package them as a POTUS deliverable would be to announce a Clean Energy/GCC Trade and Investment initiative that can be advanced by the creation of a Private Sector Working Group on Clean Energy/GCC as a parallel body to the Indo-US government WG. They could track investment opportunities, play a matchmaking function, serve as an information conduit, etc. and communicate regularly with the official WG. CII and one of the U.S. Chambers could serve as secretariat for it, building on progress made under the Indo-US Business Dialogue.

3. We commented previously on the WG group structure and would reiterate that we feel a single-tiered structure with the highest possible level leadership will get the best results. The MEA should definitely take the lead on the Indian side and it sounds like Sandalow and company made good progress with Alok Prasad during his recent Washington visit. MOP and MOEF can play supporting roles, but that'll be up to the GOI to determine. We feel that since we have a presence on the ground and will most likely inherit the bulk of the work coming out of the WG, that USAID needs to be co- or vice-chair on the US side.

Shashi sent a fax this afternoon for our comments on his proposal to his Secretary (Power) for presentation to the Foreign Secretary tomorrow as the GOI requests for assistance from the U.S. for the proposed Working Group to consider. We'll fax this separately tomorrow and ask that Dan Balzer share with his OES colleagues, including A/S Sandalow. It's basically a laundry list of areas for U.S. assistance in a range of power sector R&M, energy efficiency, transmission, RE, and other related activities - many we intend to pursue under ECO and GEP; others (eg. financing CFLs and electronic meters throughout India!) will have to be discussed/negotiated as to what our role might be. Note that this was unsolicited and indicates the level of trust he has in our team. FYI, Shashi was part of the Indo-US Business Dialogue study tour to the US last May and is strongly supportive of and involved with ECO.

Note that according to our DCM Ashley Wills, Alok Prasad is so busy that we can only expect hours, not days of his time during the Sandalow visit and that the GOI will most like not be as well prepared or briefed for the visit as we would like.

We'll keep you informed on SARI from our side, but suggest you stay in touch with Del McCluskey or Cindy Lowry for the latest word in Washington. As for the Bangladesh UNOCAL gas fired power export deal to India, we agree this has exciting potential. We've been in regular contact with most of the players. NTPC, as a key player, is being "unpredictable", as UNOCAL sees it. This may take some time -- and some wild gyrations -- before it settles down. For the time being, we're trying to use our good offices and those of US Mission in Dhaka as well, to encourage Bangladesh Energy Secty. Chaudhry to meet face to face with either NTPC and/or with Indian Power Secty. Pandit. USAID, through SARI, could fund key elements of the pre-feasibility work, although how far we can go to benefit only one U.S. company may be a policy issue.

The other EE or RE projects that should be highlighted are those in the context of the major programmatic initiatives:
$45 million in ECO and GEP expansion - which include major EE work on both the supply and demand sides and dissemination of sugar cogen successes from GEP-I
$100 million EXIM window (worldwide)
$100 million OPIC window for EE in India (proposed)

Finally, on the draft "Indo-US Statement", we will send the matrix and some more numbers tomorrow for para. III. We have particular concerns about the language used in para. IV, particularly the references to "commitments" to the Kyoto Protocol and to all countries accepting "limits" on ghg emissions. Since we haven't ratified Kyoto, there may be sensitivity both on the Hill and by the GOI to this kind of language - again, please refer to the Joint Statement signed back in October, and be aware that Alok Prasad has said it will be tough to go much beyond that. In para. V we'd suggest deleting the reference to the "three bilateral working groups" - a single working group is more likely to fly in the GOI and as we've said earlier, the higher the level of participation, the better. There is language under Energy Policy and Practices that may also give the GOI heartburn: "transparency and equal treatment issues" - what is meant by this? An allusion to the sour Cogentrix deal? Corruption? These are loaded words in these parts... Other areas of environmental cooperation in para. VIII will need further thought, but certainly water and air pollution (including arsenic) and supply issues should be included, as well as GCC impacts on natural and agricultural resources...and the nexus between water/energy and even health can be alluded to (fyi - we are designing a new activity with these elements).

We will get in touch with John Palmisano, who we know from his earlier visits to India. Thanks for the lead!

Of course, India should be recognized for all the progress they've made in both efficiency and renewables - we can provide details if needed.

That's about all for now - Jim, Kavita and I collaborated on this email and hope it's useful. We'll send you the matrix and the MOP wishlist for the WG tomorrow.

Cheers,

Dick

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---------- Original Text ----------

From: <Jefferson_B._Seabright@whcctf.eop.gov>, on 02/14/2000 7:00 PM:
To: internet[<jibever@usaid.gov>],Richard L. Edwards@TDE@NEW DELHI
Cc:
internet[<limorse@usaid.gov>],internet[<Roger_S._Ballentine@who.eop.gov>],internet[<Kate.english@hq.doe.gov>],internet[<ibowles@nsc.eop.gov>],internet[<balzerdk@state.gov>]

Dick/Jim:

Thanks so much for your hard work and very encouraging message on a possible Indian national goal.

We will provide info next week on what we are doing in the US which should help address Indian interest in parity.

You should have recieved by now a draft "joint statement" on clean energy and climate for review and comment by COB Monday your time (8am Monday morning here). A few key issues on which we need your guidance and insight:

1. Articulation of goal: As you can see, Washington would prefer energy intensity/GDP or emissions/Kwh as opposed to tons or KWs. Your assessment of the art of the possible would be helpful. Sandalow did not like the xx% below BAU. Can you share your matrix and analysis with us? Are there other metrics that you think might be meaningful here and do-able on that end?

2. US-Indian business to business partnership: We have not articluated any specific deliverables on this, but there are several proposals and interested parties (DOE, DOC, USAID). Can you shed light on what USAID is planning thru SARI or otherwise to marry US and Indian businesses and how we might integrate the efforts of others into a concerted effort.? Katie and Kate English have talked about a "matchmaker" initiative, there is talk of a Green Business Center, etc. Pls share your thoughts on how this might be best bundled.

3. Reaction to the proposed forum ideas and how this will fit into the indian politics/bureacracy/.

Other:

I had a good meeting in Houston on Tuesday with Minister Chaudry and Terry Budden of Unocal on the 750 MW gas project. Seems to Chaudry that NTPC is now skittish. He and Budden have a draft MOU and there was some talk about Celeste hosting a get together next week. This would be a fantastic kick off for SARI -- US company, clean energy and Indo-Bangladesh cooperation. Keep us informed.

Are there other projects in EE or RE that are worth thinking about?

Finally, John Palmisano from Enron will be in Delhi next week and has a potential CDM project he wants to discuss with your team. Can you email him at John. Palmisano@enron.com and set something up?

Thanks again for your help.

Message Copied To:______________________________

balzerdk@state.gov
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limorse@usaid.gov
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JSeabright@aol.com
02/11/2000 06:50:56 AM

Record Type: Record

To: Roger S. Ballentine/WHO/EOP

cc:

Subject: Fwd: Meeting with Shashi Shekhar

Thought you should see this -- progress on the "goal" front.

Return-path: <riedwards@usaid.gov>
Received: from rly-yg01.mx.aol.com (rly-yg01.mail.aol.com [172.18.147.1]) by air-yg04.mail.aol.com (v67_b1.24) with ESMTP; Fri, 11 Feb 2000 05:21:38 -0500
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X-Incognito-SN: 1208
Date: Fri, 11 Feb 2000 4:20:00 -0500
From: "Richard L. Edwards" <riedwards@usaid.gov>
Subject: fwd: Meeting with Shashi Shekhar
To: "Dress, Alice A" <DressAA@state.gov>, "Roberts, Ron" <RobertsR7@state.gov>, "Ticknor, Scott B" <ticknorSB@state.gov>, <BalzerDK@state.gov>, <JSeabright@aol.com>, <ibowles@nsc.eop.gov>, <Jefferson_B._Seabright@whcctf.eop.gov>, <Kate.English@hq.doe.gov>, <rohlfingj@state.gov>, "Cindy Lowry" <clowry@usaid.gov>, "G/ENV David Hales" <g/env=david=hales%g.env.daa%aidw@usaid.gov>, "Gordon Weynand" <goweynand@usaid.gov>, "Grant Anderson" <ganderson@usaid.gov>, "James Dzierwa" <jdzierwa@usaid.gov>, "Jim Bever" <jibever@usaid.gov>, "John Wilkinson" <jwilkinson@usaid.gov>, "John Wilson" <jwilson@usaid.gov>, "Jon Breslar" <jbreslar@usaid.gov>, "Joseph Carroll" <joseph=carroll%ane.esa%aidw@usaid.gov>, "Kavita Sinha" <ksinha@usaid.gov>, "Ko Barrett" <kbarrett@usaid.gov>, "Kristi Hunt" <kristihunt@usaid.gov>, "US Linda E. Morse" <us=linda=e.=morse%dir%new=delhi@usaid.gov>
Cc: <"exchange@barrb0220@servers[MS:GOVDOS/NEWDELHIB/WILLSEA]"@usaid.gov>
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Form: Forward
Text: (96 lines follow)
Following the 2/7/00 conference call between myself, Jim Bever and Ron Roberts (ECON/SCI officer at the Embassy) and Jeff Seabright, Scott Ticknor, Dan Balzer, and Kate English, Jon Breslar, Joe Carroll, Cindy Lowry on the Washington end, we have continued to pursue the "goal statement" by the GOI

on energy efficiency/GHG reduction. Kavita met with our key working-level counterpart at the Ministry of Power, Shashi Shekar, Director (Thermal) yesterday to go over the numbers I mentioned during the conference call. Her account of the meeting is below. For context, Jim Bever discussed the idea of a goal statement with Minister Kumaramangalam during our recent international conference on power plant efficiency - the Minister subsequently tasked Shekhar to follow up with USAID. Shekhar laid out a process that jives with our thinking that this needs to be a two-track effort - 1. working level agreement on the numbers and US response and 2. policy-level discussions with MOP, but more importantly with MEA, PMO and probably Planning Commission.

Note that Shekhar made clear that the goal statement should be on a separate track from GCC negotiations. Recall that in para. 3 of the Minister's Jan. 17 response to Sec. Richardson's letter on the Working Group that he said "The Working Group could further deliberate on the methodology to operationalize Clean Development Mechanism (CDM) in India, after all the contentious issues are resolved in the future Conference of Parties (COP)" (italics mine). Shekhar reconfirmed to Kavita that any agreements on CDM or other issues related to Kyoto negotiations would have to take place only after COP-VI. Although initially pushing the idea that MOP should chair the WG, Kavita successfully convinced him that MEA would be the best choice as a counterpart to STATE's leadership on the U.S. side. In my view, if the WG is established now, it will provide an Indo-US forum (that does not currently exist) for resolving post-COP VI issues - in addition to tackling clean energy issues in the immediate term.

We will continue to vet the numbers with IIM-Ahmedabad and NTPC counterparts, but Shekhar was supportive of our approach. He said that India should take credit for the work that's been done in the efficiency area and that if the U.S. supported the achievement of these goals it would demonstrate how the burden of GHG reduction could be shared betweeen developed and developing countries. He also agreed with Kavita that the goal could be presented in terms of carbon offsets from efficiency.

We'd appreciate your feedback, ideas, and guidance as we proceed on this end.

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---------- Original Text ----------

From: Kavita Sinha@TDE@NEW DELHI, on 02/11/2000 9:13 AM:
To: Richard L. Edwards@tde@new delhi

We had a good meeting yesterday. Brought back a copy of the note that Jim

Bever gave to the Power Minister. Jim had mention 2 probables for the POTUS visit - one was exploring the Bangldesh 750 MW and the other was a possible declaration of an efficiency goal (the Minister passed on that note to MOP officials seeking immediate action on the second one). Jim had mentioned in his note that "White House is exploring announcement of U.S. national energy efficiency goals during Resident Clinton's visit here....". Shahshi Shekhar has requested information ASAP on what the "U.S. goal will look like" .

On the possibility of the Indian goal, he agreed to keep the goal within the bounds of the ninth plan, liked the matrix I had developed. Suggested that we re-do the matrix with additional column on possible areas of US assistance to help India progress on the targets. He had concrete ideas on the DSM (fixed targets for federal buidlings starting with all buildings in Delhi, commercial building, private distribution companies to start a program for replacement of all filament bulbs with CFLs, etc.) side and had left the development of the #s on the supply side pretty much to us. Wants us to meet within the next week with the #s re-done. Once there is agreement on the working level, he would like the Embassy to request a meeting with the Minister to discuss the developed framework. Once the Minister agrees, he suggested, we would use the matrix as the basis to develop "language for announcement of goals".

One important note, he said the MOP wanted to keep this declaration or announcement completely separate from CDM, investment issues, or any other issue that might be related to COP-VI.

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