FOIA Number: 2017-1093-F

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

Collection/Record Group: Clinton Presidential Records

Subgroup/Office of Origin: Office of Environmental Initiatives

Series/Staff Member: Roger Ballentine

Subseries:

OA/ID Number: 19510

FolderID:

Folder Title:
Climate Change International India [3]

Stack:	Row:	Section:	Shelf:	Position:
S	62	1	1	1

October 26, 1999

JOINT STATEMENT
ON COOPERATION IN ENERGY
AND RELATED ENVIRONMENTAL ASPECTS

1. The United States of America and India, the two largest democracies in the world and endowed with abundant natural, scientific and skilled human resources, have a long history of mutually beneficial cooperation in the fields of science and technology, industry and trade, health and environment and culture and education. The two countries, recognizing the immense promise for advancing their social and economic goals through cooperation in the energy sector, have decided to intensify their cooperation in this area.

2. The two countries recall past cooperation that established the framework for several joint initiatives between the two Governments and their agencies for research and development in the energy sector, as well as stimulated private cooperation in conventional energy projects in India.

3. The two Governments, noting progress made in these collaborative projects, and recognizing the immense opportunities for fruitful cooperation in the energy sector, have decided to further enhance their cooperation in the energy sector such as conventional energy projects, renewable energy, clean coal technology, energy efficiency and related environmental aspects.

4. They also recognize that future development of the energy sector must take into account the growing demand for energy, the importance of judicious utilisation of limited resources of the planet in the most efficient and equitable manner and the need to protect our environment.

5. India, which was the first country to establish a full-fledged Ministry for Non-conventional Energy Sources, is working to make renewable energy sources a viable and significant part of India's energy supply.

   India is one of the largest users of wind energy and solar energy in the world and has also made impressive advances in generating energy from wastes. In the field of conventional energy, India is increasingly making fossil fuel energy clean and more efficient.

6. The United States is taking several major initiatives to meet its energy requirements in an increasingly climate friendly manner. For example, the US Government has set a goal of tripling US use of bio-energy and bio-projects by 2010, which may reduce greenhouse gas emissions by 100 million metric tonnes of carbon. The US Government has ordered every federal agency to reduce greenhouse emissions from buildings by 30% by 2010 from 1990 levels. The US Government continues to invest billions of dollars in clean energy and energy efficient technologies and is working with American industry and communities to reduce pollution and greenhouse gas emissions and move to cleaner and healthier energy sources.

7. The two Governments, in the spirit that characterizes their own initiatives to mitigate the impact of energy production on environment and climate, accord high importance to these aspects in their bilateral energy cooperation.

8. They also resolve to work closely together and with other countries, in keeping with the principle of common but differentiated responsibilities, to advance the goal of protecting

the people of the world from the threat of climate change, while promoting economic growth.

9. As the world's largest emitter of greenhouse gases, the United States recognizes its responsibilities to help lead international efforts to address the challenge of climate change. The Kyoto Protocol sets forth a binding emissions target for the United States, which would result in a reduction of roughly 30% from the projected levels in 2008-2012.

10. The Government of India recognizes the need for voluntary "no-regrets measures" at the national level, which will have the additional benefits of dealing with air and water pollution, urban transportation and other important sectors of the domestic economy.

11. The two Governments agree to cooperate and to work together in appropriate forums for advancing the goals of the UN Framework Convention on Climate Change, in accordance with the decisions of the Conference of the Parties to the UN in its various sessions.

12. The Governments of the United States and India agree to cooperate within the framework of the Conference of the Parties and its subsidiary bodies of the UN Framework Convention on Climate Change, to work towards early agreement on the elements of the Kyoto Mechanisms.

13. In particular, the Governments of the United States and India agree that the Kyoto Mechanisms could offer the opportunity to achieve mutually beneficial partnerships between industrialized and developing nations. The Governments of the United States and India resolve to work closely together with other countries to develop agreed international rules and procedures for the Kyoto mechanisms, including the Clean Development Mechanism.

14. The Governments of the United States and India, guided by the objective of using the immense opportunities and their vast pool of resources and skills for fruitful cooperation in the energy sector, in both bilateral and international context, resolve to take appropriate measures to foster private sector energy ventures, cooperation in research and development, and greater utilization of environment enhancing and climate friendly energy sources and technology for balanced and sustainable economic development

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:	FOR THE GOVERNMENT REPUBLIC OF INDIA:
Bill Richardson Secretary of Energy	Jaswant Singh Minister for External Affairs

NEW DELHI, October 26, 1999

Jefferson B. Seabright
02/04/2000 01:37:50 PM

Record Type: Record

To: Roger S. Ballentine/WHO/EOP@EOP, IAN BOWLES@nsc.eop.gov @ inet, "English, Kate" <Kate.English@hq.doe.gov> @ inet, <BalzerDK@state.gov @ inet

cc:
Subject: India Draft Statement

POTUS Jt stmt DRAFT 1, 2-3-0

Attached is a very prelimiary draft to prompt our thinking on what we are trying to achieve. Obviously, it raises several issues, including:

Para 2: Can we/should we try to go further on the diplomatic track?

Para 3: Can we announce $100 million? Total is $95 million at present and the SARI program may need sanction waiver.

Para 4: Need update from Enbassy/USAID.

Para 5: Big issue is how we want to pitch govt-govt dialogue. Should it be high-level and mirror US-China Forum with subordinate working groups -- or should we lower expectations and seek to revive bilateral energy dialogue (requires waiver) and/or establish climate working group as already proposed by Richardson/Sandalow? Advantages of former are it is a bigger POTUS-like deliverable, solves some of the bureacratic asymmetries and provides the broader venue sought by State to air climate issues with other than enviro ministry. Disadvantages are that Administration will have limited time to deliver, sanctionss police may not want to bestow this recognition (although it would seem that the POTUS visit de facto has already done this) and the track record of high-level dialogues like this is not great

Para 6: Need to flesh out the Business PArtnership. Based on agency submissions of Feb 1, this should not be problemmatic.

State has ascertianed that a video teleconference is possible Monday morning at 8 am with Embassy Delhi folks and Washington-- might be a good oppty to air with Embassy team some of above issues based on today's discussion and get agreed approach for David Sandalow's mtg with Prasad on Monday afternoon.

Ex-Im Bank Exposure and Activity

Ex-Im Bank has a total outstanding exposure of $1.8 billion in India, of which about 20% is sovereign ($350M). Of the $1.8B in total exposure, about 60% ($1.08B) is for aircraft, and the balance is largely for power, petrochemicals, air traffic control equipment and other capital equipment.

Prior to the imposition of sanctions on May 13, 1998, there were projections of $3.5 billion in U.S. exports (over the long term) based on letters of interest in Ex-Im Bank financing. The projected $3.5 billion of exports based on indications of interest by sector as follows: power ($2.4 billion); transportation including aircraft ($270 million); telecommunications ($237 million); public administration ($162 million); construction ($107 million); steel ($99 million); oil and gas ($85 million); chemicals ($64 million); electronics/computers ($30 million); agricultural ($11 million); and millions of dollars in medical equipment transactions and insurance policies.

As of Jan. 31, 2000, there are 23 letters of interest outstanding for a total of $1.6B.

MEMORANDUM

January 31, 2000

TO: Roger Ballentine; Dep. Assistant for Environmental Initiatives
Jeff Seabright; WHCCTF
Ian Bowles; NSC/CEQ

FROM: Clyde Robinson; Ex-Im Bank

RE: India – Clean Energy
Input to your memo of January 24, 2000

The following is Ex-Im Bank's response to the questions set forth in your memo:

1) Ex-Im Bank's records point to a relatively poor record for US exporters of power plant equipment in the India market. Notwithstanding its market size in terms of capacity, Ex-Im Bank, since 1987, has provided financial support for only two power projects in India, a conventional coal fired plant and a combined cycle plant. This low activity occurred despite numerous "Letters of Interest" issued by Ex-Im Bank to US exporters, including one that involved an exporter's participation in a highly visible clean-coal technology power generation plant, and others that addressed projects using natural gas or other forms of relatively low CO_2 producing power. The one combined cycle plant being supported by Ex-Im Bank, which is located at Dabhol, will eventually burn natural gas and produce relatively low amounts of CO_2. However, this project became the focus of environmental protests due to its impact on a neighboring fishing village. US exporters have not been successful in penetrating the clean energy/renewable energy market in India.

2) The President's trip could draw attention to Ex-Im Bank's desire to support clean and renewable energy projects in India. The following deliverables are suggested:

   a) An offer to coordinate the establishment of a Memorandum of Cooperation between an Indian Government entity (such as the Ministry of Energy or Indian Renewable Energy Development Association) and Ex-Im Bank that would support the sale clean energy and renewable energy technology and equipment from US suppliers to Indian buyers. The MOC initially could be sized on the order of $100 million so as to address multiple projects or transactions. It would provide a level of local cost support and in general could be structured to target both public and private buyers in India so as to encourage greater participation by US exporters of clean and renewable energy technology in the Indian power market.
   b) An offer to dispatch a team from the Ex-Im Bank to meet with officials of the Indian power sector, both public and private, to discuss ways by which Ex-Im

Bank can promote the sale and transfer of clean, low CO_2 emitting energy technology from US exporters to Indian buyers.

3) The only "issues" could involve Ex-Im Bank requirements relating to US content, and the requirement that it adhere to the terms of the OECD arrangement for export credit agencies.

4) Ex-Im Bank offers financing incentives for exports of power plants that produce fewer than 400 grams per kWh of CO_2. Specifically, for these transactions it offers to provide local cost support to a level of 15% of the US contract price of the export sale, as well as extended repayment terms and capitalization of interest during construction. It is committed to promoting clean and renewable energy exports from US suppliers to creditworthy foreign buyers. Ex-Im Bank currently is not under any sanctions or waivers with respect to the sale of energy products in India. new?

FAX TRANSMISSION

UNITED STATES DEPARTMENT OF COMMERCE
INTERNATIONAL TRADE ADMINISTRATION
TRADE DEVELOPMENT
THE ADVOCACY CENTER
HCHB, 14th & Constitution Avenue, NW, Room 3814-A
Washington, DC 20230
Fax: 202-482-3508 & 202-501-2895
Phone: 202-482-3896

TO: Jeff Seabright **PHONE:**

FROM: T.S. Chung / Roza Pace Nazir Bhagat / BI **FAX:** 395-2311

PAGES (Including Cover Sheet) 9 pgs **DATE:** 1-31-2000

SUBJECT: Clean Energy

COMMENTS:

(Jeff, Please note that some of the deliverables also depend upon having sufficient lead time between now and the President's visit. Nazir)

DRAFT

CLEAN ENERGY DELIVERABLES FOR THE POTUS VISIT TO INDIA

ISSUE

USG is interested in promoting clean energy development in India. Next to China, India is the largest 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 such a shortfall in power could be made up in a sustainable manner, then it would not only benefit India's own environment, but it would also significantly reduce India's greenhouse gas emissions from the business- as- usual levels.

BACKGROUND

Within USG there are several initiatives on Clean Energy in India currently being developed in preparation for the POTUS visit to India. The first is a State initiative to ask GOI to change its uncooperative attitude on climate change. India sees itself as the leader of the Group of 77. A friendlier attitude by India on climate change and acceptance of 'meaningful commitments' to Kyoto would get more countries to follow India's example and remove a major obstacle to the ratification of the Kyoto Protocol. 1

The second is a DOE initiative to follow up on the MOU signed by Secretary Richardson and the Indian Minister of Power and to seek a pledge from India that it will promote clean energy development and set up a Bilateral Working Group on Climate Change/Clean Energy. Note that 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. 2 3

Commerce, on the other hand, has used traditional advocacy and trade promotion programs to further clean energy development in India. ITA's Trade Development, 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, 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 could therefore have 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 CDM 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 for the 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 MDB 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 ratification. Hence, commercially-focused clean energy projects will have to 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.

not including exim etc?

I. LIST OF ATTAINABLE DELIVERABLES

Cooperative Agreements.

A. Establishing a bilateral business development council to promote clean power in India. Commerce is considering a replacement of the currently expired the U.S. India Commercial Alliance. The new BDC would focus on three priority sectors, energy and environment, information technology and services. The BDC could include partnership with all three of the 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 GOI, to make a visible commitment to CDM, greenhouse gas reduction, and to adopt voluntary programs such as Energy Star, Green Lights, etc.

B. Bilateral MOUs for technical assistance and /or cooperation could also 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, Program for the Next Generation of Vehicles, etc.

Project Deliverables.

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 Presidential 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. Needs push for Central Electricity Authority to finalize updated project cost immediately. Once this is achieved, tariff will be finalized and escrow agreement between State of Uttar Pradesh and Synergics wil be signed.

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

7

B. Signing of an agreement with TDA/GOI to develop a regulatoryframework for interstate pipelines. Such a framework would benefit firms such as CMS, Unocal, Enron, Chevron and Mobil seeking to build LNG facilities and a 2200 MW gas fired power plants 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 also asking 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 financials and tariff, 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 tha company and U.S. Government received assurances from the GOI that this approval will be forthcoming.

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

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 that attaining all the tax concessions given to mega power projects will pass through to the State Electricity Board and would benefit entirely the consumer through lowering the 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 is being only appled to new projects, not to the existing ones.

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 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 to be 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.

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

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. Need to push for a decision award in favor of GE as soon as possible.

Total project value: $33 million . U.S. content: tbp.

H. Allow the ICF-Kaiser 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. U.S. content: $100-$250 million.

II. OTHER ADVOCACY PROJECTS

BBI Power Krishnapatnam Power Project. BBI Power Corporation is developing a 520 MW project in the State of 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 in resolving this issue. The project is currently awaiting state government and 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 cyclone that hit Orissa last October, and a December 30, 1999 order by the state regulator (Orissa Electricity Regulatory Commission, OERC) that disallowed certain valid capital items of 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: tbp

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 cost 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..

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.

Agreement between Nepal and GOI for sale of hydroelectric power to India. This is the most feasible of the projects that USAID has been pursuing (with interagency assistance) as part of its **South Asia Regional Initiative**. Purchase of hydroelectric power would decrease the need for coal fired plants in Northern India. A GOI agreement to purchase natural gas from Bangladesh seems more difficult due to political opposition in Bangladesh.

III. POLICY CHANGES NEEDED

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

1. A commitment by GOI and Indian industry to undertake an outreach program to explain the educate the public on 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 SEB s are not financially healthy.

3. Advance the commercial agenda of the POTUS visit; begin rebuilding commercial relations.

5. Present idea for new public sector-private sector bilateral commercial forum.

6. 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

7. Increase trade/investment in environmental technologies.

IV. POSSIBLE TRADE PROMOTION EVENTS.

A. 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 well could be increased interest from U.S. firms such as Westinghouse, ABB-Combustion Energy, Black and Veatch, etc.

B. TD could also lead a trade mission focusing on auto inspection and pollution control devices. There is an 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, unlikely to be significant, or unattractive.

V. IMPACT OF SANCTIONS

No impact on clean energy projects other than on nuclear power or dual use computers for weather modeling.

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 are not directly affect most commercial projects, their aftermath is difficult to assess. Perception of a "reliable supplier" still lingers.

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

On October 27, 1999, the President exercised the 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, IMET, U.S. commercial bank lending to GOI, USDA agricultural programs (Rhinoceros and Tiger conservation Fund, Asian Elephant Conservation Fund, and the Indian 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) landing by IFI's to India, but in coordination with the G-8 has said it will lift this sanction once India signs CTBT.

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

EXPORT-IMPORT BANK OF THE UNITED STATES

811 Vermont Avenue, N.W., Washington, D.C. 20571
Fax No.: (202) 565-3380

FAX COVER SHEET

DIVISION ENGINEERING AND ENVIRONMENT **DIVISION FAX NUMBER** (202) 565-3584

DATE/TIME SENT Jan 31, 2000 **PAGES TO FOLLOW** 2

TO (NAME,ORGANIZATION(S), ADDRESS/CITY)

Roger Ballentine; Deputy Assistant to the President for Environmental Initiatives - 456-1736

Jeff Seabright; WHCCTF - 395-2311

MESSAGE:

Attached is Ex-Im Bank response to the India Energy initiative questions

SENDER: **James Mahoney for Clyde Robinson**

SENDER'S TELEPHONE NUMBER: 565-3573

If message is not received in full call Eximbank telex/fax at (202) 565-3570

EIB Form No. 85-2 Rev. 9/92

MEMORANDUM

January 31, 2000

TO: Roger Ballentine; Dep. Assistant for Environmental Initiatives
Jeff Seabright; WHCCTF
Ian Bowles; NSC/CEQ

FROM: Clyde Robinson; Ex-Im Bank

RE: India – Clean Energy
Input to your memo of January 24, 2000

The following is Ex-Im Bank's response to the questions set forth in your memo:

1) Ex-Im Bank's records point to a relatively poor record for US exporters of power plant equipment in the India market. Notwithstanding its market size in terms of capacity, Ex-Im Bank, since 1987, has provided financial support for only two power projects in India, a conventional coal fired plant and a combined cycle plant. This low activity occurred despite numerous "Letters of Interest" issued by Ex-Im Bank to US exporters, including one that involved an exporter's participation in a highly visible clean-coal technology power generation plant, and others that addressed projects using natural gas or other forms of relatively low CO_2 producing power. The one combined cycle plant being supported by Ex-Im Bank, which is located at Dabhol, will eventually burn natural gas and produce relatively low amounts of CO_2. However, this project became the focus of environmental protests due to its impact on a neighboring fishing village. US exporters have not been successful in penetrating the clean energy/renewable energy market in India.

2) The President's trip could draw attention to Ex-Im Bank's desire to support clean and renewable energy projects in India. The following deliverables are suggested:

    a) An offer to coordinate the establishment of a Memorandum of Cooperation between an Indian Government entity (such as the Ministry of Energy or Indian Renewable Energy Development Association) and Ex-Im Bank that would support the sale clean energy and renewable energy technology and equipment from US suppliers to Indian buyers. The MOC initially could be sized on the order of $100 million so as to address multiple projects or transactions. It would provide a level of local cost support and in general could be structured to target both public and private buyers in India so as to encourage greater participation by US exporters of clean and renewable energy technology in the Indian power market.
    b) An offer to dispatch a team from the Ex-Im Bank to meet with officials of the Indian power sector, both public and private, to discuss ways by which Ex-Im

Bank can promote the sale and transfer of clean, low CO_2 emitting energy technology from US exporters to Indian buyers.

3) The only "issues" could involve Ex-Im Bank requirements relating to US content, and the requirement that it adhere to the terms of the OECD arrangement for export credit agencies.

4) Ex-Im Bank offers financing incentives for exports of power plants that produce fewer than 400 grams per kWh of CO_2. Specifically, for these transactions it offers to provide local cost support to a level of 15% of the US contract price of the export sale, as well as extended repayment terms and capitalization of interest during construction. It is committed to promoting clean and renewable energy exports from US suppliers to creditworthy foreign buyers. Ex-Im Bank currently is not under any sanctions or waivers with respect to the sale of energy products in India.

1. OPIC'S CURRENT ACTIVITIES IN INDIA RELATING TO CLEAN ENERGY/CLIMATE CHANGE

BACKGROUND:

Currently OPIC is committed to provide total maximum insured amount of $530.5 million to fourteen projects in India, in the manufacturing, power, financial services, communications, oil and gas and electric services sectors. OPIC currently has $234 million in financing commitments to India. To date there has been a total of $162,812,929 invested in India through OPIC-supported funds including the $55 million Draper International India Fund, the $140 million Indian Private Equity Fund and the Global Environment Emerging Markets Fund.

HIGHLIGHTS:

Dabhol Phases One and Two: OPIC is providing a total of $155 million in project financing and $232 million in political risk insurance for the Dabhol project in Marharashtra state. The project is already India's largest source of clean electric power providing 740 MW of power during Phase One (when it is fueled by nathptha) and 2184 MW during Phase Two, which, when complete, will be converted to natural gas. The project is also constructing India's first natural gas regasification facility which will be capable of delivering additional quantities of imported gas to the Indian market.

OPIC-insured US investors and lenders in the Dabhol project include Enron Corporation, Bechtel Enterprises the General Electric Capital Corporation, and Bank of America. To meet OPIC's criteria for support, both phases of the project are required to meet all applicable World Bank pollution prevention and control guidelines. The project is helping India to meet its growing energy needs while generating 60 percent less greenhouse gases (GHG) than domestic coal. The project also contributes to the economic and social development of Maharashtra in the form of jobs, local procurement, a school, hospital and an agricultural training program. The project will generate nearly $500 million in U.S. exports and almost 1,600 U.S. jobs during the first five years of project operation. (Source: OPIC/FMSR from Board Paper and press clips; clearance and additional details to be provided by Enron)

Enron Oil and Gas India, Ltd. To help India develop its domestic gas resources and reduce its reliance on imported gas, Enron is engaging in a joint operating agreement with Reliance Industries Limited and India's Oil and Natural Gas Corporation to develop the Tapi Panna and Mukta fields in the Bombay off-shore basin. Through use of 3-D seismic, geophysical technology and advanced drilling techniques, Tapki is now considered a world-class natural gas field with at least four times the original reserve estimate. Sales of gas to OGGC began from the Panna field during the first quarter of 1998, providing a significant source of clean energy to meet India's large energy needs. OPIC is providing $200 million in political risk insurance for the project

Dodson-Lindblom International, Inc. In December 1997, OPIC committed $10 million in finance for the first private hydroelectric power facility in the State of Maharashtra, India.

The project involves rehabilitation, expansion and operation of the Bhandardar power station located 100 miles from Mumbai. The company plans to improve the power station's efficiency, increase its output from 10 to 12 MW and use modern environmental techologies in plant operations..

Global Emerging Markets Environmental Fund:

The OPIC-supported Global Emerging Markets Environmental Fund has made equity investments in the following companies:

Tata Electric Companies -- Clean Energy in India

Tata Electric Companies represent the largest of the five private electric generating companies in India with 450 MW of hydroelectric and 1350 MW of gas-fired capacity to serve the metropolitan Bombay (Mumbai) region. The proceeds of the investment were used to install 150 MW of pumped hydrostorage capacity, install pollution control equipment at existing facilities and help construct a new, co-generation gas facility to serve the Bombay region.

Gujarat Gas -- Natural Gas Distributor in India

Gujarat Gas is the only privately owned distributor of natural gas in India. The company has a long-term supply contract with the government-owned gas pipeline (GAIL) to supply 47 mcm/day of natural gas to over 50,000 mainly industrial customers. The company has requests to supply gas volumes 5-6 times current levels, if supply were available. Natural gas conversion is a high priority for the Indian government, both for reduction of ambient urban pollution from industry and vehicles, and as a means of promoting reduced CO_2 emissions.

NIKO Resources, Ltd. -- Supplier of Natural Gas

Global Environment Emerging Markets Fund II, LP has invested $14.3 million in Niko Resources, Ltd. ("Niko"), an international company seeking to supply much-needed natural gas to industries in India. The Company is currently developing and distributing an increased supply of natural gas from the Hazira gas field to industrial companies in Surat. The project is located southwest of Surat City, an industrial center in the Indian State of Gujarat. In this 25 km industrial corridor near Surat, there is a current demand for 1.3 Bcf of gas per day. Since there has been an insufficient supply of natural gas, the industries have been forced to use more polluting fuels, such as naphtha and bunker fuel, as their primary sources of energy. By increasing the supply of natural gas and connecting the industries to the supply, the companies will have a cleaner, more efficient source of energy and consequently will have a more positive impact on the environment.

2. POTENTIAL OPIC DELIVERABLES FOR THE PRESIDENTS TRIP

OPIC Clean Energy Partnership with the US Energy Association and the Power Finance Corporation.

When?

OPIC will announce a one-year partnership to promote US private investment in clean energy with USEA and PFC as part of USEA's AID-funded program. The US Energy Association – composed of 180 public and private energy-related organization, corporations and government agencies. The Power Finance Corporation is an Indian government corporation that funds power projects and helps reform the power sector in India. The partnership would fund executive exchanges between PFC and OPIC whereby PFC could better understand OPIC's programs and policy critera while OPIC would develop a fuller understanding of the Indian power market and evolving policies in this sector. During this period, OPIC, PFC and USEA would seek to identify eligible clean energy projects to co-finance.

Aqua International Partner/Tirupur water and wastewater treatment project

Aqua International Partners is reviewing an investment of approximately $30m to fund the construction of a $260 million greenfield water and wastewater treatment project in Tirupur, a town in India's southern state of Tamil Nadu. When complete, the project will supply treated potable water from nearby surface sources for industrial and residential use and relieve pressure on depleted groundwater sources.. Bechtel, a major U.S. firm, was awarded the construction contract through a public tender.

Tirupur is a major center for textile manufacturing and exporting. Over 600 firms require large amounts of treated water for textile production. Currently, these firms pump water from the ground or import water in tanker trucks. Due to the growth of Tirupur's industrial base, groundwater levels have fallen sharply. In addition to falling water levels, the lack of wastewater treatment in Tirupur has contributed to groundwater pollution. To protect groundwater, a major source for residential and agricultural consumption, Tamil Nadu intends to ban further groundwater extraction and has directed textile producers to treat wastewater. By providing a reliable source of piped water, the project will allow for the continued economic growth of Tirupur.

The population of Tirupur has expanded with industrial growth. The project will benefit Tirupur and nearby villages by building a municipal water and wastewater system. As a result, the residential population will have access to potable water on a continuous basis rather than once every few days.

IL&FS, an Indian financial services firm supported by the World Bank, is coordinating financing for the project. U.S. AID helped IL&FS to develop the project and has committed $25m in debt financing which is held in an escrow account. The World Bank has also made a soft commitment to provide debt financing to the project. IL&FS is seeking $70m in equity from international investors.

The project has been in gestation for more than five years. Patience is wearing thin among the industrial users, who continue to extract groundwater, and the state. Aqua has stressed to IL&FS that certain provisions in the concessions agreement must change to make the project attractive to international investors. One key change is to increase the industrial tariff to a level consistent with the all-in cost of treated water. This would result in a tariff increase from 45 rupees per cubic meter (approx. U.S.$ 1) to 65 rupees per cubic meter (approx. U.S.$ 1.50). A second change is to provide international investors with foreign exchange protection to safeguard their initial investment. Since Tirupur's industrial water users earn U.S. dollars from their textile exports, it would seem feasible to provide investors with U.S. dollar based equity returns. Many independent power projects in India have been structured in this way. A final change is to convince the state to ban groundwater extraction for the entire life of the project and to commit to strong enforcement of the ban. Ensuring that firms use water from the project and discontinue pumping groundwater is critical to the success of the project.

It would be helpful for the U.S. government to underscore three key points:

- Sustainable development is an empty concept without clean water to meet human needs. An adequate supply of potable water is urgently needed both to improve public health and the environment and to foster economic development.
- Private investment/financing is essential to meet these needs. Foreign aid is simply not available in sufficient amounts. Under public ownership, water has typically been a free or underpriced resource. Attracting private investment means water users must become accustomed to paying a tariff which covers the cost of supplying water and offers an adequate investment return. This is especially true for industrial users who have the capacity to pay a price determined by market forces.
- Tirupur represents the start of a long term effort to replenish India's groundwater. Once restored, it can be managed sustainably by the Indian government for human health and economic needs. The project in Tirupur is the first of its kind in India and if successful, will be used as a model for others in the future. If the project does not succeed, India's effort to manage its water resources sustainably will be set back.

Coal Washeries

GEEMG and its affiliated funds are evaluating investment opportunities in coal washeries in India. By reducing ash content and removing nearly one-third of the mass of coal, coal washeries lower coal transportation costs and the greenhouse gases that would otherwise be produced from transporting a higher volume of washed coal, improve efficiency and reduce polluting emissions from coal-fired power plants. Investment opportunities in coal washeries in India are expected to increase as a recent change to Indian environmental laws will mandate the use of beneficiated coal for certain coal fired power plants. GEEMF is currently evaluating an investment opportunity with an experienced U.S. company to build, own and operate a plant to process raw coal in Orissa, India. An announcement of progress in connection with this project could be a deliverable.

3. SHORT SUMMARY OF KEY OUTSTANDING POLICY ISSUES RELATING TO CLEAN ENERGY IN INDIA

Solvency of State Electricity Boards (SEBs). The biggest problem is the solvency of the state electricity boards, which to a great extent turns on the political willingness to pass along rate increases. The use of escrows or similar security devices, while helpful in the short term in closing certain transactions, will exacerbate the problem over time as the best industrial accounts are removed from the available cash flow of the applicable electricity board, leaving a weaker account base to finance future projects.

Inconsistent Policies on Financial Security Structures. The Ministry of Finance and Reserve Bank of India are involved to an unexpected degree in examining routine project financing security structures and denying approvals for routine elements (e.g., the establishment of offshore collateral trust accounts) that have been utilized in past Indian power transactions and are standard in international project financings in this sector. In the absence of published guidance, it is reasonable for project participants to look to precedent in India when designing a financing. When Indian authorities change or inconsistently apply their views on such elements of the financing at a very late stage, the costs and delays to the transaction can be prohibitive.

Nonrecognition of legitimate transaction costs. The Indian authorities' reticence to accept certain international norms in project financings is also evident in their unwillingness to acknowledge the enormous transaction costs incurred in developing and structuring complex limited recourse financings. Given the uncertainties and complexities of closing a power project financing, it would be inconceivable for lenders to a project in any emerging market not to be represented by experienced legal counsel, engineers, and other technical consultants. It is well-established that the costs of such outside advisors must be borne by the borrower or its shareholders since such costs vary and therefore are not incorporated generally into the interest rate or spread on the loan. Despite this well-established practice, the Reserve Bank of India does not permit the payment by the Indian borrower of such costs. More serious, however, is the unwillingness of the Ministry of Finance to credit the non-Indian shareholders with equity contributions when such shareholders make the reimbursement payments to the lenders. Without the inclusion of such costs in the capital base of the Indian project company, the Indian project's regulated return on capital will not capture these legitimate costs of developing and financing a project.

Inconsistent treatment of domestic and foreign creditors. Indian banks have potentially significant comparative advantages over foreign lenders by their access to special Indian tribunals and expedited debt collection procedures under the Indian Debt Recovery Act. This situation creates intercreditor uncertainty among foreign and Indian co-senior lenders to the same project by increasing the risk that the foreign lenders' claims on the assets supporting the credit will, as a practical matter, lose their senior status.

Archaic financial security laws. Laws governing the creation of security are derived from 19th century concepts of property that are showing signs of strain in modern financial practice. While these older categories of property interests have been stretched to fit modern practice, so too have the prohibitively expensive stamp taxes incurred in creating security or executing certain legal instruments (such as promissory notes). As a practical matter, project sponsors must obtain waivers of such stamp or registration taxes from the applicable state government before the power project can proceed because these taxes almost always render the project uneconomic. Such waivers take time, adding delay and expense to the transaction.

Highly regulated insurance environment.. The GOI requires that local Indian insurance companies be used rather than larger, reputable, well-established global insurance companies. Limited information is known about these local companies.

4. STATUS OF AGENCY'S CLIMATE CHANGE/CLEAN ENERGY ACTIVITIES IN INDIA WITH REGARD TO SANCTIONS AND WAIVERS.

The Glenn amendment sanctions that were imposed as a result of the explosion of the Indian nuclear device in May, 1998, have been waived for an indefinite period into the future by President Clinton, pursuant to waiver authority contained in the Defense Appropriations

Act that was enacted into law in late 1999. Accordingly, OPIC is open in India, although other U.S. government sanctions on India, which do not restrict OPIC activities, remain in effect.

Jefferson B. Seabright
01/31/2000 05:08:46 PM

Record Type: Record

To: Roger S. Ballentine/WHO/EOP@EOP
cc: Angela C. Mizeur/WHO/EOP@EOP
Subject: re: GCC Deliverables

I am forwarding USAID/India Linda Morse's email (with Hales' response) of last week. USAID is offering to pay me to go to India while Sandalow is there (and Karl Hausker) -- which is late next week and first of following) . I am inclined to do it. Let's discuss tomorrow.

Re/ tomorrow's mtg, I spoke to Copps at Commerce, Mahoney (works for Clyde at EXIM) and Himberg at OPIC and all three assured me that they will get thier stuff to us by COB today.

We can review bidding before the 11. I am in all morning and available.

---------------------- Forwarded by Jefferson B. Seabright/WHCCTF/EOP on 01/31/2000 05:04 PM ---------------------------

David Hales <dhales@usaid.gov>
01/27/2000 05:06:53 PM

Please respond to dhales@usaid.gov

Record Type: Record

To: "Linda E. Morse" <limorse@usaid.gov>
cc: See the distribution list at the bottom of this message
Subject: re: GCC Deliverables

Note: Some recipients have been dropped due to syntax errors.
Please refer to the "$AdditionalHeaders" item for the complete headers.

Linda... great, helpful memo...Let me respond in pieces...
1st. We are faxing ASAP the briefer for JBAnderson on the 21st century Energy Initiative...
2. Be careful re the WB carbon fund. We have had reservations on several scores, and the US is NOT/NOT contributing to the funding. Generally, our feeling is that competitive projects don't need the WB Fund, and that noncompetitive ones shouldn;t be funded. This would be especially true for India. We and some in Treasury are concerned that the WB folks will suck good projects away from the private sector.

3. Richardson will accompany, apparently.This may change the dynamic re the

C2 working group. One way or another we'll be sure that DSandalow is aware of the points you make.

4. Comprehensive look at sanctions and deliverables is ongoing.

More later.
---------- Original Text ----------

From: Linda E. Morse@DIR@NEW DELHI, on 01/27/2000 3:07 AM:

Please handle this message as sensitive--not for wide distribution. I wanted to put my two cents into this escalating set of communications re a GCC deliverable, trips, working groups, etc. especially as it seems I have been tagged to try to get a Foreign Ministry position on the Climate Change working group idea. The relevant joint secretary in the Foreign Affairs ministry has promised to get back to me next week after Foreign Affairs has met with both the Environment and Power Ministries. Here is my perspective on where things stand:

1) Climate Change Working Group: The same joint secretary in the Foreign Affairs Ministry that I will see next week has communicated once to Mr. Sandalow etal in Washington, I believe, and once to the Ambassador most recently in London during the Talbott--Singh dialogue that a climate change working group chaired by the Foreign Ministry "would be difficult". This could be for two reasons: a) that the GOI does not want to lose its "leadership" position among developing countries in the international negotiations by "siding" with the USG, and/or MORE LIKELY b) that they do not want to take the climate change agenda away from the environment ministry. This is local politics of who sits where in the coalition government etc. The Minister of Environment is a very successful local politician from Tamil Nadu and he represents a party that is an important coalition partner for the BJP.

If by a climate change working group we mean something informal, co-chaired by Sandalow and a GOI rep at Sandalow's level, which would be a joint secretary or maybe additional secretary in GOI terms, AND if the purpose of this group is to meet occasionally to discuss negotiating strategies in the multilateral context then the GOI may agree. Perhaps the Foreign Ministry will kick it off with the understanding that Environment will eventually take it over. The GOI has always welcomed any negotiator from OES that wanted to come, and in fact requested more visits from negotiators than OES was able to provide. If the working groups becomes a deliverable, then it becomes "official", formal and structured and this is what would give the GOI difficulty in publicly removing this issue from the Ministry of Environment. We can discuss Co-chairs, or various subcommittees with different co-chairs, etc. but when push comes to shove, I do not believe that this is a very attractive deliverable for the GOI. Its your call, but I am not sure this working group would resonate very much in the U.S. as well.

On the other hand, the Ministry of Power is hot to trot and approves the idea, believing such a working group will be chaired either by the foreign affairs ministry or themselves--the power ministry. Based on our history with the Common Agenda on the Environment, the Ministry of Power will not likely actively and meaningfully participate in a working group chaired by the environment ministry.

I will try to be as honest a broker of any/all ideas as I can be. Presumably, Mr. Sandalow is coming to India to try to work the climate change working group idea, so I will make sure no option is foreclosed before he gets here. If you can reach Mr. Sandalow please tell him that the Foreign Ministry (Jt. Secy Alok Prasad) knows that he owes us an answer on this and will do his best to have one next week.

To recap: Dialogue initiatives led by the Environment Ministry in the past have all failed. A new dialogue working group led by State will be difficult for the GOI (especially in the absence of knowing what WE are prepared to offer as a deliverable) The reinstatement of the Energy bilaterals are an anticipated deliverable based on Richardson's visit, a resumption of something that used to work--more or less--but would require sanctions waiving. What the GOI really wants, of course, is lifting the sanctions for multilateral lending in energy (on all non-basic human needs but especially energy). For this, we might get their attention on a real deliverable on their side. (FYI, a lifting of the sanctions on all assistance--bilateral and multilateral--which addresses GHG reduction, would also help liberate the SARI project AND free us from the annual CN torture for our bilateral program.)

2)Deliverables other than the Climate Change Working Group

- Per above, the reinstatement of the Energy Bilaterals with a climate change or clean energy working group chaired by the Ministry of Power. Would require sanctions waiver.

- We (USAID) believe that we can perhaps get the GOI to announce efficiency targets for certain industries/sectors, demonstrating that they are "responsible" citizens in the sustainable development arena. (This will not be a "costly" deliverable for them or for us) I would guess that such an announcement would come, however, not from the PM but from the Power Minister. We will push for the PM however.

- We might be able to work a private sector climate change working group--the Indian industry and trade associations, however, have been far more forthcoming than the established American business associations (American Business Council, Indo US Business Council) many of whose members reject USG targets, etc. This group would work out its own agenda presumably as a follow on to last years Indo US business delegation on climate change. We could explore something with the Business Council for Sustainable Energy under TCAPP.

- We could work to put together a number of deals for the World Bank's new carbon fund.

- The SARI project is a deliverable; USAID presenting this project to the Hill as a GCC project using notwithstanding language. If this doesnt work, SARI is stuck as a result of sanctions.

- What is the new Clean Energy Initiative the President will announce? That may also become the source of a deliverable.

Washington needs to start talking now about deliverables which are "free" and deliverables which require lifting of the sanctions (which affect not only USAID but DOE and EPA, at least according to the State Department sanctions bureaucracy)

We look forward to your visit as well as that of Mssrs. Sandalow and Ballantyne and will try to advance this issue as much as possible before you get here.

Please know the first POTUS pre advance team arrives next week and I have people deployed around the country to meet them....we are very thin here in Delhi but will do our best.

Message Copied To:

Jefferson B. Seabright/WHCCTF/EOP
jefferson_b_seabright@whcctf.eop.gov
jseabright@aol.com
Barbara Turner <bturner@usaid.gov>
Ko Barrett <kbarrett@usaid.gov>

United States Department of State

Washington, D.C. 20520

January 28, 2000

UNCLASSIFIED
MEMORANDUM

TO: Roger Ballentine
Ian Bowles

FROM: OES - Ken Brill, Acting DB for KB
SA - Michelle Maynard, Senior Advisor DB for MM

SUBJECT: Climate Change/Clean Energy Issues in India

Current/Recent Activities:

Bilateral discussions with India on climate change have largely been conducted outside an institutionalized framework. In March, 1999 AmEmbassy New Delhi adopted a mission-wide climate change strategy intended to broaden public awareness of climate change in India and cultivate stakeholders interested in a more cooperative relationship. As part of this initiative, the Embassy has been encouraging the Indian private sector to support the CDM. The influential Confederation of Indian Industry (CII) created a Climate Change Center and sponsored a roundtable aimed at promoting private-private partnerships. A CII delegation came to the U.S. in 1999 to meet with USG and U.S. business representatives to discuss climate change. The Embassy's strategy has been supported by the waiving of the Glenn Amendment sanctions on the Indo-American Environmental Leadership Program (IAELP). IAELP supports environmental education, awareness and exchanges.

The State Department has also pursued our clean energy and climate change goals through diplomatic efforts. OES Special Negotiator for Climate Change Ambassador Mark Hambley visited India in 1997 and 1999 for consultations with GOI and other Indian officials. U/S Loy had a constructive meeting with Indian Environment Minister Baalu at COP-5 in October, 1999. A/S Sandalow recently discussed with Ministry of External Affairs Joint Secretary Alok Prasad the possibility of co-convening an interagency U.S.-India Working Group on Climate Change, starting in New Delhi in February. Prasad has said he will first have to consult the Environment Ministry, which controls GOI climate policy, and that the GOI is unlikely to reach closure on the Working Group before the end of February.

Potential Deliverables:

1. Cooperative language on climate change included in a joint communiqué issued by the President and Prime Minister. A/S Sandalow could begin negotiating a draft text in the course of a February visit.

2. Announcement of the creation of an interagency/ interministerial U.S.-India Working Group on Climate Change, which would promote bilateral cooperation on climate-related activities -- including clean energy -- and facilitate consultation on the international negotiations. A/S Sandalow could pursue GOI buy-in and discuss terms of reference during a February visit.

3. Science and Technology Forum - Embassy New Delhi has begun discussions with the GOI on a Science and Technology Forum. The Forum is designed to facilitate the interaction of government, academic and industry leaders in science and technology. Climate change and clean energy can be two of the areas encompassed in Forum activities.

In addition to these proposed POTUS deliverables, the Department plans to explore the possibility of reviving the U.S.-India Common Agenda for the Environment to facilitate a broad range of environmental activities. We are aware that DOE has proposed other potential POTUS deliverables on clean energy and climate change, which we look forward to discussing.

Outstanding Policy Issues:

Although the GOI has noticeably toned down its rhetoric in recent months, its basic opposition to developing country commitments to limit GHG emissions has not yet shifted, and no formal discussions have yet taken place with key Indian policy-makers to explore such a possibility.

Our engagement with India on climate and energy issues could be complicated by some contentious commercial issues which lie within the Power Ministry's bailiwick. Several American firms are facing serious problems with their investments in the Indian power (electricity) sector. These problems include difficulties in obtaining necessary approvals for the projects, escrow cover, or counter-guarantees for loans. There has been regular high-level USG advocacy on behalf of these companies, but problems persist, and one U.S. company (Cogentrix) recently withdrew from a major project after seven years of frustrating legal and financial tribulations.

Sanctions/Waiver Status:

None of the State-proposed potential deliverables would be affected by Glenn Amendment sanctions. USAID's greenhouse gas program with India was initially suspended under sanctions; however, the Department decided to lift the suspension. Because this program had "nothwithstanding" language in its legislation, the decision to lift the suspension did not require a Presidential waiver. The decision to lift the suspension of the IAELP program required a Presidential waiver, which was obtained in September, 1999. Our understanding is that several clean energy programs continue to be affected by sanctions, including DOE's Oakridge National Laboratory project with TERI, DOE's NREL project with Punjab State Electricity Board, and the Indo-US Bilateral Energy Consultations. EPA's air quality management project in New Delhi was also suspended, as were three Nuclear Regulatory Commission (NRC) projects in India.

Other sanctions put in place after India's nuclear tests include a G-7 agreement to oppose non-basic human needs (BHN) International Financial Institution (IFI) lending to India. We have told the GOI that we will waive the IFI sanction once India has signed the CTBT. Until that time, it will be difficult to pursue non-BHN bilateral lending and assistance programs that mirror the sanctioned IFI programs. Because electricity projects -- and infrastructure projects in general -- normally would not meet the BHN standard, deliverables which envision bilateral or multilateral loans or assistance would require a waiver of the sanctions.

MEMORANDUM

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

FROM: David L. Goldwyn
Assistant Secretary for International Affairs
Department of Energy

SUBJECT: Additional Potential Deliverables for the President's Trip to India

In response to your request you will find attached another set of suggested clean energy deliverables for the President's trip to India which supplements the joint DOE-USAID paper which we previously submitted to the NSC.

This paper provides pros and cons on the concept of a high-level Forum, as you asked for. It also includes a couple of other ideas for your consideration that you might find useful. Our suggestions of a Clean Energy Trade Mission and a Clean Energy Investment Conference would not necessarily have to have DOE in the lead, but obviously we would like to be involved because we would be able to help these undertakings be successful.

I hope you find these suggestions helpful.

Attachment

'Energy and Environment' Options with India

Energy Cooperation Mechanisms

A. Creation of an "Energy, Environment and Economic Forum."

The Administration could create a **Binational Energy, Environment and Economic Forum**, which would be coordinated out of the White House. In addition to the **Indo-U.S. Bilateral Energy Consultations** and the **Working Group on Climate Change**, the Forum could establish groups in science and technology cooperation and other areas as appropriate.

Potential Presidential Announcement: Creation of Forum.

Pros: "Bigger" announcement; easier to coordinate agency efforts and to ensure that they remain consistent with foreign policy priorities.

Cons: Harder to guarantee continued interest in a new Administration.

B. No Central Structure: Existing Groups Continue or Resume Operation.

couldn't this be folded in?

DOE would re-establish the **Indo-U.S. Bilateral Energy Consultations** at the Ministerial level. The Bilaterals would be the high-level focal point for discussing selected energy policy and technical cooperation and assistance activities. 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 Other agencies such as USAID would be active participants in the Bilaterals.

State/DOE would continue to meet with the Indians in the **Working Group on Climate Change**: This group would focus on clean energy policy as it relates to climate change, on CDM and other flexibility mechanisms.

Other clean energy activities that could be separately pursued include a **Clean Energy Trade Mission** to India and a **Clean Energy Investment Conference**, as described below:

1. An inter-agency **Clean Energy Trade Mission** to India could simultaneously advance the Administration's climate change and commercial policy goals by helping promote increased U.S. trade and investment in clean energy technologies. This trade mission could include DOE, Commerce, USAID,

TDA, ExIm Bank, OPIC, and State as well as U.S. firms. The mission might include public-private roundtables on the economic benefits to India of deploying clean energy technologies, as well as the importance of energy sector reforms to enhancing India's investment climate.

2. A **Clean Energy Investment Conference** could be organized on an inter-agency basis and could be held in conjunction with, or separately from, the Clean Energy Trade Mission described above. Comprised of investment bankers, project developers, technical experts, and senior government officials, it would focus on overcoming obstacles to closing clean energy deals, the economic benefits of energy efficiency and energy service companies, and chart a path for India to reduce greenhouse gas emissions while promoting increased economic growth. The conference's India focus would be a logical follow-up from the "Energy South Asia" conference held March 6-8 in Kathmandu just before the President's trip, and include panels on promotion of regional clean energy trade, such as hydro-power from Nepal and natural gas from Bangladesh.

Potential Presidential Announcement: Resumption of Indo-U.S. Bilateral Energy Consultations; a meeting of W/G on Climate Change, announce Clean Energy Trade Mission and Clean Energy Investment Conference.

Pros: Greater potential for bureaucratic buy-in on the Indian side; less uncertainty of continuation on US side.

Cons: May not rise to the level of a "Presidential" announcement; not much new; harder to influence other agencies to participate; less Administration coordination which would allow it to be

FACSIMILE TRANSMISSION SHEET

DEPARTMENT OF ENERGY
OFFICE OF INTERNATIONAL AFFAIRS
1000 Independence Avenue, S.W.
Washington, DC 20585

TO	Roger Ballentine	FROM	David Goldwyn
OFFICE		DATE	1-31-00
FAX #	456-1736	FAX #	202/586-0861
OFFICE #	456-1782	OFFICE #	202/586-8660

COMMENTS:

Pages: 4, including cover sheet.

If transmittal is incomplete, please phone *Emma* at 202/586-8660.

Department of Energy
Washington, DC 20585

January 31, 2000

MEMORANDUM

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

FROM: David L. Goldwyn
Assistant Secretary for International Affairs
Department of Energy

SUBJECT: Additional Potential Deliverables for the President's Trip to India

In response to your request you will find attached another set of suggested clean energy deliverables for the President's trip to India which supplements the joint DOE-USAID paper which we previously submitted to NSC.

This paper provides pros and cons on the concept of a high-level Forum, as you asked for. It also includes a couple of other ideas for your consideration that you might find useful. Our suggestions of a Clean Energy Trade Mission and a Clean Energy Investment Conference would not necessarily have to have DOE in the lead, but obviously we would like to be involved because we would be able to help these undertakings be successful.

I hope you find these suggestions helpful.

Attachment

'Energy and Environment' Options with India

Energy Cooperation Mechanisms

A. Creation of an "Energy, Environment and Economic Forum."

The Administration could create a **Binational Energy, Environment and Economic Forum**, which would be coordinated out of the White House. In addition to the **Indo-U.S. Bilateral Energy Consultations** and the **Working Group on Climate Change**, the Forum could establish groups in science and technology cooperation and other areas as appropriate.

Potential Presidential Announcement: Creation of Forum.

Pros: "Bigger" announcement; easier to coordinate agency efforts and to ensure that they remain consistent with foreign policy priorities.

Cons: Harder to guarantee continued interest in a new Administration.

B. No Central Structure: Existing Groups Continue or Resume Operation.

DOE would re-establish the **Indo-U.S. Bilateral Energy Consultations** at the Ministerial level. The Bilaterals would be the high-level focal point for discussing selected energy policy and technical cooperation and assistance activities. 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 Other agencies such as USAID would be active participants in the Bilaterals.

State/DOE would continue to meet with the Indians in the **Working Group on Climate Change**: This group would focus on clean energy policy as it relates to climate change, on CDM and other flexibility mechanisms.

Other clean energy activities that could be separately pursued include a **Clean Energy Trade Mission** to India and a **Clean Energy Investment Conference**, as described below:

1. An inter-agency **Clean Energy Trade Mission** to India could simultaneously advance the Administration's climate change and commercial policy goals by helping promote increased U.S. trade and investment in clean energy technologies. This trade mission could include DOE, Commerce, USAID, TDA, ExIm Bank, OPIC, and State as well as U.S. firms. The mission might

include public-private roundtables on the economic benefits to India of deploying clean energy technologies, as well as the importance of energy sector reforms to enhancing India's investment climate.

2. A **Clean Energy Investment Conference** could be organized on an inter-agency basis and could be held in conjunction with, or separately from, the Clean Energy Trade Mission described above. Comprised of investment bankers, project developers, technical experts, and senior government officials, it would focus on overcoming obstacles to closing clean energy deals, the economic benefits of energy efficiency and energy service companies, and chart a path for India to reduce greenhouse gas emissions while promoting increased economic growth. The conference's India focus would be a logical follow-up from the "Energy South Asia" conference held March 6-8 in Kathmandu just before the President's trip, and include panels on promotion of regional clean energy trade, such as hydro-power from Nepal and natural gas from Bangladesh.

Potential Presidential Announcement: Resumption of Indo-U.S. Bilateral Energy Consultations; a meeting of W/G on Climate Change, announce Clean Energy Trade Mission and Clean Energy Investment Conference.

Pros: Greater potential for bureaucratic buy-in on the Indian side; less uncertainty of continuation on US side.

Cons: May not rise to the level of a "Presidential" announcement; not much new; harder to influence other agencies to participate.

Department of Energy
Washington, DC 20585

December 21, 1999

MEMORANDUM

TO: Bruce Reidel
Special Assistant to the President and Senior Director for the Near East and South Asia

FROM: David L. Goldwyn
Assistant Secretary for International Affairs

SUBJECT: Proposed Energy and Environmental Deliverables for the POTUS Trip to India

Attached are DOE's and USAID's preliminary thoughts about potential energy related deliverables for the President's trip. We have not cleared the attached document with an interagency group, but I wanted to get you this version so you could get an early idea about where we are coming from.

We hope you find this to be a useful input to the planning process. As always, we are prepared to discuss our proposals with you or otherwise move them forward as you desire. If need be, do not hesitate to call me at 586-5886.

Attachment

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.

Angela C. Mizeur 01/31/2000 06:04:24 PM

Record Type: Record

To: Roger S. Ballentine/WHO/EOP@EOP, Ian A. Bowles/NSC/EOP@EOP

cc:
Subject: 11:00am India meeting attendees

Jeff
Clyde Robinson (Ex/Im)
Khalid (pronounced Halled) Asin (Ex/Im)
David Goldwyn (DoE)
Kate English (DoE)
Mike Copps (Comemrce)
Gordon Wayman (David Hales' office)
Cynthia Lowry (USAID)
BIll Anderson (USAID)
Joe Carroll (USAID)
Ken Brill (State)
Dan Balzer (State)
Nigel (State)
Scott Ticknor (State SE ASIA bureau)
Harvey Himberg (OPIC)

TO: Roger Ballentine
FROM: Jeff Seabright
RE: International Clean Energy Initiative Management
DATE: January 20, 2000

Effective management of current and future funding for international clean energy activities falls into three related categories:

1. Inter-agency coordination (USG bilateral programs)
2. Industry participation
3. Multilateral coordination (ECAs, MDBs, WTO, etc).

To address these management challenges, we need to put the President's imprimatur on this effort, either through an EO or some other mechanism. Strong leadership is necessary to detail how enhanced coordination would achieve the goals established in the International Clean Energy Initiative. Without this, bureaucratic drift will prevail and the "new" funds will be used to meet existing but under-funded existing program requirements (and we already see evidence of this). In addition, a strong role for clean energy industry in this effort is absolutely essential.

Accordingly, elements of this EO might include the following:

1. Inter-Agency Coordination and Management

The Initiative posits (as does the PCAST report) that a continuum of government and private sector partnering is needed to accelerate commercialization of clean energy technologies – from 'opening markets' on one end to 'closing deals' on the other. The central task of Administration-wide coordination is to ensure that: 1) individual agency programs are effective; and 2) that the sum total of agency programs is better integrated and targeted.

Management of the International Clean Energy Initiative is currently done through the NSTC Working Group, as recommended by PCAST and called for in September by the POTUS to Lane memo. This worked adequately for development of the budget package for FY2001, but is not adequate for oversight of ongoing and planned agency activities to ensure performance and to effectively coordinate their execution across agencies. A detailed plan based on extensive inter-agency coordination on allocation of funds within the $100 million Initiative is attached. This provides a good template for going forward, but does not address coordination of existing efforts, identification of priority markets/countries, or the architecture of ongoing coordination.

It will be necessary to create a dedicated clean energy working group, rather than grafting this initiative onto existing mechanisms which focus on the broader category of environmental technologies. We have seen the resistance by Commerce to an energy-only focus in crafting the Initiative. Implementation will be even more problematic unless we lead with a strong Presidential EO.

The following actions should be included in the EO:

- Creation of a Clean Energy Trade Working Group (CETWG) co-chaired by Commerce and DOE.

  It will be necessary to create a dedicated clean energy working group, rather than grafting this initiative onto existing mechanisms which focus on the broader category of environmental technologies (we have seen the resistance by Commerce to an energy-only focus in crafting the Initiative). This working group would include DOE, DOC, USAID, TDA, EXIM, OPIC. The EO would direct the establishment of this group and direct the two secretaries to report within 90 days on how more effective coordination of existing and new resources will help achieve the goal of doubling US clean energy exports within five years. We may want to be even more specific in the EO and detail: 1) that the export/trade agencies (Commerce, TDA, OPIC and EXIM) develop a plan for more "user friendly" and coordinated export assistance (draw circles around resources, identify senior level managers responsible for the clean energy portfolio, other?); and 2) that DOE and USAID jointly develop a plan for more effective coordination of overseas activities (as was required in the 1992 Energy Policy Act).

- Direct USAID to host the creation of a Clean Energy Partnership (CEP) program involving Commerce and DOE, based on the US-AEP model.

  While a high-level working group is necessary, episodic oversight will not be sufficient to generate results. The USAEP is a very successful model of inter-agency programmatic collaboration. It was started in the last year of the Bush Administration between Commerce and USAID and has flourished during the Clinton Administration. The key to its success has been high quality management, dedicated resources and a commitment to inter-agency cooperation. The same model can and should be emulated for the clean energy work.

2. <u>Industry Participation</u>:

- Establish a Clean Energy Industry Advisory Committee to provide advice to the CETWG and the CEP.

  A dedicated clean energy business advisory group will be needed to provide the necessary input and accountability for the Initiative. The existing Environmental Technologies Trade Advisory Committee covers the waterfront of enviro-tech goods and services and cannot be adapted for our purposes. We need a group representing the many facets of the clean energy business – renewables, efficiency, clean fossil (gas and advanced coal), as well as project developers, technology vendors, banks and underwriters, etc.

A second set of issues is how to engage with industry to effectively move forward the International Clean Energy agenda. Among many options, establishing a set of principles to guide energy development might be useful. Such principles might follow the "Sullivan" principles for human rights, or the Business Environmental Leadership Council organized by the

Pew Center on Global Climate Change, the Alliance for Environmental Initiative (www.edfpewalliance.org), the Safe Climate Sound Business Initiative (www.wri.org) or others.

3. Multilateral Coordination:

Export credit agencies, the multilateral development banks and various UN and other international institutions play a key role in global energy markets. For our Initiative to be successful, we will need to have a coordinated approach to policy issues. We have an ongoing effort in OECD to review ECA environmental guidelines. We may want to do more than "do no harm" and push ECAs to provide even more support for cleaner energy options. This might include establishing longer periods for financing efficient and renewable energy technologies—perhaps up to 20 years or more. More broadly, attention should be given towards engaging the other industrial countries in promoting adherence to clean energy technology trade by their private sectors through use of all available governmental mechanisms as well as the "bully pulpit."

Similarly, with the debate on energy lending policy at the World Bank and other MDBs and the inclusion of energy goods and services in the WTO debate, close attention needs to be given to their role in building a clean energy future. This could include: (1) strongly encouraging a more aggressive MDB role in energy efficiency and clean energy supply lending (the MDBs are backing out of energy sector lending now arguing that reformed energy markets can address all the problems); (2) emphasizing restructuring for open competitive markets that protects public benefits such as support for technology innovation, environmental protection, assistance to the poor, rural, or otherwise disadvantaged sectors, and others; (3) establishing through the GEF aggressive mechanisms for competitively buying down the cost of innovative clean energy technologies for both energy supply and energy efficiency.

Treasury and State are key players in these issues and need to be brought into the coordination effort. The EO might call for the creation of an international clean energy policy working group chaired by Treasury and DOE (?).

6793 |

Fern

Jim Steinberg

Roger

who has the lead on this?

John

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 that 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.

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,

Katie

Hon. Kathleen A. McGinty

Karl Hausker

Karl Hausker, Ph.D

cc. George Frampton
Jim Steinberg
Roger Ballantine

USAID

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

January 20, 2000

MEMORANDUM

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

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

SUBJECT: South Asia Regional Initiative - Energy Program

I regret that I will be unable to attend tomorrow's meeting. I have attached a short description of the South Asia Regional Initiative - Energy Program, which we propose as a possible POTUS climate change/energy deliverable. In addition, pursuant to a suggestion by Jeff Seabright, I have attached a draft memo from you to the NSC requesting a Presidential Waiver for economic growth activities involving India, in particular for SARI. This would allow full participation by India in the SARI energy program and help assure that SARI achieves its full potential.

cc:

Jefferson Seabright, WHCCTF

SARI/Energy as a POTUS Deliverable

While in South Asia the President will address the themes of energy efficiency, public/private partnerships, and related climate change goals. **The South Asia Regional Energy Program** (SARI/E) provides a vehicle to advance the Administration's interests in the above areas and showcase the true spirit of cooperation between the U.S. and South Asian countries, particularly India and Bangladesh.

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 provides significant climate benefits by displacing the use of dirtier fuels in the region, particularly in India. Overall, SARI/E will improve the institutional capacity of South Asian policymakers to promote clean energy, with an emphasis on encouraging private sector participation in, and civil society support for energy development. SARI/E will also strengthen regional institutions and advocacy on sustainable energy development in India, Bangladesh, and other targeted South Asian countries.

With its focus on developing regional trade in cleaner energy, **SARI/E** will help open up new markets for electricity and natural gas and stimulate billions of dollars of direct investment. Regional trade in clean energy will have positive impacts on people's incomes, health and overall well-being, and will reduce overall world levels of greenhouse gas emissions.

In sum, **SARI/E** is uniquely poised to support dialogue among South Asian countries that could lead to trade in cleaner energy resources, advance the Administration's climate change objectives, and contribute to improved economic integration and regional security.

Announcement of **SARI/E** at both the Dhaka and Delhi stops at very senior level Public-Private Partnership staging events that feature government and private sectors representatives from both countries is under discussion with the U.S. Chamber of Commerce Bangladesh (USBBC) and India (USIBC) units. USAID is also in discussion with its Missions and the U.S. Energy Association regarding the possibility of launching South Asia regional and U.S. utility (and/or grid company) partnerships, building on the model of earlier and very successful partnerships that USAID has funded. Such a partnership, e.g. between grid companies in Bangladesh and India, would be a concrete deliverable and an excellent example of operationalizing the regional spirit of cooperation in the energy sector that was clearly alive at the very successful SARI/E launching event in December 1999 in Kathmandu, Nepal.

MEMORANDUM

TO: Bruce Riedel, NSC

FROM: Roger Ballentine
Deputy Assitant to the President for
Environmental Initiatives

SUBJECT: Presidential Waiver for Economic Growth Activities in India

Issue

We would like to request your assistance in pursuing consideration of a Presidential waiver for economic growth activities involving India, in particular the South Asia Regional Initiative - Energy Program (SARI/E).

DISCUSSION

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.

We request your assistance obtaining a presidential waiver for the SARI/E program so that India can fully participate in this program. 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 limited to DA resources and subject to congressional notification.

One of the major purposes of SARI 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, 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 is essential to SARI's success and the realization of the full benefits of U.S. investments in energy elsewhere in the region.

We would like to obtain your support for a presidential waiver to permit SARI to proceed in India.

DRAFT Talking Points

Why Energy?

- Energy fuels economic growth.
- Energy plays a dominant role in regional and global environmental problems.

Why Developing Countries?

- Energy use by developing countries is expected to double from 1990 to 2020, passing OECD countries, and quadruple by 2050, accounting for three-fourths of the increase in global energy use.
- Developing countries are key to addressing global energy and environmental problems, and to U.S. diplomatic strategy, including "meaningful participation by developing countries."
- Developing country energy technology markets will total $4 to $5 trillion over the next 20 years; survival of important parts of the U.S. energy technology industry depends on access to these markets.

Why Now?

- Energy sector restructuring underway around the world will be largely completed in ten years. Technical and policy assistance now can ensure that this restructuring allows for clean energy development and is open to U.S. exports.
- The buildings, industry, transport, and energy supply infrastructures typically last 40-80 years. Polluting infrastructure built today will remain in place through much of the next century.

Why Government?

- Government can provide assistance for policy reform and capacity building; the private sector can not.
- Government is concerned about the environment and public health; private sector interest is limited.
- Government can support RD&D and infrastructure development over long term than private sector.

Why more money?

- Developing country investments in electricity supply alone exceed $75 billion/year, largely for low performance and polluting fossil fuel plants, with similar investments in inefficient end-use equipment. Modest investments in clean energy policy reform, capacity building, and technology RD&D and deployment can significantly redirect energy sector capital investments towards clean energy.
- The proposed DOE increment of $72 million is 5% of the domestic investment in efficiency, fossil, nuclear, and renewable technology, and can leverage these investments into international markets.
- The U.S. investment has been found by PCAST and many others to be tiny compared to the developing country problems and the U.S. opportunities to impact them while benefiting domestically.

What will we get for this money?

- Fossil Energy. Reducing methane leakage/recovering coalbed methane can leverage emissions reductions of as much as 300 MMTCe/year by 2015. Improving existing power plants, demonstrating fuel cells, and helping launch advanced coal power technologies can reduce regional/global emissions.
- Renewable Energy. RD&D on systems for developing country applications and pilot projects linked to large-scale in-country and multilateral development bank funding can help provide power to the 2 billion people in the world without electricity and provide clean power for urban areas
- Building efficiency. Assistance in building shell design, development of appliance codes/standards, training, and policy reform can cut building energy use in half.
- Sector reform and capacity building. Provision of U.S. experts to countries reforming their energy sector or developing their natural gas grids can help countries develop open competitive markets.
- Finance. Export promotion, feasibility studies of projects, and targeted financial assistance by the trade agencies can assist U.S. industry, particularly small business, enter these international energy markets.

Can these investments be effective?
Examples of past experience demonstrate the impact these activities can have – and need for more resources.

Brazil:

- *What we are doing now*: USAID, DOE and state energy regulators are working with the new federal energy regulatory body on environmental issues; successful in implementing a 1% wire charge for a federal energy efficiency fund. Recent policy work with government agencies led to World Bank efficiency loan and removal of tariffs on renewable energy imports.
- *What we are not doing*: Lack of funding prevents USG from taking full advantage of the new markets for clean energy we are helping create. Programs to build US ESCO presence in marketplace, establish off-grid renewable concessions and other initiatives 1) will not happen with private sector alone; and 2) can yield significant trade benefits to US firms.

India:

- *What we are doing*: USAID, DOE are working on restructuring of power sector in Orissa and Andra Pradesh and has been instrumental in opening markets for more efficient private power in those two states.
- *What we are not doing:* We are unable to respond to intense interest ion US expetise in retsructuring in remaining 25 states in India. Lost opportunity to shape a pro-American, pro-investment climate.

- *What we are doing:* USAID and DOE have worked closely with the National Thermal Power Corporation (generates 25% of India's power) to improve power plant efficiency. A DOE lab expert has spent two years in NTPC offices; Bechtel personnel have trained staff; a demonstration facility was funded. Result: NTPC today generates the same amount of electricity with 2 million less tons of coal.
- *What we are not doing*: Huge inefficiencies in India's electric transmission system lead to economic losses and environmental costs. Lack of funding prevents USG from engaging with government and private sector in a program to rationalize and modernize India's power grid.

Why Electricity?

- Electricity is the fastest growing energy sector in developing countries.
- Electricity is the most capital intensive of all energy sectors.
- Electricity is the largest contributor to greenhouse gas emissions and regional pollutants such as SOx.

Why spread support across multiple areas?

- Efficiency improvements are generally the most cost effective, but only impact part of the problem
- Fossil energy accounts for 80% of world energy and will continue to be used for decades, requiring efforts to clean it up in the interim.
- Renewables can provide power to the 2B people without access today and can provide the foundation for a clean energy future.
- Sector reform and capacity building are essential for developing open competitive markets
- Finance-related work is needed to identify projects and move them into market.

This initiative is an important example of how protecting the environment and growing the economy can be mutually supportive. Developing countries need not repeat the mistakes of the industrial countries.

Energy and Climate Issues In India
Discussion Guide

Draft

December 9, 1999

Hagler Bailly

Country Overview

Sources: World Bank: India at a Glance, September 16, 1999
Euromoney, September 1999

GDP Growth % (1998)	5.6
GDP Growth % (Q3 1999)	
Change in CPI % (1998)	6.8
Current Account/GDP % (1998)	-1
Interest Rates %	12.25%
GDP $US billions (1998)	421
GDP/Capita with PPP $US (1998)	1,700
S&P foreign currency debt rating:	
◆ Long term	BB
◆ Outlook	Stable
Moody's Long term bond rating	Ba2
Euromoney Country Risk Ranking (100 is lowest risk)	52
Euromoney Access to Bank Finance (5 is highest)	0
Euromoney Economic Performance Projections Ranking (100 highest)	52
TI Corruption Index (10 is clean)	2.9

Overview

- **The Big Picture:**
  - **Overall consumption for oil products and kWh is higher than GDP growth**
  - **Power shortages persist in many areas; mostly due to poor T&D, sometimes due to capacity unavailability**
  - **Power sector deregulation continues, with six SERC's functional**
    - ***Haryana, Orissa, Uttar Pradesh, Madhya Pradesh, Andhra Pradesh***
  - **MDB focus is on structural reform at SEB level, IFC targeting pvt. distribution investments**
  - **For independent power projects, gas/oil is still fuel of choice (52%) followed by coal (36), using turbine technology (base of 21 units = 3,112 MW of operating IPPs as of November 1999) project (Dec 9, 1999)**

Overview

- Investors still face a difficult challenge in permitting; Cogentrix/CL&P's decides to abandon Mangalore
- Coal India still a GOI monopoly, little progress on improving supply contracts (limited performance guarantees); some imports possible

- **The Big Picture:**
  - **Overall consumption for oil products and kWh is higher than GDP growth**
  - **Power shortages persist in many areas; mostly due to poor T&D, sometimes due to capacity unavailability**
  - **Power sector deregulation continues, with six SERC's functional**
    - ***Haryana, Orissa, Uttar Pradesh, Madhya Pradesh, Andhra Pradesh***
  - **MDB focus is on structural reform at SEB level, IFC targeting pvt. distribution investments**
  - **For independent power projects, gas/oil is still fuel of choice (52%) followed by coal (36), using turbine technology (base of 21 units = 3,112 MW of operating IPPs as of November 1999) project (Dec 9, 1999)**

Country Overview

- Economic growth in India slowed in comparison to the previous year, from 7.3% in fiscal 1997 (April to March fiscal year) to 5.8% in 1998. The expectation is that growth will rebound in 1999 and average 6% over the next four years. The slow down was largely due to negative growth in agriculture, which represents nearly one-third of the economy, as a result of an unusually strong monsoon season. This negative growth was offset by increases in manufacturing, including infrastructure, and services sectors.
- The country is emerging out of these events and also has just re-elected the ruling BJP coalition government which has a strong mandate for deepening reforms and building infrastructure. This entertains the prospect of stable government in India for an entire five year term, something which has not happened since 1990.
- In recent years, the government has also made progress in opening its economy to foreign involvement and investment. Tariffs on capital goods have declined and have been eliminated in on imports of certain power equipment. The ceiling for automatic approval of 100% foreign-owned ventures has been raised to $350 million from $100 million. These changes are expected to endure and expand with the continuation of BJP policies. Note that the parliament passed a bill allowing 26% foreign ownership in the insurance sector yesterday.
- At the state level, Orissa has unbundled its state electricity board (SEB), opened its electricity sector to private investment, and sold-off portions of its generation and distribution systems. Other states, notably the large Southern State of Andhra Pradesh, is in the midst of a major restructuring, with financial assistance from the World Bank.

Country Overview

- Total installed capacity in 1998 was almost 94 GW, of which the utility sector accounted for over 86 GW (89%), the balance (9.6 GW or 11%) being captive power. Captive power is concentrated in a few industries (about 1.1 GW in iron and steel, over 950 MW in textile mills, 700 MW in sugar mills, around 500-600 MW in petroleum refining, 500 MW in cement sites, and 400 MW in paper plants).
- The central government controls an estimated 26 GW (28%). The balance (almost 56 GW) is SEB-controlled but includes some 2.9 GW (6%) of power generation owned by private utilities that operate as SEB licensees.
- Thermal power generation (mostly coal) accounts for 73% while hydro accounts for most of the balance (24.6%). In addition, there is about 2.3 GW of nuclear capacity (2.5% of total).
- However, the resource mix varies by ownership type. Most of the government-owned capacity (NTPC units) is thermal (82%) while the balance is only 9% hydro and 9% nuclear capacity. The NTPC units exceeded by 10% their production targets in the 1997/98 year. All in all, NTPC units achieved a load factor of 77% (the highest of all public sector entities). NTPC produced 85 billion kWh (30% of India's total thermal power) in 1997. In contrast, the SEB-controlled capacity is much more balanced (34% hydro and 66% thermal) and no nuclear plant. Within the SEB sector, however, private utilities are almost all thermal. Thus, almost 90% of the hydro capacity in operation was built by the SEBs.
- The Western and Southern regions are the largest accounting for nearly 60% of total capacity. The Northern region comprises about 24% of India's total capacity.

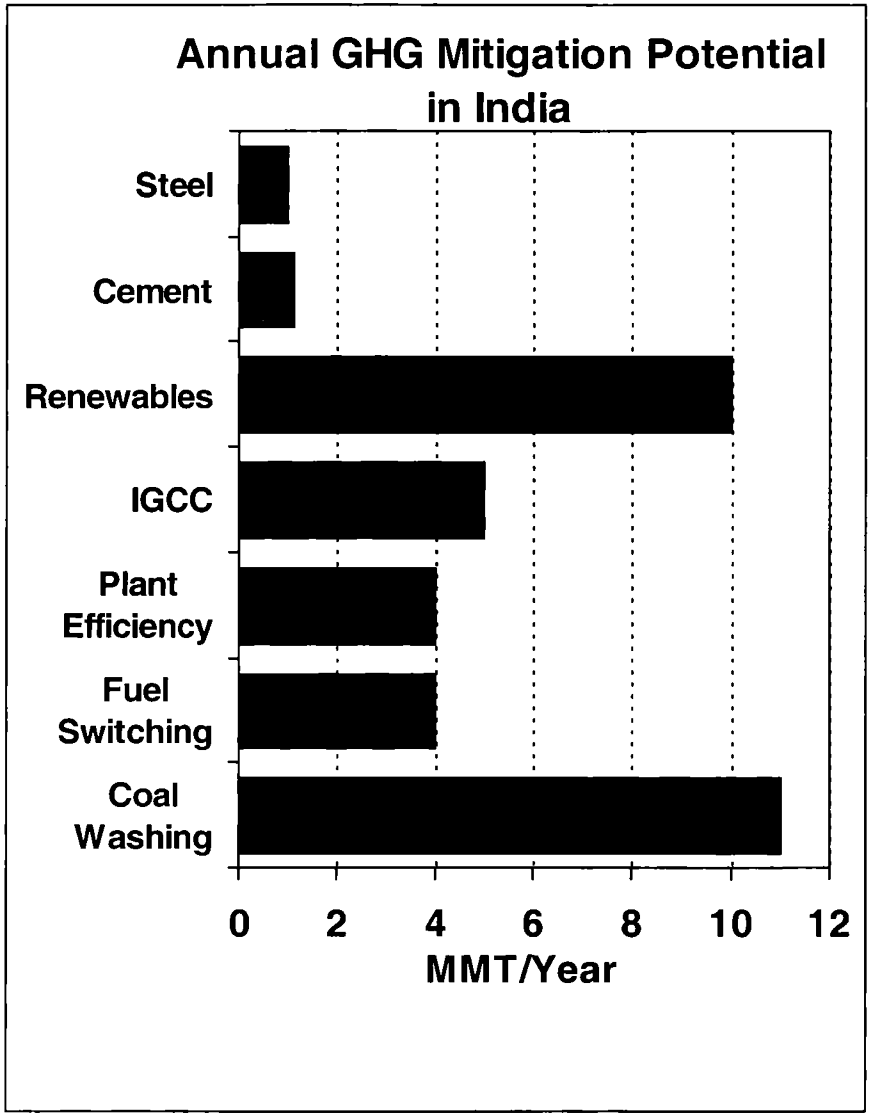
- Future peak demand -- up to 2004 -- is a huge uncertainty because it will be the combination of several factors, all of which are quite hard to predict:
  - Future economic growth (estimated at around 5% GDP per year).
  - The ability of the central government and SEBs to pursue grid integration to eliminate bottlenecks).
  - Supply choice of industrial/commercial customers -- i.e., the impact of increased electricity prices and the possible increase in demand because more power is made available. In the last five years, the share of industrial sales has decreased as captive power increased.
  - New customers, now holding steady at > 1.5 million per year.
- Low and high forecasts for peak demand would be in the 81-95 GW range for 2000/2001 and between 97 GW and 121 GW by 2004/2005. These ranges reflect a band of about 2.5 percentage points (i.e., between 6% and 8.5%) in annual compounded growth rates.
- Among the five regions, the Northeastern region is slated to experience the highest growth (about 10.4% per year but with the lowest absolute peak increase of 1.2 GW through 2004), followed by the Eastern region (8.4% which could translate in a 7.7 GW peak rise) and the Northern region (7.8% which will result in the highest peak jump -- 16.3 GW -- of all five regions).
- Both the Western and the Southern regions are likely to see the lowest growth rates (7% and 6.6%, respectively) with similar peak demand augmentations in the 12-15 GW range.

Opportunities for GHG Mitigation in India

- Best opportunities for GHG mitigation in India are found in:
  - Electric power generation, transmission & distribution
  - Industrial energy utilization
  - Transportation

- Recent studies have highlighted these themes, and provided detail about specific project opportunities:
  - USAID/GEP, ADB/ALGAS, ADB/EESP

- Pre-market Phase: less than $50 million annually to India
- Market Phase potential for India is $400 million to $2.5 billion annually

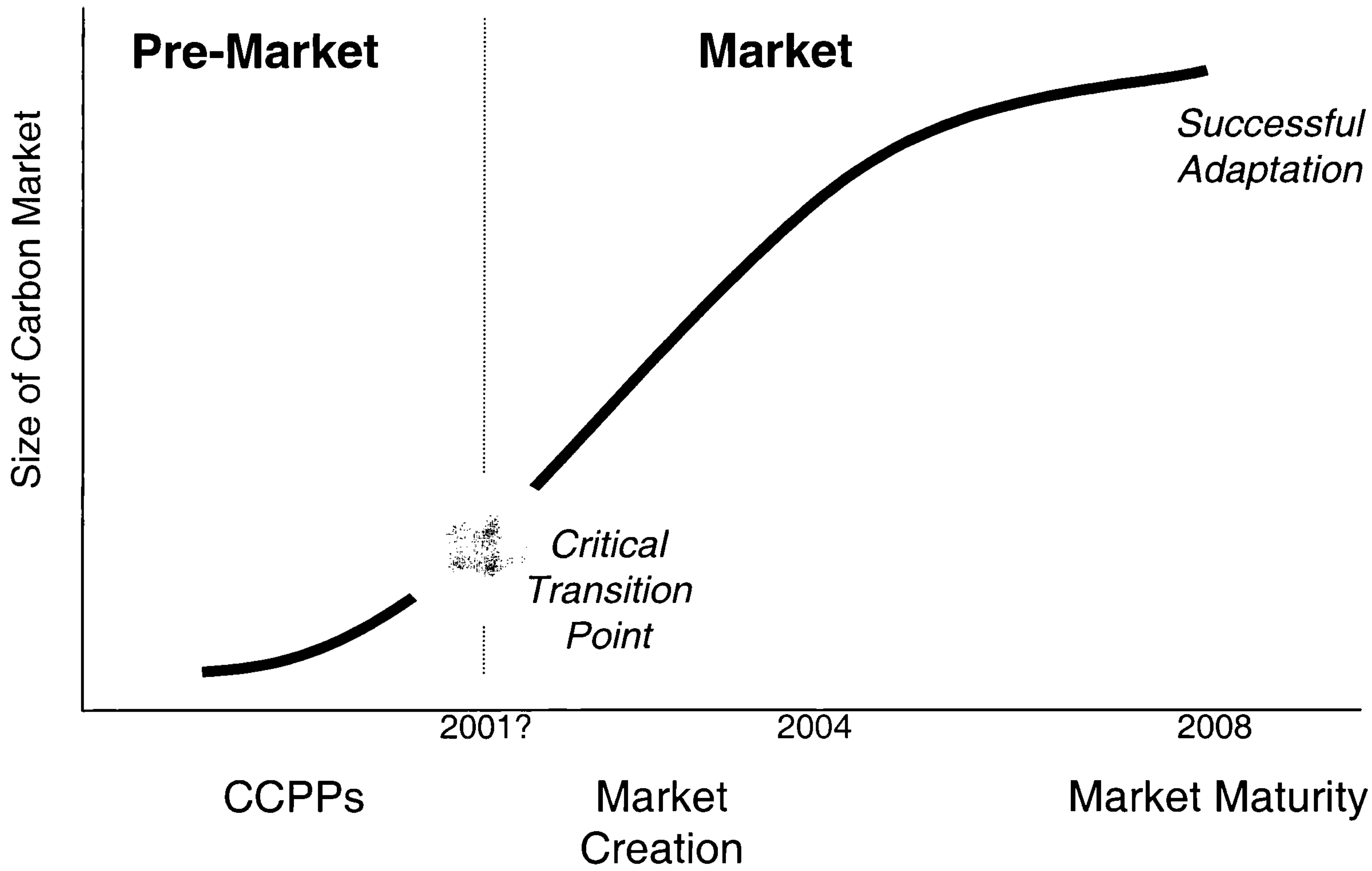


Hagler Bailly

Source: ADB, CRISIL, HBIX

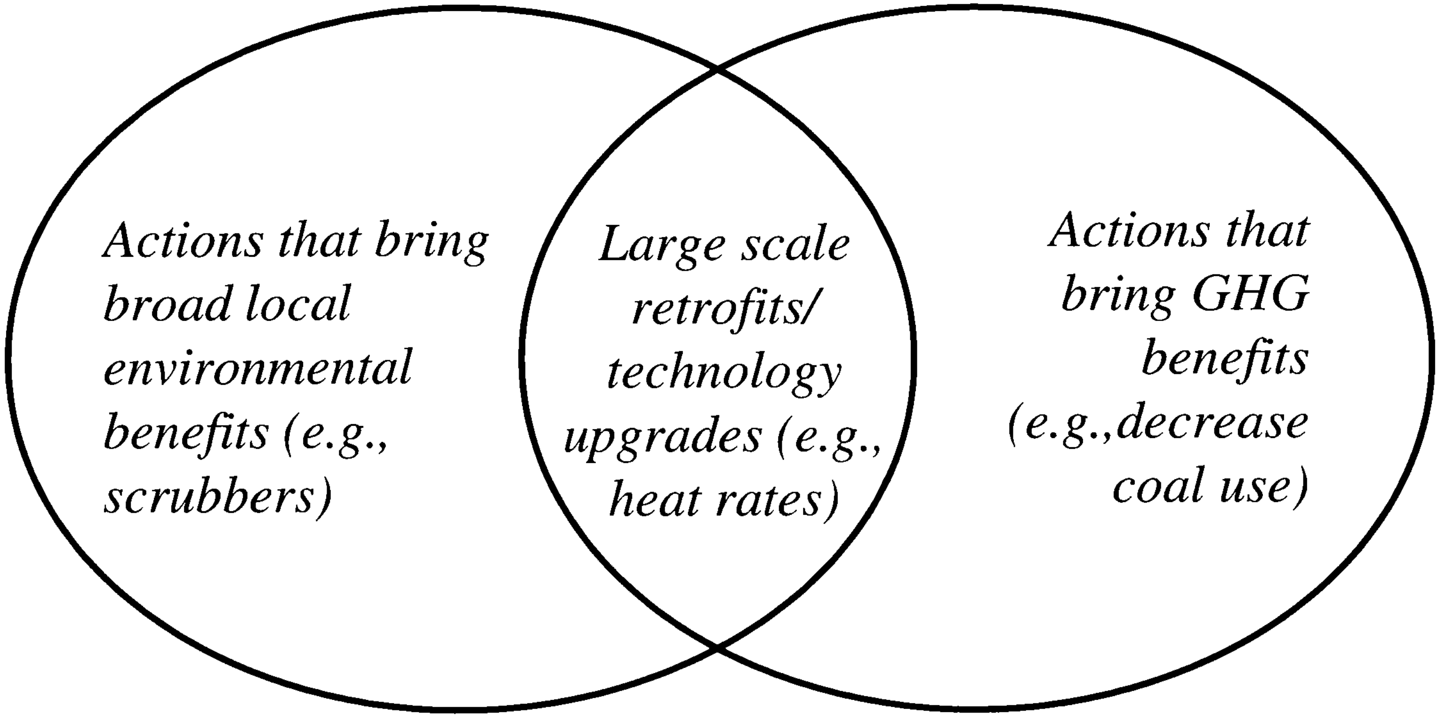
Carbon Market Evolution

The climate change market will unfold in two main phases, the timing of which will depend on the ratification of the Kyoto Protocol.



- **GOI priorities for sector:**
  - **Current Thinking**
    - ***Overall sector structure, e.g, PC report on WEM***
    - ***T&D, e.g., national grid***
    - ***Dis-investment, e.g., NTPC***
  - **Priority**
    - ***Mega power projects***
    - ***Supporting reform***
    - ***Tariff reform***
    - ***Rural energy***
    - ***Renewable energy***
    - ***Fuel infrastructure***
  - **Biggest Achievements**
    - ***CERC/SERC***
    - ***IP's***
    - ***LNG***

Discussion



Lessons from CCOA:

- Genuine interest and proven scope in energy efficiency
- Focus on attracting investment
- Highlight benefit side more than costs
- Significant institutional support required

Item 5

2000-000139

The Secretary of Energy
Washington, DC 20585

December 22, 1999

The Honorable Jaswant Singh
Minister for External Affairs
Ministry of External Affairs
New Delhi, India

Dear Mr. Minister:

I am writing to thank you for your warm welcome during my recent visit to New Delhi. We feel the trip was a success, and want to maintain the momentum of our positive results. Because our two countries are the world's largest democracies, the Indo-U.S. relationship is important in global terms. As such, we both have a vested interest in maintaining an open dialogue and close friendship. I believe my meetings with you brought us closer on a number of issues.

Regarding climate change, I first want to thank you for your leadership and support of the Joint Statement on Energy Cooperation and Related Environmental Aspects which you and I signed together. I believe that through this statement and my discussions with you, Minister of Power Kumaramangalam and others while in New Delhi, and subsequent Indo-US dialogues at the climate talks in Bonn, that we have moved forward in working more closely together on this critical global issue.

I suggest we follow-up on our progress by instituting an Indo-U.S. Working Group on Climate Change, perhaps chaired by your Ministry of External Affairs and the U.S. Department of State. I would like to propose that the working group be chaired at the deputy level, as both Mr. Alok Prasad, Joint Secretary for the Americas, and Mr. David Sandalow, Assistant Secretary of State for Oceans, Environment and Science, have worked closely on the climate change issue and were instrumental in development of the Joint Statement. Of course, I would offer that the U.S. Department of Energy and the Indian Ministry of Power also play an active role along with other appropriate ministries. I have had discussions with our Department of State and it supports this proposal. If this approach is acceptable to you, we would propose an initial meeting in New Delhi in early February. I look forward to discussing this issue with you further.

In the area of energy cooperation, the roundtable you chaired was most informative. I was pleased to hear that our previous cooperation had been so successful, and look forward to the time when we can restore our dialogue and collaboration to that level. My staff is working closely with the U.S. Agency for International Development and others to review the proposals in the paper you provided me. We will be responding to that shortly under separate cover. We hope to follow-up with as complete a program of concrete measures as our close relationship, coinciding priorities, and available funding allow.

Our two countries have much in common, and I believe that by working together we can pave the way for a most successful visit by President Clinton early next year.

Yours sincerely,

Bill Richardson

Bill Richardson

The Secretary of Energy
Washington, DC 20585

December 22, 1999

The Honorable Rangarajan Kumaramangalam
Minister for Power
Ministry of Power
New Delhi, India

Dear Mr. Minister:

I am writing you to express my appreciation for your warm welcome and gracious hospitality during my recent, but all too short, visit to New Delhi. We believe the trip was a success, and I hope you share our view. I certainly enjoyed sharing the podium with you at the Summit on Energy, Environment and Efficiency. As you know, a number of issues were addressed during my visit, and I wanted to share my thoughts with you now that I have returned to Washington.

In the area of energy cooperation, I found our meeting to be most useful. I was pleased to hear that our previous cooperation under the Indo-U.S. Bilateral Energy Consultations had been so successful, and look forward to the time when we can restore our dialogue and collaboration to that level.

In the meantime, my staff is working closely with the U.S. Agency for International Development and others to review the proposals in the paper provided to us by Minister Singh. We hope to respond with as complete a program as our close relationship, coinciding priorities, and available funding allow. I expect that we will provide a positive response to as many of the requests as possible.

Regarding climate change, I first want to thank you for your support of the Joint Statement on Energy Cooperation and Related Environmental Aspects which I signed with Minister Singh. I believe that the United States and India have moved forward in working more closely together on this critical global issue.

In a separate letter to Minister Singh, I have suggested that we follow-up on our progress by instituting an Indo-U.S. Working Group on Climate Change, perhaps chaired by your Ministry of External Affairs and the U.S. Department of State. Of course, I believe that the U.S. Department of Energy and the Indian Ministry of Power should also play an active role, along with other appropriate ministries. I have proposed to Minister Singh that an initial meeting be held in New Delhi in early February 2000.

Our two countries have much in common, and I believe that by working together we can pave the way for a most successful visit by President Clinton early next year.

Yours sincerely,

Bill Richardson

Bill Richardson

TEL: Item 4

P.R. குமாரமங்கலம்
पी० आर० कुमारमंगलम
P.R. Kumaramangalam

विद्युत मंत्री
भारत सरकार
नई दिल्ली - 110 001
MINISTER OF POWER,
INDIA
NEW DELHI-110 001

PHONES : 91-11-3717474
91-11-3710411
FAX :91-11-3710065

DO No. MOP/VIP ......6690......./2000

D.O.No.

17th January, 2000

Dear Mr. Richardson.

It was indeed a pleasure meeting you during your recent visit to India, during which a Joint Statement on Cooperation in Energy and Related Environmental Aspects was agreed to and signed between India and the United States of America.

2. We endeavour to develop an environmentally benign energy sector in India to serve the objectives of the UN Framework Convention on Climate Change (UNFCCC). We are willing for establishment of an Indo-U.S. Working Group on Climate Change which should address itself on areas like transfer of Clean Coal Technology viz. Integrated Gassification Combined Cycle,Co Product Technology, Ultra super critical boilers, Pressurized Fluidized Bed Combustion, Slagging Combustion Technology. Low emission boiler system, State-of-Art Technology on Coal Washing all in the supply side; reduction of transmission and distribution losses particularly in the field of Sub-transmission & distribution; and bring about energy efficiency in the Industrial domestic, commercial and agriculture sectors including demand side management. The Working Group could work out the mechanism for technology transfer and financing the feasible areas

mentioned above. Tackling the above areas in the energy sector would substantially help in emission reduction of Green House Gases.

3. The Working Group could further deliberate on the methodology to operationalise Clean Development Mechanism (CDM) in India, after all the contentious issues are resolved in the future Conference of Parties (COP). Activities like capacity buildings, development of Baseline for different sectors, constituting a body to oversee CDM projects and capacity building in monitoring and verification of emission reduction are some of the areas which the Working Group would need to go in detail.

4. The Ministry of Power is ready to start dialogue with the Working Group for greater cooperation with the United States of America in the field of Clean Energy in the future.

With regards,

Yours sincerely,

[P.R. KUMARAMANGALAM]

Mr. Bill Richardson
Secretary of Energy
Washington, DC 20585

US-Indo WG on CC?

Terms of Reference Categories

Energy Efficiency Targets

- Energy per KW/Hr – national or sectoral
- NTPC efficiency targets
- Energy Conservation Act targets

Take out of CCWG

Promotion of Renewable and Energy Efficiency Technologies
- incentives
- solar/wind/biomass targets
- tariff reduction
- elements of Indian Five year Plan

GHG Reduction
- No cost targets
- NTPC targets

analysis

CDM and Mechanisms

Deliverables

Energy and Environment Forum (Energy, environment, science and technology and commercial subgroups)

Public Private Leadership Council (link to Forum)
Restart US India Bilateral Energy Dialogue
- Coal Advisory Group TA
- MMS
- EIA
- Nrel –SEC (Solar project)
- Motor challenge
- Clean Cities
- TA on power sector reform

matchmaker in here?

AID:
- SARI extended to India
- ECO ($25 million)
- GEP ($20 million)
- Matchmaker grants (with Commerce)

whose doc? -Kate

DRAFT — DRAFT — DRAFT — DRAFT — DRAFT — DRAFT — DRAFT — DRAFT

Proposed Terms of Reference
India and the United States Working Group on Climate Change

- The goal of the Working Group on Climate Change is to develop policies and programs that will address climate change and ~~sustainable~~ [clean?] energy issues in India. In particular, the Working Group will consider how the production and use of energy affect the local, regional and global environment. Policies and programs which encourage environmentally sound economic growth will enable India to meet its goals. Such policies, when successfully applied, would focus of reducing net greenhouse gas emissions and improving India's ability to address the impacts of climate change.

- The Working Group will build upon the existing Joint Statement on Cooperation in Energy and Related Environmental Aspects which was agreed to and signed between India Minister of External Affairs Jaswant Singh and U.S. Energy Secretary Bill Richardson in New Delhi on October 26, 1999.

- The Working Group structure will include such programs as bilateral energy, energy efficiency, renewable energy, clean power activities, and climate related mitigation and adaptation activities. The leadership of the Working Group will have the authority to form subcommittees to draw on the collective expertise of the participating agencies where appropriate to further its work.

- The Working Group will help to ensure that U.S.-Indian climate change cooperative programs remain consistent with joint policy goals. The Working Group will also assist in further defining areas of mutual interest between India and the United States related to climate change. The Department of State and the Department of Energy, the Agency for International Development and, where appropriate, the Environmental Protection Agency and [Indian counterparts designated by Government of India] will lead these efforts.

- Given the significant role that ~~these~~ agencies continue to play in global climate change issues, ~~on~~ the U.S. side, the Working Group would be chaired by the Department of State, Assistant Secretary for Oceans, Environment and Science, and vice-chaired by Department of Energy, Assistant Secretary for International Affairs. On the Indian side, the Working Group would be chaired by the Ministry of External Affairs, Deputy Minister for the Americas, and vice-chaired by the Ministry of Power, Deputy Minister for xxxxxxxxx.

- The Agency for International Development, the Environmental Protection Agency, the President's Council of Economic Advisors and the President's Council of Environmental Quality and the Departments of Treasury, [Agriculture, Commerce and Interior?] may [would?] also be represented. Indian leadership and participation would include [India Counterparts designated by Government of India.]

- The Working Group would meet twice a year for the purpose of reviewing programs and developing new strategies. The leadership from the United States and India have the option to call meetings where deemed appropriate. Subcommittees will be encouraged to meet throughout the fiscal year.

Draft: January 20, 2000
Kate English (586-0949)

"English, Kate" <Kate.English@hq.doe.gov>
01/19/2000 11:19:36 AM

Record Type: Record

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

cc:
Subject: FW: re. POTUS visit and climate change

Angie, can you please forward to Jeff Seabright -- I can not get through to him from my server for some reason. Also, SG please forward to Mark Hambley.

Thanks. --Kate

-----Original Message-----
From: English, Kate
Sent: Wednesday, January 19, 2000 11:18 AM
To: 'riedwards@usaid.gov@INTERNET'
Cc: Rohlfing, Joan; 'Jim Bever'
Subject: RE: re. POTUS visit and climate change

Hello Dick. Thanks for the heads up. Well, I came in this morning to a copy of the reply from Min. K. to the Secretary.

Here is a summary:

1) Pleasure to meet S1 in India
2) GOI is endeavoring to develop an "environmentally benign" energy sector;
3) willing to establishment an Indo-US Working Group on Climate;
4) WG should address areas of: transfer of Clean Coal Tech.; Integrated Gas. Combined Cycle; etc...."all in the supply side";
5) WG should also focus on reduction of transmission and distribution losses; energy efficiency; incl. demand side mgt.;
6) WG "could work out the mechanism" for tech. transfer and financing the feasible areas mentioned above;
7) WG "could further deliberate on methodology to operationalize CDM in India, after all the contentious issues are resolved in the future Conference of Parties (COP), constituting a body to oversee CDM projects and capacity building in monitoring and verification of emission reduction are some of the areas which the WG would need to go in detail."
8) MoP is "ready to start dialogue with the Working Group for greater cooperation" with the US.

Sounds good to me!! We are meeting with Roger Ballentine and interagency group tomorrow (Thurs.) morning to discuss next steps. Will be in touch!

Thanks. --Kate

-----Original Message-----
From: Richard L. Edwards [mailto:riedwards@usaid.gov]
Sent: Tuesday, January 18, 2000 10:37 PM
To: English, Kate
Cc: Rohlfing, Joan; Jim Bever
Subject: RE: re. POTUS visit and climate change

Kate - Haven't heard anything about when Min. K. might reply to the letter, but do know that he's preoccupied with a power workers strike in U.P. - which could possibly affect the timing of his trip to the U.S. I did get Katie's letter to Podesta, thanks. Please do keep us informed of your WH meetings, etc. - we're happy to provide a "reality check" anytime.

Best regards, Dick

Dick Edwards
Director
Office of Environment, Energy and Enterprise
USAID/New Delhi
91-11-419-8569
email: riedwards@usaid.gov
Visit our website at http://www.info.usaid.gov/india
---------- Original Text ----------

From: "English, Kate" <Kate.English@hq.doe.gov>, on 01/18/2000 8:40 PM:
To: Richard L. Edwards@TDE@NEW DELHI
Cc: internet["Rohlfing, Joan" <Joan.Rohlfing@hq.doe.gov>]

Dear Dick,

Happy New Year to you too!! Thanks so much for sending me these emails. I'm so pleased with the positive responses from GOI to date. Keep it up! When do you think a response to the Secretary's letter will be coming? Before next Monday? Secretary Richardson is meeting with Minister Kumaramangalam on Monday morning, Jan. 24th.

Yes, I know that Jeff got your emails as I spoke with him earlier this morning and he mentioned them. We were discussing our strategy for getting the White House on board and will be meeting with Roger Ballentine and David Goldwyn and others on Thursday morning to discuss this. Before then we will develop a strategy memo that we will of course share with all of you once drafted.

So I will be in touch in the near future. (I hoping to have the "matchmaking" project and also some DOE funds for the I&M project in there as well.

Finally, did you see the letter from Katie to John Podesta. I will forward to you as well.

Best,

Kate

-----Original Message-----
From: Richard L. Edwards [mailto:riedwards@usaid.gov]
Sent: Sunday, January 16, 2000 11:02 PM
To: English, Kate
Subject: fwd: re. POTUS visit and climate change

Hi Kate - Happy New Year! Tried to send this to you previously, but had the wrong email address. I haven't received any acknowledgement from Jeff that he received this, so if you are meeting him this week to discuss the POTUS visit to India, could you please pass it along to him?

Thanks and looking forward to your thoughts on this...

Best regards, Dick
---------- Original Text ----------

From: Richard L. Edwards@TDE@NEW DELHI, on 1/12/00 2:08 PM:
To: internet[jseabright@aol.com],internet[jseabright@hotmail.com]
Cc: Ashok Sarkar@TDE@NEW DELHI,David Hales@G.ENV.DAA@AIDW,internet[kenglish@hq.doe.gov],internet[RohlfingJ@state.gov],Jim Bever@DIR@NEW DELHI,Kavita Sinha@TDE@NEW DELHI,Linda E. Morse@DIR@NEW DELHI,S. Padmanaban@TDE@NEW DELHI

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

Dick Edwards
Director
Office of Environment, Energy and Enterprise
USAID/New Delhi
91-11-419-8569
email: riedwards@usaid.gov
Visit our website at http://www.info.usaid.gov/india
---------- Original Text ----------

From: Richard L. Edwards@TDE@NEW DELHI, on 01/10/2000 5:08 PM:
To: internet[jseabright@aol.com]
Cc: David Hales@G.ENV.DAA@AIDW,internet[kenglish@hq.doe.gov],Jim Bever@DIR@NEW DELHI,Kavita Sinha@TDE@NEW DELHI,Linda E. Morse@DIR@NEW DELHI,S. Padmanaban@TDE@NEW DELHI,VSMAIL@BANS00027@Servers[(ALICE A 001 DRESS) {3025.1.10996.25344}],VSMAIL@BANS00027@Servers[(MARTI 001 DOGGETT) {3025.1.10994.32703}],VSMAIL@BANS00027@Servers[(RON 001 ROBERTS) {3025.1.11214.7098}]

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 (which said it was 24 pages - we only got the cover and a 1 page note).

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
91-11-419-8569
email: riedwards@usaid.gov
Visit our website at http://www.info.usaid.gov/india

Message Sent To:

"Brodman, John" <John.BRODMAN@hq.doe.gov>
"Cutler, Thomas" <Thomas.Cutler@hq.doe.gov>
"Susan Wickwire (E-mail)" <the_wick@hotmail.com>
"Susan Gordon (E-mail)" <gordonsc@state.gov>
"David Sandalow (E-mail)" <sandalowdb@state.gov>
Roger S. Ballentine/WHO/EOP
Angela C. Mizeur/WHO/EOP

Katie - India

- Billion $ ~~Ex~~-Im China for clean energy
  ↳ already?

~~A~~ Terry Thorn
Jon Palmisano
A ~~A~~ Joe Sutton (Int'l President)
↳ Houston

Larry Pappay

Enron
Texaco/shell - gasification
GE - turbines/boilers
Intergen (shell-Texaco)
AES - Roger Sant CEO
AEP -

- Modernize existing facilities through controls, Johnson Controls/others/Bentley? [illegible]
- ABB doing this w/ Indian power

"smart plants" - nucra tset controls increase efficiency, lower emissions.

- office of Industrial technology - DOE.
- AID power project
  ↳ Both already happening.

- U.S.-Indo Business Council - has power subcommittee (U.S. Chamber of Commerce).
- Dabol project was one where Indian's pulled plug (Enron etc.)

George
Dan
Roger B.
David G.
Jeff S.
Ian

THE PRESIDENT HAS SEEN
12-30-99

CLIMATE CHANGE

Press, Science and Industry

The *Wall Street Journal* ran a front-page story noting that while oil prices have doubled in the last 12 months, inflation has stayed low and economic growth remains robust. Their conclusion will sound very familiar to you: improved technology is making the economy more energy-efficient. US oil expenditures have fallen from 8.5 % of GDP in 1981 to 3% today. Other factors the *Journal* cites as accounting for this change: growth of the service sector and the rise of the Internet. "Some analysts think oil prices could creep above $30 a barrel" and say such a rise could still cause recession, but the article notes that in fact inflation-adjusted gas is 10 cents cheaper today than in 1973.

PBS will air a special on "Climate Science and Energy Technology" this weekend. John Holdren and representatives from industry and environmental NGOs are featured in an hour-long debate format. Holdren highlights the work of the PCAST panel and their recent report to you on the need to expand international energy partnerships.

A worldwide greenhouse gas emission trading program can cut the costs of reducing greenhouse gases nearly in half, according to a new study conducted by the Pew Center for Global Climate Change. The report found that with no trading, returning emissions to 1990 levels by 2010 would cost the seven largest industrial countries $111.6 billion. With trading only among the seven Western industrial countries and former Eastern bloc countries, the total cost of the reductions falls by $20 billion. But if trading is worldwide, the savings from trading rise to $49 billion.

Great

A new hybrid gas and electric car which gets more than 60 mpg arrived at Honda dealers in the US this week, the first such vehicle priced under $20,000 to be available to American consumers. Drivers fill it with unleaded gas and an electric motor is charged by the car's brakes. Toyota will release a similar vehicle next year, selling for $17,000 and getting 66 mpg.

Should send this with cover letter from me to Tony Blair other EU leaders

Need to circulate copies of this -- video & print to interested journalists and important Congressmen

Recycled Paper

-EXECUTIVE OFFICE OF THE PRESIDENT -
COUNCIL ON ENVIRONMENTAL QUALITY
INTERNATIONAL AFFAIRS
NATIONAL SECURITY COUNCIL
ENVIRONMENT DIRECTORATE

ROOM 360
OLD EXECUTIVE OFFICE BUILDING
WASHINGTON, D.C. 20503

PHONE: (202) 456-6224
FAX: (202) 456-2710

FAX COVER SHEET

TO: ROGER B cc: Jeff S.

FROM: IAN BOWLES

DATE: 1/9/00 PAGES: 4 (INCLUDING COVER SHEET)

COMMENTS:
Per discussion Thurs. evening, here is what I gave NSC folks, Jim + George on India before Christmas. Done on short notice with much good input from Jeff S. More oriented toward sites than policy framework. Should not go outside EOP. Lets discuss next steps.
Ian

Ind79

The President's upcoming trip to South Asia presents an opportunity to advance our global environment objectives.

INDIA

Climate/energy: In keeping with the Byrd/Hagel mandate related to the Kyoto Protocol, USG needs to show serious engagement with key developing countries on climate change. Visible manifestations of forward progress in India would be highly desirable from a climate change policy perspective. USAID and DOE have made significant investments in energy efficiency and voluntary GHG emissions reduction programs in India. Congress has also provided "notwithstanding" authorities for certain climate change related investments in India. USG efforts range from promoting efficiency gains in the overall power grids and rural electification to building capacity in the GOI and civil society. A POTUS event could focus on either: (a) a hands on, private sector focused event that highlights success stories and promotes his message about the ability to "leapfrog" conventional "dirtier" power technology, or (b) a more formal speech related to bilateral deliverables in the form of development assistance and/or government dialogue on climate change. I would suggest the former option. Depending on the state of our bilateral dialogue and our other diplomatic objectives, the announcement of deliverables could be added to a "hands on" event - although the event could stand alone as well.

Potential events/venues include:

(1) Dadri power plant near New Dehli (30 miles outside) run by National Thermal Power Corporation (NTPC). With AID and DOE technical help, this plant has made major efficiency gains. From an event/optics standpoint, this would be a hardhat/smokestack type visual and the message would be about making efficiency gains in the mainstream of the coal-dependent Indian energy sector. It could also provide a good backdrop for announcement of potential deliverables on energy sector cooperation.

(2) Taj Mahal/Agri: An event here could focus on air pollution abatement. I understand that the local Sheraton is moving toward an electric vehicle fleet and that USG has helped with this program. The backdrop could help with a message about the multiple benefits of clean air and some of the innovative private sector and regulatory initiatives to accomplish it.

(3) Bangalore: Two ideas come to mind. The first is to focus on the use of solar energy both in either the urban or rural context to highlight the benefits of this technology in terms of reliability or rural electrification. The US-based Solar Electric Light Co. has been very active in the Bangalore area and the advance team could investigate a local school, manufacturing facility or rural community that is using solar technology. The second is the use of cleaner production methods in the local high-tech industry (computer chips, etc.) An event could be constructed around US private investments in high-tech industries and higher environmental standards being used by American investors.

Hyderabad: The advance team could investigate other options, but one idea would be to use the Administrative Staff College (something akin to our JFK School) as a backdrop to deliver a message about capacity building and training for public policy professionals in the energy sector.

Natural Resources/Biodiversity/Tropical Forests: USG has had more than two decades of cooperation with the GOI related to conservation of endangered species such as rhinos and tigers. It is in our strategic interest to take the opportunity to raise the profile of these issues whenever possible. The advance team could solicit additional guidance from the Embassy staff related to specific tropical forest habitat sites that could be used as a backdrop for an event focused on conservation themes, but India has two globally known biodiversity "hotspots" - tropical forest areas in the Western Ghats (west of Bangalore and extending north up toward Mumbai) and Assam area near the Bangladesh border.

Specific sites include:

Near Agra, the Keoladeo National Park in Bharatpur is an important wintering group for the Siberian crane.

In Mumbai, the Bombay Natural History Society has an environmental education center at the Sanjay Gandhi National Park.

In the Western Ghats several hours from Bangalore, is the Nagarahole National Park, which is a large tropical forest area and important tiger habitat.

If we were to consider a biodiversity/tropical forest event, it could include a tour of a national park and could serve as a platform for highlighting USG/GOI cooperation and global conservation themes including the importance of treaties like the CITES where (despite perceptions about the WTO) nations have cooperated to restrict certain trade activities to protect endangered species.

BANGLADESH

Climate/Energy: Given sensitivities about the country's vulnerability to climate change (given the coastal/low lying regions,) I would suggest steering clear of the subject.

Natural Resources/Biodiversity/Tropical Forests: There is important tiger habitat in remaining forests near the Eastern and Western borders as well as in parts of the Ganges delta. Two ideas come to mind. First, there may be something we could develop related to GOB interest in the Tropical Forest Conservation Act (TFCA), which authorizes reduction of USG debt in exchange for new conservation investments. Second, Bangladesh does not have existing cooperative programs with the Fish and Wildlife Service the way India does - one strategic objective could be to help promote this type of cooperation (or that related to the TFCA) through the President's trip. The embassy staff should be able to provide some feedback about sites that could be used to promote these messages.

October 26, 1999

JOINT STATEMENT
ON COOPERATION IN ENERGY
AND RELATED ENVIRONMENTAL ASPECTS

1. The United States of America and India, the two largest democracies in the world and endowed with abundant natural, scientific and skilled human resources, have a long history of mutually beneficial cooperation in the fields of science and technology, industry and trade, health and environment and culture and education. The two countries, recognizing the immense promise for advancing their social and economic goals through cooperation in the energy sector, have decided to intensify their cooperation in this area.

2. The two countries recall past cooperation that established the framework for several joint initiatives between the two Governments and their agencies for research and development in the energy sector, as well as stimulated private cooperation in conventional energy projects in India.

3. The two Governments, noting progress made in these collaborative projects, and recognizing the immense opportunities for fruitful cooperation in the energy sector, have decided to further enhance their cooperation in the energy sector such as conventional energy projects, renewable energy, clean coal technology, energy efficiency and related environmental aspects.

4. They also recognize that future development of the energy sector must take into account the growing demand for energy, the importance of judicious utilisation of limited resources of the planet in the most efficient and equitable manner and the need to protect our environment.

5. India, which was the first country to establish a full-fledged Ministry for Non-conventional Energy Sources, is working to make renewable energy sources a viable and significant part of India's energy supply.

   India is one of the largest users of wind energy and solar energy in the world and has also made impressive advances in generating energy from wastes. In the field of conventional energy, India is increasingly making fossil fuel energy clean and more efficient.

6. The United States is taking several major initiatives to meet its energy requirements in an increasingly climate friendly manner. For example, the US Government has set a goal of tripling US use of bio-energy and bio-projects by 2010, which may reduce greenhouse gas emissions by 100 million metric tonnes of carbon. The US Government has ordered every federal agency to reduce greenhouse emissions from buildings by 30% by 2010 from 1990 levels. The US Government continues to invest billions of dollars in clean energy and energy efficient technologies and is working with American industry and communities to reduce pollution and greenhouse gas emissions and move to cleaner and healthier energy sources.

7. The two Governments, in the spirit that characterizes their own initiatives to mitigate the impact of energy production on environment and climate, accord high importance to these aspects in their bilateral energy cooperation.

8. They also resolve to work closely together and with other countries, in keeping with the principle of common but differentiated responsibilities, to advance the goal of protecting

the people of the world from the threat of climate change, while promoting economic growth.

9. As the world's largest emitter of greenhouse gases, the United States recognizes its responsibilities to help lead international efforts to address the challenge of climate change. The Kyoto Protocol sets forth a binding emissions target for the United States, which would result in a reduction of roughly 30% from the projected levels in 2008-2012.

10. The Government of India recognizes the need for voluntary "no-regrets measures" at the national level, which will have the additional benefits of dealing with air and water pollution, urban transportation and other important sectors of the domestic economy.

11. The two Governments agree to cooperate and to work together in appropriate forums for advancing the goals of the UN Framework Convention on Climate Change, in accordance with the decisions of the Conference of the Parties to the UN in its various sessions.

12. The Governments of the United States and India agree to cooperate within the framework of the Conference of the Parties and its subsidiary bodies of the UN Framework Convention on Climate Change, to work towards early agreement on the elements of the Kyoto Mechanisms.

13. In particular, the Governments of the United States and India agree that the Kyoto Mechanisms could offer the opportunity to achieve mutually beneficial partnerships between industrialized and developing nations. The Governments of the United States and India resolve to work closely together with other countries to develop agreed international rules and procedures for the Kyoto mechanisms, including the Clean Development Mechanism.

14. The Governments of the United States and India, guided by the objective of using the immense opportunities and their vast pool of resources and skills for fruitful cooperation in the energy sector, in both bilateral and international context, resolve to take appropriate measures to foster private sector energy ventures, cooperation in research and development, and greater utilization of environment enhancing and climate friendly energy sources and technology for balanced and sustainable economic development

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:

Bill Richardson
Secretary of Energy

FOR THE GOVERNMENT REPUBLIC OF INDIA:

Jaswant Singh
Minister for External Affairs

NEW DELHI, October 26, 1999