

From: R. Bradley

Author: Rob Bradley at CORP\_1\_PO  
Date: 12/12/96 5:51 PM  
Priority: Normal  
TO: Rosalee T Fleming (Kenneth L Lay)  
TO: Terence H Thorn  
TO: Cynthia C Sandherr at ENR-LOBBY-PO  
TO: Bruce N Stram at ECT\_MOBILE\_PO  
TO: John Palmisano at EI\_LONDON\_PO  
Subject: PCSD Meeting Summary

PLS

----- Message Contents -----

Please see the attached for a summary of the 12/11 PCSD meeting and alternatives for continued involvement on tax and subsidy issues with Working Group.

Rob -

You're raising all the right issues. Although we want to be helpful, we probably should try not to be too public.

KW  
12/18/96



## Memorandum

To: Ken Lay  
From: Rob Bradley  
Subject: 12/11 PCSD Meeting

Department: Policy Analysis

Date: December 13, 1996

The Enron/WRI working group on fiscal and subsidy reform had its last meeting yesterday where Al Gore spoke and Katie McGinty shared the administration's views on establishing a tax and subsidy commission. The verdict is that the Administration isn't ready for this step, but there is potential on the subsidy side to form a PCSD-related project. A major tax shift (or trading by implication) is just not part of Clinton's "governing from the center" right now, although McGinty encouraged the working group to continue, and Gore challenged the group to work to find a policy solution for climate change. I spoke to Tim Wirth who said he was "taken off" climate change (at least in domestic forums) and that it was up to the private sector to push for carbon abatement.

Given this, there was still a lot of interest in the group to continue the working group and, in effect, become our own commission by bringing in experts and getting more specific with policy research and recommendations. WRI is interested in continuing, and I did not rule Enron out by any means.

We need to think hard about whether Enron continues to front an effort that does not have as much political cover as we would like or whether we work – just as hard – more behind the scenes. The caution for us is to not back something that is such a political issue that electricity deregulation gets caught up in it. For example, the last thing we want is for EEI to accuse Enron of wanting to reduce electric prices through open-access and raise them with a carbon abatement program – all to make trading dollars. A \$20/ton or \$30/ton carbon cost would probably undo the gains of restructuring rate-wise (the rule of thumb is 1 cent/kWh for every \$10/ton CO2 cost).

The Aspen Institute wants to launch a tax-and-subsidy review program – Jack Riggs called me about it last week. Just about any mainstream environmental group would be willing to get out in front as well. In the private sector, our allies will be limited – again putting us in the limelight but making our involvement that much more welcomed.

The PCSD will continue, and Al Gore personally invited all members to remain. Soon after the new year PCSD staff plans to have the White House response to the Phase II report and priorities for PCSD Phase III. Gore stated that he would like to see more work with metropolitan strategies, Project XL, Environmental Management, and Climate Change.

I would be happy to stay involved. I have developed a good working relationship with WRI and some of the private sector members and can not only continue to advocate our key positions but offer ideas to the group to help the work product achieve bipartisan balance (which is badly needed). My only regret was not getting an explicit tie-in with consumption taxes, but it so happened that Dave Buzzelli of Dow is thinking along the same lines as us and wants to resurrect the idea. (Unfortunately, Dow was absent from the 12/4 meeting, leaving me as the only advocate.)

Feel free to call Jonathan Lash about any of this, and I'll look forward to your thoughts and the others copied below.

cc: Terry Thorn  
John Palmisano  
Bruce Stram  
Cynthia Sandherr