

Climate vs. Electric restructuring

TO: Steve Kean
Cynthia Sandherr

FROM: John Palmisano

DATE: 28 February 1997

SUBJECT: **Heads Up on an Activity and Making Sure It is OK**

You know that I am responsible for developing "climate change" policies that promote our products and services. To that end, I have been working closely with relevant US stakeholders to ensure that the US acts aggressively and soon to limit CO2 emissions. These actions have a direct, positive impact on every one of our products. One of my goals for this year is to make sure the US adopts a policy that allows us to advance Enron's climate change interests, another is to promote a transaction in carbon trading.

This "heads-up" relates to a proposed activity that I am working on which incorporates the subject of electricity restructuring. I am involved in investigating whether or not a group should meet privately to see if the CO2 control and other climate change related issues (NOx and PM) can be: (1) separated from the restructuring debate and (2) reach a broad-stroke agreement on the outlines of a climate change (NOx-PM) agreement that would allow the US to act more forcefully and expeditiously on mitigating carbon reductions. The objective is not to get embroiled in the restructuring debate, but rather to carve out those issues that relate to the environment, specifically climate change, that restructuring has highlighted and deal with them so that climate change issues themselves can get on the fast-track. I am writing you since restructuring is your territory.

BACKGROUND

I was approached by Charly Moore, Associate Director for climate change activities at the W. Alton Jones Foundation, as to what I thought was happening on the US and European sides of the climate change issue. He visited with me for several hours in London and when he asked me what could be done to fast-track climate change issues I came up with a variety of ideas, one of which he grabbed onto.

Moore has been a substantial supporter of NGOs that are pushing for action on climate change. (I believe Terry knows George Abar quite well--who gets funded by these folks). Further, I have been told by others that Charly has some influence on this issue and, it should be noted, that he supports our ideas.

I pointed out to him that an environmental deal that could be struck on restructuring might be more restrictive on CO2 than the requirements imposed under a US proposal for the control of CO2. Thus, we get an international agreement that is lax, but the potential for strictness on a domestic deal.

I also pointed out to him that many senior people with electric utilities have a softer position on environmental matters than those people below them that get paid to tenaciously push the environmental issue as a rouse or false-argument as to why restructuring is bad.

One way to try and fast-track the climate change issue and get it and its brethren out of the way would be to quietly get a group of senior people together to discuss the outlines of what an agreement on climate change related matters might be that derive from restructuring.

Yesterday, Charly Moore, Michael Northrop (Rockefeller Brothers Foundation), and two people from the Business Council, Fiona Grant and I spoke about this idea. Charly, Kirk Brown and I led the majority of the discussion. These guys liked the idea of getting some senior people together who are engaged in restructuring to see if progress can be made on climate change. I made it clear that my involvement heretofore and any potential involvement was not any endorsement by Enron of any position other than wanting to get something done on climate change sooner rather than later. Obviously, Enron need only be plugged in to the extent we want to be. Terry Thorn was briefed on this activity on Monday and Mark Schroeder has been kept informed.

WB Attached is a note that I sent to Charly and Kirk Brown (Business Council) last week on which I would like your feedback. Is this getting too close to restructuring for your taste? How should I proceed? Who would you include or exclude in such an activity? If you think we should do something here, what do you (Terry, Cynthia, and Steve) want to do and who should I co-ordinate with? My interests are only climate change and making sure all the bases are touched and cleared in Enron.

I assume, that if we are comfortable with this activity that Terry and/or you, Steve, would be our point people?

Your thoughts and/or comments on this subject would be appreciated. I will be out all next week in Germany for the climate change negotiations, but will call for my messages daily. My assistant, Kim Chandler, can get my cc:Mail and forward them to me if need be.

Thanks

cc: Mark Schroeder
Terry Thorn
Fiona Grant