

Policy
Documents
3 of 5

Coburn, Leonard

From: Soliman, Moustafa
Sent: Tuesday, February 08, 2000 9:21 AM
To: Inadomi, LeeAnn; Karolewski, Erica
Cc: Goldwyn, David; Fariello, Theresa; Coburn, Leonard; Price, Robert S
Subject: FW: Palestinian Program



Richardson
Schedule.doc

John Desrocher from our Consulate General in Jerusalem called me this morning and he would like to have a response to his proposed itinerary. More important he needs answers to the two questions regarding the reception (whether we have any objection to Enron giving the reception), and the second regarding the press following the meeting with Arafat and the signing of the Joint Statement of Intent.

-----Original Message-----

From: John Desrocher [mailto:jpdesro@ibm.net]
Sent: Friday, February 04, 2000 12:24 PM
To: Soliman, Moustafa; Inadomi, LeeAnn
Subject: Fw: Palestinian Program

The State email system is acting up again, so I'm sending this from my home computer. Please reply to both:

DesrocheJP@state.gov
jpdesro@ibm.net
Thanks.

----- Original Message -----

From: Desrocher, John P <DesrocheJP@state.gov>
To: <jpdesro@ibm.net>
Sent: Friday, February 04, 2000 6:38 PM
Subject: FW: Palestinian Program

>
>
>> -----Original Message-----
>> **From:** Desrocher, John P
>> **Sent:** Friday, February 04, 2000 6:34 PM
>> **To:** 'Rachel King, DOE'; 'Moustafa Soliman, DOE'; 'LeeAnn Inadomi, DOE'
>> **Cc:** Fisher, Nancy J
>> **Subject:** Palestinian Program
>>
>> Attached is a tentative program for Secretary Richardson's visit to the
>> West Bank/Gaza. Actually, there are two programs in the document, one
>> assumes Arafat will be in Ramallah, the other assumes he will be in
>> Gaza.
>>
>> Given the extensive drive time involved, and the uncertainty of Arafat's
>> whereabouts, we have dropped the visit to the Greenstar project in
>> al-Ka'abneh. This leaves us with two events -- the Arafat
>> meeting/signing
>> ceremony and a reception.
>>
>> Other Events: Dropping al-Ka'abneh will leave considerable down time if
>> Arafat is in Ramallah. We could (on short notice) try to fill that time
>> with a meeting with some of the top-tier Palestinian officials. Or we
>> can
>> leave it open if the Secretary and his staff want some time for personal

>> business or contingencies. Just let me know.
>>
>> Press: If you have any general rules or preferences for press matters,
>> let me know. Obviously there will be coverage of the signing ceremony.

I
>> am almost certain that Arafat will insist on at least a brief stakeout
>> after the meeting to give reporters a chance to ask a couple of
questions.

>> The Secretary would also be expected to make brief remarks at the
>> reception.

>>
>> Reception Hosting: [We understand that the Secretary is not coming with
>> much representational money. Post also has little.] Our inclination is
to

>> ask Enron, which is building a power plant in Gaza, to host the
reception.

>> We think they would be happy to do so. [Do you see any problem with
that?

>> Are there any legal/ethical considerations that would prevent it?

>> The alternative is to ask the Secretary's counterpart, the head of the
>> Palestinian Energy Authority, to host. I'm sure they would like to.

>> However, if the Palestinians host, we lose control of the guest list.]

All
>> things being equal, we would prefer Enron as host.

>>
>> I have not yet gotten into the details of the visit with my Palestinian
>> counterparts. I will have to do so soon, by the middle of next week.
>> Before I do, I'd like your reaction to the attached program, as well as
>> your thoughts on press and the reception. Thanks for your help.

>>
>> John Desrocher
>> Economic Officer
>> ConGen Jerusalem
>> DesrocheJP@state.gov

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>> <<Richardson Schedule.doc>>

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MEMORANDUM FOR THE SECRETARY



From: David L. Goldwyn
Assistant Secretary
Office of International Affairs

Subject: Additional Information for Discussions with Nigerian Energy Officials

Setting: TBD (Possibly by telephone)

Participants: TBD

Key Points to Make:

- Reconfirm DOE's commitment to help Nigeria develop policies and programs to support energy sector reform.
- Urge a quick and equitable resolution on decisions regarding the Enron project to provide barge-mounted electric power to Lagos. Emphasize that a continued impasse on this project could have negative impact on perceptions of the climate for doing business in Nigeria and may affect other private sector investment

Background:

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Nigeria signed the Joint
... of State. The next meeting of the
... DOE plans to hold the first bilateral energy
... Assistant Secretary David Goldwyn soon, perhaps at the JEPC Meeting.

DOE-US Agency for International Development (USAID) Cooperation on Energy Reform: DOE is developing an action plan for specific activities with the Government of Nigeria that will be coordinated with USAID. Cooperation could include: restructuring and privatization; rural electrification; deployment of clean energy and renewable energy technologies; promotion of energy efficiency; and development of an independent regulatory authority.

Enron Proposed Project: Enron has developed a project to provide emergency power to the Lagos region and to address longer term power needs of Nigeria. The project has three phases: (1) the 90 MW emergency power barges currently in Nigeria; (2) a 548 gas-fired plant that would be developed following installation of the emergency barges; and (3) six additional power barges to respond to President Obasanjo's request for as much emergency power as possible.

The project is running afoul of rivalries between the Government of Nigeria (GON) and state government of Lagos, opposition to private sector involvement in the electricity sector by NEPA (the government-owned utility), and conflicts within the GON, particularly north-south rivalries. There is also an issue of the effect the agreement will have on privatization, since it is with NEPA. Last February, Enron met with Vice President Abubakar, believed to an opponent of the project, during his visit to Washington.

Sensitivities:

There has been some criticism of Nigeria regarding the lack of momentum of its economic reform program. This has been particularly evident in the Government's delay in completing the agreement with Enron for an emergency electric power project that would increase the availability of electricity to the industrialized Lagos area.

The responsibilities and roles are not always clear among various Nigerian agencies. There are factious interactions and lack of coordination issues at the Federal and State levels.

Suggested Additional Talking Points for Nigerian Energy Officials

General Cooperation

- As you know, I met with President Obasanjo in August 1999, and we agreed on the importance of privatizing and restructuring the Nigerian energy industry.
- **[If appropriate]** In addition to during my trip Nigeria, I have met with Minister of Power and Steel Bola Ige twice in the United States last year - in Washington at the Department and on the margin of the Energy Ministers Conference in Tucson.
- To begin formal bilateral energy consultations, I have asked Assistant Secretary David Goldwyn to chair the U.S. side and he will work with your colleagues to set a meeting.
- We are considering sending a delegation as early as May, possibly on the margin of the Joint Economic Partnership Commission Meeting that will be held in Nigeria.

Economic Reform

- I understand my staff is working with their Nigerian colleagues to develop an action plan for cooperation that will encourage restructuring and privatization; rural electrification; deployment of clean energy and renewable energy technologies; promotion of energy efficiency; and the development of an independent regulatory authority.
- These areas are critical to assuring the economic growth of Nigeria. I look forward to working together to realize these objectives.

Enron Project

- I want to urge a quick and equitable resolution on decisions regarding the Enron project to provide barge-mounted electric power to Lagos. *1.0*
- A continued impasse on this project could have negative impact on perceptions of the climate for doing business in Nigeria and may affect other private sector investment.



NOTES ON MEETINGS IN ISRAEL AND EGYPT

AID MISSION IN TEL AVIV

Attendees: William Hammink, Deputy Director; Rosalie Fanale, Director, Office of Program and Project Development; John Lister, First Secretary, US Embassy; Nancy Fisher, Economic Officer, US Embassy; Moustafa Soliman, Len Coburn.

The US AID mission in Tel Aviv handles all of the West Bank and Gaza projects. Their principle projects involve water; enterprise development, democracy building, and primary health care. We reviewed ongoing water projects to determine whether there are opportunities for Secretarial involvement. While some projects are coming to fruition, such as the dedication of a Palestinian American Friendship Park, or additional water wells coming on line, it was clear that there is no energy component in any these projects.

Energy has not been a part of AID's planning because of higher priorities. In the democracy building area, AID does assist with the development of legislation for the Palestinian National Authority (PNA). In this area it is possible that assistance could be provided for the development of legislation aimed at energy regulation, if appropriate and necessary.

One area that bears watching for developments where the Secretary would have an interest is the Gaza Power Plant. This is large dual fired power plant (oil and gas) being developed by Enron. Before anything can happen on this project, approval must be obtained from the government of Israel. This approval is very close to happening, and if so, there may be an opportunity for the Secretary to witness the signing of documents.

ISRAEL ELECTRIC COMPANY

Attendees: IEC: Dr. A. Bianu, Vice President, Dr. Dan Weiner, Assistant Vice President, Mr. Gershon Patron, Head of Business Development, Dr. Eli Ben-Dov, Manager, Wind Energy Section, Mrs. Irith Rotlevi, Head of Engineering Economic Section; Ministry of National Infrastructures (MONI): Dr. H. Avraham Arbib, Director, Division of Research and Development, Mr. Moshe Tene, Senior Projects Coordinator; Nancy Fisher, US Embassy, Moustafa Soliman and Len Coburn.

Wind: The primary subject was a joint Israeli-Jordanian wind farm in the Arava Valley. This is located just north of Eilat and Aqaba near the Red Sea. The wind farm would be located entirely in Jordan (at first it was to straddle the border, but was moved due to conflicts with the local airport and for environmental considerations). The overall project envisions a 100 mw wind farm, with an initial stage of 25 mw. This would call for 50 wind turbines of 750 kw each. Investment is in the \$20-30 million range. Ownership would be 25% Israel Electric Company, 50% National Electric Power Company (NEPCO) of Jordan, 25% third partner (equipment company, etc.).

The IEC has done a feasibility study based on the IEC and NEPCO buying the electricity at \$0.035 /kWh. IEC's analysis shows a positive net present value and a significant rate of return if the project receives a subsidy. Both the Danish and Dutch companies and their governments are willing to provide these subsidies. Without a subsidy, the analysis shows a negative net present value and a modest rate of return.

Enron's Zond company is the only potential U.S. supplier to the project.

We discussed the present issues with the project and they include:

- The need for a high level push on the Jordanians to move forward on the project;
- A third party technical evaluation that can be used for loan qualification from the World Bank or other international financial institutions.
- Training for Jordanians in the U.S.
- Grant or subsidy to make the project economic.

From the U.S. perspective, we can undertake the first three. The big question remains with the financing. Unless there is a possibility of financing opportunities from Enron, or other sources (AID – not likely; IFIs), there would be no reason for the U.S. to pursue the first three only to open the door to European companies selling the equipment to the project.

Cofiring with Waste: We discussed the opportunities of working with IEC on a project that would use waste cofired with coal or oil to generate electricity. IEC has done some preliminary work on this concept and has concluded that such a project would not be economic at this time. There was no interest at IEC for this project.

Cofiring with Oil Shale and Waste: IEC asked whether there was any interest in the U.S. to pursue an oil shale cofiring project. We indicated that DOE no longer has an oil shale program, but we would inquire.

Integrated Gas Combined Cycle (IGCC): We discussed the idea of pursuing an IGCC project, primarily as an independent power producer (IPP). IEC indicated they were in the early stages of investigating this technology with Texaco (the proprietary owner of the technology) and Israeli refineries. They will let us know whether there is any role for DOE.

Other: IEC offered their expertise on Estonian oil shale or other Russian or Eastern European electricity issues since they have employed at IEC many professionals from Russia. They indicated that the U.S. company owned by Mosbacher used IEC as a resource.

PETCO

Attendees: Zvi Rome, President, PETCO International LLC; Nancy Fisher, US Embassy, Moustafa Soliman and Len Coburn

PETCO is an international energy consulting firm that has offices in Washington and Israel. PETCO and Rome have been working in the energy field for a number of years, has many U.S.

clients and has participated in a number of U.S.-Israeli commissions (e.g., U.S.-Israeli Science and Technology Commission) over the years. He is very knowledgeable about Israeli energy issues.

IGCC: Rome gave us another side of the story on IGCC. A U.S. company, TM Global Power, owned by Mosbacher and Tampa Electric (TECO), has been working on an IPP project with the Israeli refineries and IEC. This is a proposal for a 500 mw plant. IEC opposes such a large IPP project, however the refineries are very much in favor of it. There is standoff between the two. Part of the project involves eventual privatization. There are two refineries in Israel owned 74% by the government and 26% by Israel Refining Company. The idea is to have Israel Refining own one of the refineries and the government own the other, with eventual privatization of this government owned refinery. The issue here is whether there is an opportunity for the Secretary to push forward on this project with Israeli officials.

Coal: The U.S. has one of several suppliers of coal to IEC coal-fired power plants. The primary suppliers of coal to Israel are South Africa (50%), Australia, (10-15%), Columbia (10-15%) and USA with about 12%. Only one supplier is now supplying coal -- Consolidated Coal. This US coal is relatively high sulphur (1.2-1.8%) and in the past has been blended with other coals in order to reduce the sulphur content. At one of the new powerplants in Eskelon, IEC is installing scrubbers that can handle coal up to 2% sulphur and reduce the emissions to 0.3% sulphur. Despite the new scrubbers coming on line in 2000, the US share of the coal supply is dropping, down to 7-8% this year and will be declining next year to about 2%. The question is why are the Israelis decreasing the share of US coal and should the Secretary say anything about this decision to Israeli government officials? While this is a possible area of Secretarial intervention, more must be learned about this situation.

Oil Shale: In the past, IEC was interested in developing an IPP using oil shale, the only indigenous fossil fuel. A company called Mid-Atlantic was involved in the proposal to develop this project, and eventually was asked to give up the project due to its inability to develop it in a timely manner. Another company is now involved, NRG, a subsidiary of Northern States Power. NRG will be building a 3000 mw shale oil power plant in Estonia. NRG will be working with Foster Wheeler to build two 120 mw power plants in Israel. Question here is whether there is a role for the Secretary to advocate for this project during his visit.

WEIZMANN INSTITUTE OF SCIENCE

Attendees: Mr. Michael Epstein, Director, Solar Research Facilities Unit, Weizmann Institute of Science (WIS); Dr. Uri Fisher, Manager of R&D, Ormat Industries Ltd., Chemi Sugarmen, Product Manager. Ormat Industries; Mr. Ephraim Taragan, Head of Design and Development, Rotem Industries Ltd., Mr. Moshe Tene, MONI, Mr. Amnon Samid, Consultant, MONI, Nancy Fisher, US Embassy, Moustafa Soliman and Len Coburn.

The subject of the meeting was cooperation in solar technology. The representatives of WIS, Ormat and Rotem presented the research and development work done to date using the solar research facilities at WIS, with particular focus on the solar tower, beam down technology. WIS, in collaboration with Ormat and Rotem, has developed a 1 mw pilot project that will be

operational and tested by April of next year.

The next stage is to scale this pilot project up into a demonstration project. The WIS, Ormat and Rotem representatives discussed their project, in conjunction with Boeing, to collaborate with Egypt to build a demonstration sized project that would cost \$10-20 million depending upon the size of the project. Egypt would be willing to provide in-kind assistance, namely a site, labour, gas, and to purchase the electricity (without any subsidy). It is clear that additional assistance would be necessary for this project to move forward. Moustafa Soliman would explore the possibility of US AID funding on his trip to Cairo.

At a reduced level of technological cooperation, we explored the possibility of cooperation with the WIS in areas such as molten-salt storage technology developed in the U.S. and pv concentrator technology developed in Israel. WIS expressed an interest in pursuing this exchange of technology.

We asked whether there was any interest on the part of the Israelis of a technical evaluation of the project by DOE's labs. WIS indicated that they have their feasibility study and WIS is not interested in further technical evaluations.

DEPARTMENT OF TRANSPORTATION

Attendees: Alex Langer, Deputy Director General, Zvi Uzant, Vice Director General, Ministry of Transport (MOT); Dr. Avraham Arbib, Moshe Tene, MONI; Prof. Arie Lavie, Consultant, MONI and MOT; Dr. Tomer Gudovich, Consultant, Municipality of Tel-Aviv and Yafo; Dr. Dan Kottick and Miron Livenberg, IEC; Yehuda Harats and Jonathan Wartman, Electric Fuel Ltd; Alon Eman, Yitzhak Ben-Tzur, Dan Bus Cooperative; Nancy Fisher, US Embassy, Moustafa Soliman and Len Coburn.

The subject of the meeting was joint cooperation on electric/hybrid buses. We indicated that DOE would be interested in a joint US-Israeli project that the Israelis call "Electric Buses in Urban Public Transportation." We indicated that we would be interested in signing an agreement, as an annex to our existing S&T agreement, and that met with approval from the Israelis. In concept the project would involved using two identical buses one using the Israeli (Electric Fuel) advanced zinc-air batteries and the other using battery systems developed by DOE. The buses would be tested in an urban environment in the US and then shipped to Israel for testing there. We agreed to leave the technical details of the project to our experts. Assuming that our technical experts can work out the details of this project, we should be able to have an annex to our S&T agreement ready to sign for the Secretary.

MINISTRY OF NATIONAL INFRASTRUCTURES (MONI)

Attendees: Dr. Avraham Arbib, Moshe Tene, Amnon Samid, MONI; Dr. Dan Weiner, IEC; Dr. Shlomo Brovender, Ami Feinstein, Jay Epstein, MONI.

This was a summary meeting with Dr. Arbib providing brief minutes of the wind, solar, and electric bus meetings, with outcomes for each meeting. We also discussed a number of other issues.

In our cable to the Israelis, we indicated an interest in pursuing collaborative work on the lithium ion battery research. The Israelis expressed interest in pursuing this work and this can be noted by the Secretary during his visit.

We had a presentation on the latest developments regarding natural gas and specifically developments on gas legislation and the natural gas pipeline from Egypt. The natural gas legislation has been approved by the government and has now been submitted to the Knesset. The legislation provides that two companies will be given exclusive status to import natural gas – IEC and a company called Israel Gas Company (IGC). IEC can import for its power plants, while IGC will own both transmission and distribution systems. The bill provides for a market opening in about 10-15 years whereby IGC will be split into two companies, a transmission company and a distribution/marketing company. At this point there will be some ability for third party shipments over the transmission system, with new companies provided the opportunity to build distribution/marketing networks. At present four companies have prequalified to be the IGC, BP Amoco, Gaz de France with El Paso, British Gas, and Ital Gaz (ENI). An independent regulator within MONI will be created to regulate the tariffs and monitor the licenses, etc. There will be regulatory review every five years.

When asked about Israeli interest in a regulatory seminar where the US could share its experience with the Israelis on natural gas regulation, they indicated that this was premature. Perhaps in a year or two it would be more relevant.

They were interested in the idea of the U.S. acting as a guarantor of supply if the pipeline from Egypt became a reality. Apparently this was done by the U.S. for a limited time in the 1970s during the oil embargo era. The U.S. acted a guarantor of oil supply to Israel.

We discussed the idea of a regional seminar focused on the issue of security of supply. The Israelis expressed interest in a seminar of this type.

There is also interest in pursuing a real electricity interconnection with Jordan (an interconnection now exists but has been utilized). Jordan is interested in building a power plant and exporting electricity to Israel. The Israelis want to expand this a broader interconnection – grid to grid, rather than just a single power transfer.

Dr. Arbib expressed interest in receiving an invitation to the NREL workshop to take place in Alexandria, Egypt in November.

We held a brief discussion about an Energy Tower project that has been reviewed and rejected by DOE technical experts several years ago. Apparently the sponsor of this project, Prof. Zaslowsky from Technion is still pushing the idea, with the financial support of MONI and IEC. The professor says he has revised the concept in the last two-three years and would like it to be

reviewed again. Dr. Arbib provided some preliminary information on the project and promised to send additional information.

PALESTINIAN ENERGY AUTHORITY

Attendees: Dr. Abdulrahman Hamad, Chairman, Palestinian Energy Authority (PEA), Dr. Omer Kittaneh, Director General, PEA; Tim Wilder and John Desrocher, Economic Officers, Consulate General, Jerusalem, Moustafa Soliman and Len Coburn.

Dr. Hamad outlined the steps being taken to improve the energy sector in the Palestine territories. Most of this focused on electricity. They are working with Enron to build the Gaza Power Plant, which will be the first electric power plant in the Palestinian territories, since all electricity now comes from Israel. They are working with Sweden and other donors to build an electric transmission system. They have had support from Norway to help with existing electric distribution system, with both rehabilitation and construction of systems. On the West Bank they have approached Norway, Belgium, France, Italy, and the Czech Republic, plus the World Bank and the European International Bank to help with rehabilitation of the electric distribution systems in various West Bank villages. Despite these efforts more than 100 West Bank villages are without electricity.

We discussed the Greenstar project that was put in place by a US NGO at the time of President Clinton's visit. [He never visited the site, but it is up and running.] This is a solar powered system that provides electricity to a hospital/clinic and related medical facilities. It is in the village of Al Kaabneh south of Hebron. This would an excellent site for the Secretary to visit, especially if we can propose additional sites for similar solar powered electricity.

Dr. Hamad is seeking to establish a technical training center in the West Bank or Gaza and is looking for international support for such a center. While sending Palestinians to the U.S. is helpful, in the long run he is seeking an on the ground training facility that will train more people than could be possible in sending them elsewhere.

The World Bank is providing \$50 million to set up an institutional structure for the PEA in the electricity area. At some point they will need help with the regulatory framework and the establish of four distribution companies.

They also have created the Palestinian Scientific Energy Center in Ramallah.

We discussed the possibility of the Secretary and Chairman Hamad signing a statement of intent to cooperate in various energy areas, including training, and technical evaluation. We indicated that we would provide a preliminary draft to the PEA.

promote our shared nonproliferation, arms control and regional security interests.

- We look forward to launching a program of work in such areas as verification of the Comprehensive Test Ban Treaty, safeguards as applied by the International Atomic Energy Agency, and monitoring technologies that could be applied across a range of regional security and cooperation arrangements.
- This program will build upon existing efforts in these areas. This includes a program on regional seismic monitoring, as well as an initiative involving Sandia National Labs Cooperative Monitoring Center, Israel and the Palestinian Authority to promote sustainable land use.
- I understand that there is much my Department can learn from your government's experience and success in integrating former Soviet scientists into the Israeli economy through the use of "technology incubators." I believe that there are important lessons we can apply to our own Nuclear Cities Initiative and look forward to an exchange of our experts.
- Finally, let me note that we will include an annex to the Energy S&T Agreement that provides security exemptions for Israeli scientists collaborating with Department of Energy labs on a specified set of non-sensitive topics. This includes activities carried out under our Letter of Intent.

IF RAISED: RUSSIA-IRAN COOPERATION

- The United States is keenly aware of your concerns regarding Iran's nuclear weapons aspirations. We continue to raise this issue with Russia at the highest levels.
- We also share your interest in weaning Russia's Ministry of Atomic Energy away from nuclear commerce with Iran. We have already taken an important step in this direction.
- As you have heard by now, the Department of Energy will request an additional \$100 million from Congress next year that I believe supports that goal. The initiative provides for the development of concepts for dry spent fuel storage -- which could potentially bring billions of dollars into Russia's economy -- and for the development of fuel cycles that enhance proliferation resistance. Both offer much greater commercial promise than Russia can hope to secure through its existing nuclear cooperation with Iran.

6-5

**MEETING WITH ISRAELI AMBASSADOR DAVID IVRY
FEBRUARY 15, 2000
TALKING POINTS**

Trip to Israel and Region

- I am so pleased to be able, finally, to arrange my travel schedule so that I can make this trip to Israel and Egypt, as well as to Saudi Arabia and Kuwait. As you can imagine, I am really looking forward to this one, which is not my first trip to Israel, but is my first as the Secretary of the Department of Energy.

U.S.-Israel Relationship and Peace Process

- As you know, we have deep, close and long-standing ties of friendship and cooperation with your country. It is encouraging to see the steps that Prime Minister Barak and his government have taken in recent months to reinvigorate the Middle East peace process. My hope, and I know it is yours as well, is that the current progress in the Israeli-Syrian track will, together with the multilateral track, bear positive results in the months ahead. I am particularly looking forward to seeing Prime Minister Barak as well as the other Israeli officials who I am scheduled to meet.

Bilateral Energy Issues

- Our current bilateral energy cooperation with Israel will be both broadened and deepened by the new Agreement which I will re-sign when I get there, together with the two new annexes which concern advanced solar energy research and development and a technology demonstration project for electric buses in urban areas of Israel.

Regional Energy Issues

- We are also encouraged by the possibility of Egypt exporting gas through construction of a pipeline to Israel and possibly going on to Jordan and to the Palestinian Authority. Do you think that the recently reported deal by the Merhav group (Eastern Mediterranean Group) to build the Israeli portion of the line is a firm one or is it still tentative, as suggested by recently reported comments by Egypt's Petroleum Minister Fahmy?
- Finally, we are also going to be meeting with Chairman Arafat and the head of the Palestinian Energy Authority, Mr. Hamad, to sign a statement of intent to cooperate in the area of energy. As you probably know, Enron has agreed to build a power plant jointly with the Palestine Electric Company in Gaza, which will depend on cooperation from the Israeli government for its success. My understanding is that both Minister Suissa and Yossi Kucik, Prime Minister Barak's Economic Advisor, have expressed their support for this Enron power plant.

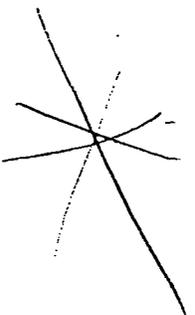
Nuclear Issues

- As you may know, I will be signing a Letter of Intent tomorrow with Gideon Frank, Director General of the Israeli Atomic Energy Commission.
 - The letter identifies a number of areas where the U.S. Department of Energy and the Israeli Atomic Energy Commission could continue and expand our technical activities to
- 1.16

The Palestine Electric Company Plant (ENRON)

The 110 MW combined cycle gas turbine plant, the first of two phases, is expected to begin generating electricity early next year (in 2000). The project's key participants are expected to include Enron International, with 1/3 ownership, Consolidated Construction Company (CCC), a large Palestinian-owned international contractor with significant activities in the Middle East, and the large Israeli-based construction and energy firm, Ormat International.

The venture will be known as the Palestine Electric Company (PEC) and will distribute power to the Gaza Strip. It will reduce the strain on Israel's electric system, which now supplies the Palestinians with power, and help balance the region's electrical loads. Financing discussions are underway with OPIC and Arab banking institutions. The Palestine Energy Authority (PEA) will purchase all of the plant's output under a long-term contract.



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Memorandum for the Deputy Secretary

FROM: Calvin Humphrey, Principal Deputy Assistant Secretary for International Affairs

SUBJECT: Meeting with Dr. Abdulrahman Hamad, Chairman of the Palestine Energy Authority, and Housing Minister and Mr. Mohammed Rachid, Chairman of Palestine Electric Company's Executive Committee and Economic Advisor to Palestine National Authority's Chairman (biographies attached)

alex

Coburn, Leonard

From: Terence H Thom [Terence_H_Thom@enron.com]
Sent: Friday, October 15, 1999 6:03 PM
To: Chris Long
Cc: Coburn, Leonard; Scott Reblitz; Joe Hillings; Lora Sullivan; Rick Bergsieker
Subject: Re: Richardson in Middle East

*

We have water products in Lebanon and Egypt and an electric privatization in Egypt as well as a gas pipeline to Israel from Egypt. And also a new gas field in Jordan and a chance for a power plant with exports to Israel. And a new cabinet in Egypt. I now know more than I ever wanted to know about this region. Tell his people when it happens I want to brief him and be in the region when he is there. Rick may have a lot to add.

*

international contractor with significant activities in the Middle East, and the large Israeli-based construction and energy firm, Ormat International.

Key project contracts include Mr. David Haug, Executive Managing Director of Enron International (713)646-7461; Mr. Mohammed Rachid, Chairman of PEC's Executive Committee and Economic Advisor to PNA's Chairman; Mr. Lynn Coleman of Skadden, Arps' (202) 371-7600, and Mr. Carl Reinhardt of OPIC, 202-336-8491.



CONFIDENTIAL
USG

Palestine Power Project

A consortium of U.S., Palestinian and Israeli companies are working in close cooperation with senior officials of the Palestinian National Authority (PNA) to develop a fast-track power plant in the Gaza Strip to begin operations in early 2000 and eventually supply substantially all of Gaza's baseload electricity needs.

The 110 MW combined cycle gas turbine plant, the first of two phases, is expected to begin generating electricity early next year. It will initially run on high-grade diesel oil, converting to natural gas when the planned pipeline from Egypt to the Sinai and Israel is completed. The project will reduce strain on Israel's electric system, which now serves Gaza, and help balance the region's electrical loads. Financing discussions are underway with OPIC and Arab banking institutions.

Subsidiaries of Houston-based Enron Corp.'s Enron International division will act as construction contractor, O&M contractor and lead developer, and own a 1/3 stake in the overall venture, which will be known as the Palestine Electric Company (PEC). Major Palestinian companies and the PNA itself will own 1/3, with the final 1/3 expected to be distributed to the Palestinian people in a public stock offering. The PNA's Palestine Energy Authority, chaired by Housing Minister Dr. Abdulrahman Hamad, will purchase all of the plant's output under a long-term contract. Key participants are expected to include Consolidated Construction Company (CCC), a large Palestinian-owned

~~X~~
Release

TX STATUS REPORT

AS OF APR 30 1999 20:16 PAGE.01

ENRON INTL

DATE	TIME	TO/FROM	MODE	MIN/SEC	PGS	JOB#	STATUS
16	04/30 20:15	912025868148	EC-S	00'42"	003	005	OK



Facsimile Cover Sheet

To: Melanie Kenderdine
Company: U.S. Department of Energy
Phone: 202-586-1930
Fax: 202-586-0148

From: Terry Thom
Company: Enron International
Phone: 713-648-8244
Fax: 713-646-8278
Date: 4/30/99

release

Pages including this cover page: **3**

Comments:

Post-it Fax Note	7871	Date	4/3	# of pages	3
To	Rona Sluwent	From	Terrill Newton		
Co./Dept.		Co.			
Phone #	202-466-9115	Phone #			
Fax #	202-828-3372	Fax #			

called & left message

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ENRON, WASHINGTON
1775 Eye Street, NW
Suite 800
Washington, DC 20008
202-466-9145
202-828-3372 (fax)

FAX COVER SHEET

DATE: 4/30/99 5:29 PM

NAME: _____ **fax number:** _____

TO:

The Honorable Terri Fariello
Deputy Assistant Secretary of Energy
for International Energy Policy, Trade & Investment
Department of Energy
Room 7C-034
1000 Independence Avenue, SW
Washington, DC 20585
202-586-0914
202-586-3047 (fax)

FROM: Joe Hillings
Lora Sullivan

PHONE: 202-466-9142
FAX: 202-828-3372

cc: Chris Long

Number of pages in fax: 4 pg

RE: Enron Palestine Power Project
Talking Points, per your Friday request.

(G. Nelson)

End.

DISTRIBUTION AUTHORITY (TEDAS) TO RESOLVE OUTSTANDING PAYMENTS PROBLEMS TO FOUR BUILD OPERATE TRANSFER (BOT) ENERGY PLANTS IN TURKEY. YILMAZ EXPLAINED THAT TREASURY PUT IN PLACE A SYSTEM BEGINNING LAST MONTH IN WHICH IT EXAMINES ALL OF THE CASH RECEIPTS FOR THE STATE ENERGY ENTITIES (INCLUDING TEAS, BOTAS AND THE TURKISH COAL INSTITUTE). TREASURY CAREFULLY MATCHES UP INFLOWS AND OUTFLOWS IN AN EFFORT TO MAKE SURE THAT THESE AGENCIES PAY AS MANY OF THEIR BILLS ON TIME AS POSSIBLE. THIS CAREFUL MANAGEMENT ALLOWS TREASURY TO GET A BETTER IDEA OF HOW MUCH IT MAY NEED TO INCREASE PRICES FOR ANY GIVEN ITEM TO IMPROVE REVENUE FLOWS.

2. (SBU) YILMAZ BELIEVED THAT THIS SYSTEM WOULD ALLOW TEDAS TO REMAIN CURRENT ON ALL OF ITS BILLS ON TIME, THANKS IN PART TO A 7 PERCENT PRICE INCREASE FOR JUNE AND A 3-4 PERCENT INCREASE IN JULY. AS TEDAS COLLECTS MORE MONEY FROM GOVERNMENT AGENCIES AND PRIVATE INDUSTRY, IT WILL BE IN A BETTER POSITION TO PAY ITS OBLIGATIONS TO TEAS, WHICH IN TURN WILL PAY BOTAS FOR THE GAS CONSUMED AND THE PRIVATE ELECTRICITY GENERATION COMPANIES FOR ELECTRICITY RECEIVED. WHILE TREASURY BELIEVES THE CURRENT PAYMENTS SITUATION IS MUCH BETTER, IT REMAINS CONCERNED ABOUT HOW TEAS WILL PAY ITS DEBTS, INCLUDING THOSE OWED TO THE FOUR BUILD OPERATE TRANSFER (BOT) PLANTS. YILMAZ SAID TREASURY WAS PLEASED THAT TEAS HAD REDUCED ITS DEBT TO THE FOUR BOT COMPANIES, INCLUDING ENRON'S TRAKYA PLANT AND EDISON MISSION'S DOGA PLANT, FROM FIVE MONTHS TO TWO. HOWEVER, YILMAZ SAID THAT TREASURY REMAINED CONCERNED ABOUT THE REMAINING TWO MONTHS. FOR THE PAST MONTH, TREASURY HAS BEEN CHAIRING A "DEBT WORKOUT" WORKING GROUP TO COME UP WITH SOLUTIONS TO THIS PROBLEM.

3. (SBU) YILMAZ AGREED THAT IT WAS IMPORTANT TO RESOLVE THE OUTSTANDING ISSUE OF THE FOREIGN EXCHANGE DIFFERENTIAL THE COMPANIES BELIEVE IS DUE BETWEEN THE EXCHANGE RATE ON THE DATE OF THE INVOICE AND THE DATE THEY WERE PAID IN PREVIOUS MONTHS. YILMAZ SAID THAT THE ENERGY MINISTRY WAS OVERSEEING A PROCESS OF WORKING THROUGH THAT ISSUE. HE BELIEVED THAT ENERGY IS LOOKING FOR AN INDEPENDENT LAWYER TO WORK THROUGH THE ISSUE WITH TEAS AND THE COMPANIES.

4. (SBU) TRAKYA'S SEMA GUCLU TOLD ECONOFF THAT THE COMPANIES REMAIN VERY CONCERNED ABOUT THIS ISSUE, AND ARE INCREASINGLY FRUSTRATED THAT TEAS HAS REFUSED TO PAY THIS DIFFERENTIAL. GUCLU NOTED THAT THE COMPANIES HAVE ALREADY PAID VAT ON THE INVOICES, EVEN THOUGH THEY HAVE YET TO BE PAID BY TEAS. SHE ALSO NOTED THAT, AS SOON AS THE COMPANIES RECEIVE THE MONEY, THEY WILL PAY BOTAS FOR THE GAS THEY CONSUMED. TRAKYA ALONE WILL TRANSFER USD 26 MILLION OF THE 32 OWED IN FOREIGN EXCHANGE DIFFERENTIAL TO BOTAS UPON RECEIPT FROM TEAS. GUCLU WAS HOPEFUL THAT REPRESENTATIVES FROM THE SEVEN EXPORT CREDIT AGENCIES WHICH SUPPORTED THE BOT PROJECTS WOULD BE ABLE TO MAKE SOME PROGRESS IN PERSUADING TEAS TO RECOGNIZE THAT IT OWES THE FOREIGN EXCHANGE DIFFERENTIAL.

PEARSON

BT

#4449

3D04

NNNN

<Msg> MSG000616085453

Washington, Charles

From: Washington, Charles
Sent: Wednesday, July 11, 2001 11:46 AM
To: Coburn, Leonard
Subject: GOT DEBTS TO ENRON AND MISSION DOWN TO TWO MONTHS AND HOLDING

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<Time of receipt> 01/07/10 14:51:19
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P 101356Z JUL 01

<From>
FM AMEMBASSY ANKARA
<To>
TO RUEHC/SECSTATE WASHDC PRIORITY 4937
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INFO RUCPDOC/USDOC WASHDC
RHEBAAA/USDOE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEHTA/AMEMBASSY ALMATY 1578
RUEHAH/AMEMBASSY ASHGABAT 1448
RUEHKB/AMEMBASSY BAKU 1835
RUEHLO/AMEMBASSY LONDON 0323
RUEHSI/AMEMBASSY TBILISI 2039
RUEHTC/AMEMBASSY THE HAGUE 0923
RUEHRO/AMEMBASSY ROME 3509
RUEHDA/AMCONSUL ADANA 0410
RUEHIT/AMCONSUL ISTANBUL 3657
BT

UNCLAS ANKARA 004449
STATE FOR EB/CBED, EUR/SE
STATE FOR EB/OIA STEVE NEWHOUSE
USDOC FOR 6000/TD/AS/ADVOCACY CENTER
USDOC FOR 4212/ITA/MAC/OEURA/CPD/DDEFALCO
USDOC FOR 6110/TD/BI/OEIM/MBEEMAN
USDOE FOR ROSSI
TREASURY FOR OASIA - MARSHALL MILLS
STATE PASS TO OPIC FOR BULIS
SENSITIVE
E.O. 12958: DECL: N/A

<Tags>
TAGS: ENRG, EINV, PREL, TU
<Subject>
SUBJECT: GOT DEBTS TO ENRON AND MISSION DOWN TO TWO MONTHS AND HOLDING

(U) SENSITIVE - BUT UNCLASSIFIED. NOT FOR INTERNET DISTRIBUTION.

1. (SBU) ON JULY 9, THE HEAD OF TREASURY'S ENERGY DEPARTMENT, EDIP YILMAZ, TOLD ECONOFF THAT TREASURY CONTINUES TO WORK CLOSELY WITH THE MINISTRY OF ENERGY, AND WITH THE STATE ELECTRICITY GENERATION AND TRANSMISSION AUTHORITY (TEAS) AND THE STATE ELECTRICITY

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On other APEC issues: There seems to be an expectation among APEC members that we will hold a steering committee meeting sometime in late January, early February. I don't see us making a decision on this before the New Year, but we should probably meet to discuss it soon.

Senior Staff Meeting: I attended Senior Staff meeting for you today. It was held in the EOC so Gilligan could give everyone a brief on plans for the y2k rollover. The Secretary went round the table first, and I reported on Tucson, the Ministers gratitude for the Secretary hosting the event, the follow up planned in S. Africa etc. (your readout was very helpful in this regard), and on Kazakhstan. Rebecca chimed in with more about Tucson, kudos for IA etc. etc.

India: Sent nonpaper to USAID for comment; Drafted memo from you to Reidel.

Washington, Charles

From: Coburn, Leonard
Sent: Friday, December 17, 1999 4:16 PM
To: Chuck Washington; James HART; Joan BELL; Karin BERRY; Kay Thompson; Lana Ekimoff; Mike Perper; Robert COPAKEN
Subject: FW: Daily Report 12.16.99

—Original Message—

From: Brodman, John
Sent: Thursday, December 16, 1999 5:44 PM
To: DL-IA-4.2; Alicia Porter; Calvin Humphrey; Darren Peters; DAVID GOLDWYN; David Jhirad; David Pumphrey; Donna Bobbish; Emma Gilliard; Kate English; Leonard Coburn; Linda WHITTED; Matthew Willis; Robert PRICE; Steve SACKS; Teresa Beeman; Theresa Fariello
Subject: Daily Report 12.16.99

JAPAN:

Jeff Skeer worked with Japanese Embassy and field offices to secure necessary clearances and appointments for Japanese Congressman Kano and two associates to visit WIPP, Yucca Mountain, Paducah, and Undersecretary Moniz during the first week of January.

APEC INDUSTRY MEETING IN HOUSTON:

George Zeigler reports: I attended (along with Donna Bobbish and John Kay, who works for Ambassador Boucher at State) the meeting of the informal industry group that advises us on APEC. Ken Thompson (ARCO) and Terri Thorn (Enron), the U.S. reps to the Energy Working Group Business Network, chaired the mtg. at Enron. About a dozen industry reps attended, with Arco, Enron, Exxon, Unocal the most vocal.

I was invited to report on the Wellington Energy Working Group (EWG) meeting, especially the results of the team visit to Thailand to advise on the implementation of the Natural Gas Initiative. They were very curious about the EWG decision to streamline the visit process and its emphasis on an ad hoc approach. I explained that the EWG wants to make sure the visit is very, very, country specific and that we are not locked into formal procedures that scare off participants (as occurred on the Thai visit). They understand, but of course want to make sure that the EWG Business Network still has a significant role and can appoint its own participants. I assured them this is so.

I reported on the planning for the Ministerial in May; they are interested in participating and especially liked the proposal for an EWG Business Network one-on-one with Ministers.

I reported that the draft energy services work program for the EWG we we asked to redo and disassociate from the WTO. They decided do a paper on services, working closely with what the Energy Services Coalition is also doing. I said this could be very useful as a starting point for the the educational process(workshop/seminars) in our work program proposal, which we think we can get the EWG to agree on in March. Obviously, there are very considerable industry differences on services, such as between Enron and Exxon.

The primary purpose of the meeting was supposed to be an effort by the group to more formally organize themselves. However, a supposedly pre-cooked plan to establish sort of an industry association with a secretariat in PECC did not fly; Exxon shot it down. They could only agree to working on some "rules of engagement" and to continue an informal group, with staffers of the chairs acting as a secretariat. I made the point that they should broaden their representation beyond their natural gas core so that we can go to the group as much as possible on a "one stop shopping basis", but of course, as Donna emphasized, we have an obligation also to listen to all our clients in developing government positions.

They suggested a system of alternates for the EWG Business Network. I agreed it is a good idea, but they need to get agreement on this in the Network itself. They suggested a system of staggered terms for the US reps to the Network; I agreed this was good and they can do this themselves. It will probably occur naturally because Ken Thompson, because of the ARCO's situation, can continue to about after the May ministerial and Terri Thorn through the Brunei Leaders meeting next fall, when his 2 years will be up.

Overall, my pitch to them was we would like them to come to us as much as possible rather than we going to them, including on the selection of US members on the Network.

They plan to meet again in a couple of months

Washington, Charles

From: Coburn, Leonard
Sent: Friday, February 04, 2000 8:07 AM
To: Chuck Washington; James HART; Joan BELL; Karin BERRY; Kay Thompson; Lana Ekimoff; Mike Perper; Robert COPAKEN
Subject: FW: Daily Report: 01.02.00 From IA-42

—Original Message—

From: Brodman, John
Sent: Wednesday, February 02, 2000 5:57 PM
To: DL-IA-4.2; Alicia Porter; Calvin Humphrey; Darren Peters; DAVID GOLDWYN; David Jhirad; David Pumphrey; Donna Bobbish; Emma Gilliard; Kate English; Leonard Coburn; Linda WHITTED; Matthew Willis; Robert PRICE; Steve SACKS; Teresa Beeman; Theresa Fariello
Subject: Daily Report: 01.02.00 From IA-42

IEA/SLT/GB/Annex 1 WG: preparations are underway for the upcoming meetings of the IEA's Annex 1 Working Group; Standing Group on Long-term Cooperation; and Governing Board which will take place in Paris this month. Will provide information about agendas and issues in the course of the next days. Jeff Skeer/ Brenda McIntyre

APEC: George Zeigler talked with Mark Boorthwick, Executive Director of PECC (Pacific Economic Cooperation Council). Steve Burns is in transition to Enron—about what they can do to help Ministerial process (the items you mentioned in your meeting with industry last Friday) nominations for speakers/panelists/vips; parallel event on May 12 to keep business there for engagement with ministers in afternoon; suggestions for sub-themes for focus sessions. On industry sponsorship, I told him he needs to talk directly with San Diego. He was told joint press conference announcement is planned for next week. Mark has pledged his full cooperation and support.

Export Council for Energy Efficiency contacted George Zeigler. They have a mailing list that they don't like to release, but prefer that we give them the info to send out to their members in one of their regular communications. This will probably be a good way to go with most associations

Phone call with Australia: Called the Australian EWG Secretariat to discuss Steering Committee meeting and related issues. Right now it looks like we may get 8-10 members represented at the Feb. 17th meeting. We will begin telephoning EWG representatives in each member to encourage participation. Seems that the POC's in many countries may have changed recently, and some countries (China) rarely reply to the EWG Secretariat on any issue. Informed them we were looking for suggestions for speakers, and it was suggested that we send a note around to the EWG members inviting them to provide us with suggestions as one way of getting countries more involved and feeling as if they are a part of the process. Comment on this?

Continued to work on Lists of Ministers, POCs, and possible speakers. Cable coming along. Have first draft of the Checklist (timeline) out for comment. Will send to you tomorrow am.

Received proposal from SoBran, distributed for comment. Shall I call them with the first shot, or do you want to wait until Terri returns?

Norway: Terri called to say S1 was interested in the issue of whether or not we had a S&T agreement with Norway (no), that he is interested in the Japan/Norway/US project on ocean sequestration of GHGs, and that he would like the Department to develop some additional proposals for S&T cooperation with Norway he could present to Minister Arnstadt when she visits in March. Passed this on to Price/Klimciwicz.

Japan: Jeff Skeer is helping to organize the visit of Mr. Kurita of the Japan Nuclear Cycle Development Institute (JNC) to Sandia National laboratory and other locations, as a follow-up to the visit last month of a twelve-person Japanese delegation on nuclear emergency preparedness, which is responsible for guiding a \$1.2 billion budget for improving Japan's emergency response system.

China: Wondering if you have any comments on the draft letter. Denise will be out Friday.

Staffing Plan: Calvin asked me to come up with a plan for covering the beaucoup events we will be responsible for in the coming months. Have this pretty much worked, will provide you with this tomorrow.

Washington, Charles

From: Coburn, Leonard
Sent: Monday, February 07, 2000 10:36 AM
To: Chuck Washington; James HART; Joan BELL; Karin BERRY; Kay Thompson; Lana Ekimoff; Mike Perper; Robert COPAKEN
Subject: FW: DAR -- IA-32 -- 2/4/00

-----Original Message-----

From: Pumphrey, David
Sent: Friday, February 04, 2000 6:32 PM
To: Alicia Porter; Calvin Humphrey; Darren Peters; DAVID GOLDWYN; David Jhirad; Donna Bobbish; Emma Gilliard; John BRODMAN; Kate English; Leonard Coburn; Linda WHITTED; Matthew Willis; Robert PRICE; Steve SACKS; Teresa Beeman; Theresa Fariello; Andrea Lockwood; Carolyn Haylock; Debra Smith; Gary Ward; Henry Santiago; Kathleen Deutsch; Michelle Billig; Russell Profozich; Thomas Sperl
Subject: DAR -- IA-32 -- 2/4/00

South Africa - Cable came in today from the U.S. Embassy in South Africa reporting that the South Africans are proposing to hold the next U.S.-Africa Energy Markets on December 4-6, probably in Durban. The South Africans also inquired about the "extent of financial support" the U.S. could provide.

Nigeria - Provided revised terms for an Energy Committee under the Joint Commission on Nigeria to the NSC. No reaction yet.

Nigeria (ENRON) - Asked State to let the Embassy know that we will let the Ambassador deliver the first demarche on the ENRON barge project. Passed this word to ENRON and Commerce as well.

Latin America Finance Initiative -- Met with Rogelio Novey to discuss implementation steps for the Fund for Energy Sector Initiatives. Novey is to meet with the U.S. Director for the IDB on Tuesday. Provided draft concept paper to IDB this afternoon.

Washington, Charles

From: Coburn, Leonard
Sent: Monday, May 08, 2000 8:42 AM
To: Chuck Washington; James HART; Joan BELL; Karin BERRY; Kay Thompson; Lana Ekimoff; Mike Perper; Robert COPAKEN
Subject: FW: DAR IA-32 5/5/00

—Original Message—

From: Pumphrey, David
Sent: Friday, May 05, 2000 5:18 PM
To: Singh, Eleanor; Lopez-Munoz, Annette; Alicia Porter; Calvin Humphrey; Darren Peters; DAVID GOLDWYN; David Jhirad; Emma Gilliard; John BRODMAN; Kate English; Leonard Coburn; Linda WHITTED; Matthew Willis; Robert PRICE; Steve SACKS; Teresa Beeman; Theresa Fariello; Andrea Lockwood; Carolyn Haylock; Debra Smith; Gary Ward; George PERSON; Henry Santiago; Kathleen Deutsch; Michelle Billig; Russell Profozich; Thomas Sperl
Subject: DAR IA-32 5/5/00

Nigeria - Spoke with Dundas McCullough (US Embassy Lagos). Enron was in-country and there appears to be some favorable movement on the barges for emergency power issue (based on local press and informal discussions with Lagos officials). He noted that it was a coordinated effort (Lagos/Federal). The Enron progress may help our efforts to keep the case study of the National Electric Power Authority (NEPA) on the agenda at the **Joint Economic Partnership Commission (JEPC) Meeting** (June 12-14). A meeting of the **Energy Consultative Group** before the JEPC could be overwhelming to the Nigerians, so after JEPC was suggested (recommend we target for either on the margins or after). Noted that DOE is planning to highlight the draft DOE/AID US-Nigeria Framework for Cooperation on Energy at the JEPC and recommended he coordinate with AID Director Hobgood before sharing details with the Nigerians. Also, Dundas will follow-up on the action cable regarding participation/host for the **Oil Spill Workshop**.

Attended **JEPC IWG Meeting** chaired by Cathy Burne (no Witney). Salient points were: dates approved by GON; there are four major elements - Treasury Secretary Summers' presence, government-to-government, corporate, and agency sidebars; NEPA case study remains on the agenda and would likely involve DOE and AID; U/S Larsen will decide format for JEPC (panel/roundtable/speeches) and time allocation for various sessions later next week; agency delegation list will be requested next week; appears that a reception will be held on Sunday (June 11) to recognize Summers; and the *question looms* about what agency representation funds are available.

On the margins, raised with Burne concerns about coordinating energy-related activities by the World Bank. She acknowledged that the interagency process does not have a "good handle" and would explore what can be done. One thought she voiced was, yes, establishing working groups by sectors (e.g., energy, agriculture, etc.).

Prepared preliminary budget of proposed DOE-lead initiatives under the **DOE/AID Energy Program** and circulated draft Framework to IA-32 staff for initial comments. If appropriate, draft may be distributed at DOE Africa Team Meeting on Monday (Humphrey will chair).

Ghana - IA-32 staff met with EIA team scheduled to visit Accra week of May 15th. Topics included: coordinating with EE, US Embassy Accra, and AID Mission Director Frank Young; evaluating electricity issues; linking the Energy Commission and other Ghanaian entities with AID to strengthen interactions; and the compatibility of modeling activities with institutional capacity building efforts under the West Africa Gas Pipeline, such as market assessment and development.

HSEF - Met with Bruce Juba and Larry Harrington at the IDB U.S. Executive Director's Office to discuss next steps in setting up the HSEF. We will begin developing the overall policy framework for the Fund which will provide guidelines for the types of projects and the operation of the Fund. Talked to GC to get them started on the legal aspects of the documents.

Sub-Saharan Africa and Caribbean Basin Initiative Trade Bill: President Clinton welcomed U.S. House of Representatives passage yesterday, May 4, of the trade bill. The House, by a nearly 3 to 1 margin, approved a measure that would give more than 70 nations in Africa, Central America, and the Caribbean greater access to the U.S. market.

Mexico - Worked on preparing the Deputy Secretary for speech next week at the U.S. Mexico Chamber of Commerce. Also revised agenda for the BNC and prepared draft memo for S-2's participation in the BNC.

"Summer" Institute - Talked to Frank Stewart to link him with Professor Kunnie to discuss how to proceed to get the funding for the Sustainable Energy Institute in place.

Washington, Charles

From: Coburn, Leonard
Sent: Thursday, May 25, 2000 9:43 AM
To: Chuck Washington; James HART; Joan BELL; Karin BERRY; Kay Thompson; Lana Ekimoff; Mike Perper; Robert COPAKEN
Subject: FW: DAR IA-32 5/24/00

—Original Message—

From: Pumphrey, David
Sent: Thursday, May 25, 2000 9:25 AM
To: Alicia Porter; Calvin Humphrey; Darren Peters; DAVID GOLDWYN; David Jhirad; Emma Gilliard; John BRODMAN; Kate English; Leonard Coburn; Linda WHITTED; Matthew Willis; Robert PRICE; Steve SACKS; Teresa Beeman; Theresa Fariello; Andrea Lockwood; Carolyn Haylock; Debra Smith; Gary Ward; George PERSON; Henry Santiago; Kathleen Deutsch; Michelle Billig; Russell Profozich; Thomas Spert
Subject: DAR IA-32 5/24/00

US-RSA BNC Regulatory Cooperation: IA-32 held a meeting with NARUC and NREL reps regarding the South African delegation arriving June 7-11. The purpose of the travel by representatives from the RSA National Energy Regulator and Department of Minerals and Energy to Washington, DC will be to develop a road map that will enable the South Africans to formulate a strategic plan to transform their electricity sector from a monopoly to competitive market. The competitive model that emerges from the planning sessions will probably be variations of the same basic model to enable the regulators to return to South Africa with a malleable product.

Brazil- IA attended a presentation by Alcides Tapias, Brazil's Minister of Development, Industry and Trade. He spoke about Brazil's strategy to increase exports, strengthen domestic capital markets, and continue fiscal reform.

Bolivia/Brazil- Yesterday, Minister Lupo (EC Dev) of Bolivia and Turinho (Mines/Energy) of Brazil signed an MOU to strengthen energy cooperation, giving the green light to a second gas pipeline. The MOU specifies Petrobras's role in expanding Brazil's natural gas imports, selling additional electricity, and developing the pipeline. Enron is extremely concerned over Petrobras's involvement in the agreement and fears that Petrobras will extend its monopoly over the second pipeline, limiting access and setting prices. According to the MOU, Bolivia will send a vice-ministerial team to Brazil next week to hammer out the negotiations. Enron has requested high-level DOE engagement with the Bolivians on this issue. Enron's spin is that this agreement will turn investors off natural gas development in Bolivia and power plants in Brazil. DOE alerted State and they are looking into the issue to get us more info. Enron is preparing a fact sheet.

Nicaragua- IA spoke with Pacific Geo-thermal and they will prepare a fact sheet on their project that we can send to the Embassy. Also talked to the Embassy about the meeting and told them that we will need input from them on the fact sheet.

Chad/Cameroon- Treasury has requested our assistance in reviewing US procedures for oil spill response plans. They have received contradictory information from Interior. Initial readout from the WB meeting is that some of the Dutch issues were addressed and there will be no further delay on the vote—June 6 is solid (for now).

Washington, Charles

From: Coburn, Leonard
Sent: Wednesday, June 28, 2000 7:48 AM
To: Charles Washington; James HART; Joan BELL; Karin BERRY; Kay Thompson; Lana Ekimoff; Mike Perper; Robert COPAKEN
Subject: FW: DARTUES

-----Original Message-----

From: Fariello, Theresa
Sent: Tuesday, June 27, 2000 7:35 PM
To: Santiago, Henry; Alicia Porter; Calvin Humphrey; Darren Peters; DAVID GOLDWYN; David Jhirad; David Pumphrey; Donna Bobbish; Emma Gilliard; John BRODMAN; Juanita Hayes; Kate English; Leonard Coburn; Linda WHITTED; Matthew Willis; RACHEL KING; REBECCA GAGHEN; Robert PRICE; Steve SACKS; Teresa Beeman; Theresa Fariello
Subject: DARTUES

MEETINGS:

-8:30 w/Goldwyn, etc.

-AMBASSADOR barbosa of Brazil. Briefed him on our proposed agenda for DOE delegation visit to Brazil, July 9-13. passed him draft itinerary, very supportive, offered some suggestions. Indicated he will call Ministry to help with appointments. We promised a debrief upon our return.

-Hosted C/LAA Energy Business team meeting, chaired by CLAA and Exxon-Mobil. Briefed industry reps (about 15 present) on HEI process, sought input on development of Business Forum to HEI and on most effective way to restructure working groups. The promised to provide comment. Main message was the need to get a regulatory structure in place across the board throughout the hemisphere, before we can address social issues. Briefed on planning for peru steering comm. meeting and Mexico Ministerial in 2001. Had lengthy discussion on creation of Business Forum and use of a web page to launch. Representative from Advocast, company who designed website provided an overview on uses. Industry seemed receptive, a smaller group will work with Harrington to see how/when it could be launched.

-Chaired Closing Plenary with Venezuelans. Three working groups presented the results of their workshops on the last day and a half (natural gas and regulation; data collection & analysis and EERE). Extensive list of possible areas of cooperation prepared under each working group. I asked that in their final report, they rank the top 3 policy objectives with a proposed strategy on how to proceed. Drafts due to Hank Santiago this week. Hank to prepare a draft report by Friday cob, we'll share with Venezuela, then forward with recommendations to Goldwyn and Alvarez. Should form the basis of the agenda for the next meeting of the principal coordinators in October (dates to be decided very soon).

-Industry Dialogue. Briefed on on-going work with Venezuela and Brazil. A lot of interest in the upcoming Brazil trip. GE and Texaco requested meetings later this week to discuss company specific issues. Enron, on behalf of the energy services coalition raised energy services during all of our meetings with government officials. Other inquired about developments in North Africa, and specifically asked if S1 will meet with the Tunisians. I also gave a quick readout on the status of our Black Sea oil spill initiative and the one planned for west Africa in October.

-Hank Santiago to discuss office priorities paper.

Washington, Charles

From: Coburn, Leonard
Sent: Monday, July 03, 2000 11:06 AM
To: Charles Washington; James HART; Joan BELL; Karin BERRY; Kay Thompson; Lana Ekimoff; Mike Perper; Robert COPAKEN
Subject: FW: Update Memo for the Secretary

Lana and Jim please note. Thanks
Len

-----Original Message-----

From: Willis, Matthew
Sent: Monday, July 03, 2000 11:04 AM
To: Price, Robert S; Coburn, Leonard; Santiago, Henry
Cc: Fariello, Theresa; Pumphrey, David
Subject: Update Memo for the Secretary

David wants to compile an update memo on our international activities for the Secretary's return next Monday. Please task your offices for a paragraph on each of the following items. Due noon on Friday (7/7). Thanks.

Bob

Bangladesh - USGS, etc

China - Ernie's trip

India - Scoping mission, etc

Philippines - 7/10 experts visit, status of Omnibus legislation

Len

Russia - plans for proposed trip, DLG potential trip with Jan

Iraq - IWG review

Hank

Bolivia - Announcement, \$, industry visit

Brazil - TF visit, renewing energy cooperation, Petrobras problems

Nigeria - DLG visit, Enron signing (particularly DOE advocacy)

Venezuela - Last week's mtg, October Goldwyn-Alvarez Meeting

Washington, Charles

From: Coburn, Leonard
Sent: Thursday, July 06, 2000 7:52 AM
To: Charles Washington; James HART; Joan BELL; Karin BERRY; Kay Thompson; Lana Ekimoff; Mike Perper; Robert COPAKEN
Subject: FW: DAR 6/5/00 and Delegation

—Original Message—

From: Pumphrey, David
Sent: Wednesday, July 05, 2000 5:54 PM
To: Jodoin, Peter; Santiago, Henry; King, Rachel; Alicia Porter; Calvin Humphrey; Darren Peters; DAVID GOLDWYN; David Jhirad; Emma Gilliard; John BRODMAN; Kate English; Leonard Coburn; Linda WHITTED; Matthew Willis; Robert PRICE; Steve SACKS; Teresa Beeman; Theresa Fariello
Subject: DAR 6/5/00 and Delegation

Met with Enron representatives and State to discuss plans to move forward on the ideas of Energy and the New Economy in the upcoming APEC Leaders meeting. Agreed that the EBN should start a discussion on this topic through the Energy Services Workshops. We will also work on finding the concepts to put into the leaders meeting.

Met on priorities for remainder of 2000 and first half of 2001.

Cleared cable for India Scoping Mission.

Discussed with Tom Cutler and State new dates for the JCG meeting with India. State now proposing July 26-28.

I will be out of the office on July 6. Bob Price will be acting. I can be paged if necessary.

Washington, Charles

From: Coburn, Leonard
Sent: Tuesday, August 08, 2000 5:18 PM
To: Charles Washington; James HART; Joan BELL; Karin BERRY; Kay Thompson; Lana Ekimoff; Mike Perper; Robert COPAKEN
Subject: FW: Daily Report From IA-32: 08.08.00

-----Original Message-----

From: Brodman, John
Sent: Tuesday, August 08, 2000 4:44 PM
To: DL-IA-3.2; Billig, Michelle; Person, George; Alicia Porter; Calvin Humphrey; Darren Peters; DAVID GOLDWYN; David Jhirad; David Pumphrey; Donna Bobbish; Emma Gilliard; Kate English; Leonard Coburn; Linda WHITTED; Matthew Willis; Robert PRICE; Steve SACKS; Teresa Beeman; Theresa Fariello
Subject: Daily Report From IA-32: 08.08.00

NIGERIA:

-Attended the NSC/IWG today on the POTUS trip. NSC passed out a list of potential deliverables, but said that they were still working on marrying the events with the site visits and the deliverables.

-Right now it looks like the POTUS will be involved in an AIDS event, An Education event, A Digital Divide (wireless internet) event, a Trade and Investment event (probably a reception), and other events to be determined.

-All events still look like they will take place in Abuja.

-Principals accompanying POTUS may be Slater, Richardson, Sperling, Harmon, Grandmaison, and someone from DOD (not Cohen).

-Side events (ie those not involving Obasanjo or POTUS) are being planned around Labor issues, Transportation, and Law Enforcement. George and I inquired about energy, and we were told that the NSC and State very much want us to devise a side event to showcase our energy cooperation and assistance. WE NEED TO GET BUSY ON THIS< ASAP>. One idea would be to organize a Energy Consultative Group type meeting at the Ministerial level, for a discussion of energy sector reform plans and assistance efforts, that could be followed by a signing ceremony (TDA projects, Enron project, others tbd), and a reception with the private sector.

-NSC/STATE are not keen on showcasing role of US oil companies in Nigeria, unless one or more of them come forward with something really special, ie over and above what they are currently doing in the way of community action programs.

-RUMOR is that the POTUS trip could be cut to one day only, which could impact our planning for a side energy event in several ways, up or down.

-George has done a table of contents for the briefing book, and a tasking we will get around soonest to get things underway

S. AFRICA:

-We have scheduled a conference call with S. Africa for 9:00am Thursday to discuss the Clean Energy Working Group and Ministerial.

We will need to know our position about holding the Clean Energy Working Group meeting at a lower than S2 level in advance of the call.

HSEF: A lot of activity, meeting planned for tomorrow.

HEI: Meeting planned for tomorrow. To OLADE or not to OLADE is the issue, and how do we make it happen.

MOZAMBIQUE: Where are we on this???

Washington, Charles

From: Copaken, Robert
Sent: Wednesday, August 16, 2000 3:35 PM
To: Washington, Charles
Subject: DAR

Chuck: Additional inputs.

UAE: DOLPHIN PROJECT

A call to Exxon-Mobil elicited the name of the person from the field, Robert Fisher, who is charged with following the Dolphin Project. I told my E-M source that we wanted to do an update on the project and he promised me that when they next brought Fisher into town, they would alert me and we could get an update on it. E-M lost out to Enron and the UAE Offsets Group and so they see this project more as a competitor to their own project than as a partner. (Copaken).

SPR SWAPS

Query from our embassy in Riyadh about the Secretary's mentioning SPR swaps has been answered. Yes, he has been talking about it, but nothing is happening, according to my SPR source. (Copaken).

organize a meeting of the energy working group for 2 hours on Sept. 6,7,or8th in the afternoon, or the 11th in the afternoon or the 12th anytime. He asked if I could coordinate with David Goldwyn's schedule and get back to him. Emma?

HEI:

-met with Gary to discuss his draft on the HEI working group reorganization proposal, and agreed that it would be a good idea to circulate the current document for review and comment by the relevant program offices in preparation for the upcoming HEI Steering committee meeting in Oct.

Washington, Charles

From: Coburn, Leonard
Sent: Wednesday, August 16, 2000 5:15 PM
To: Charles Washington; James HART; Joan BELL; Karin BERRY; Kay Thompson; Lana Ekimoff; Mike Perper; Robert COPAKEN
Subject: FW: Daily Report From IA-32: 08.16.00

—Original Message—

From: Brodman, John
Sent: Wednesday, August 16, 2000 5:11 PM
To: DL-IA-3.2; Billig, Michelle; Person, George; Hayes, Juanita; Alicia Porter; Calvin Humphrey; Darren Peters; DAVID GOLDWYN; David Jhirad; David Pumphrey; Donna Bobbish; Emma Gilliard; Kate English; Leonard Coburn; Linda WHITTED; Matthew Willis; Robert PRICE; Steve SACKS; Teresa Beeman; Theresa Fariello
Cc: Gilliard, Emma
Subject: Daily Report From IA-32: 08.16.00

ENRON/Argentina:

-Officials from Enron are coming in Tuesday, August 22 from 1:30 - 2:20 p.m. to brief us on a problem they are having in Argentina. It involves their natural gas pipeline, TGS, which crosses through seven Argentine provinces. Three provinces have imposed a "stamp tax" on Enron which could end up costing the company over \$600 million. This problem has gone on for some time and Enron has been negotiating with the Federal Government (both during the Menem regime, and with the current Administration) to find a solution. The Federal Government has declared the imposition of this stamp tax to be illegal but can't seem to resolve the problem. Enron is coming to Washington to brief us and State Dept. on the issue and their intended next steps (filing a claim against Argentina with the International Center for the Settlement of Investment Disputes within the World Bank).

Enron officials will include Terry Thorn, Executive VP; Joe Hillings, VP for Government Affairs; and Michelle Blaine, Senior Counsel. They will be accompanied by outside counsels - one from Argentina and one from a U.S. firm.

Canada Rumor:

-Kathy Deutsch saw Coleen Swords, the Minister-Counsellor for Economic and Trade Policy at the Canadian Embassy yesterday and she mentioned there may be a cabinet shuffle in Canada in the next few months. Lloyd Axworthy, the Foreign Minister, is apparently getting ready to retire. There is no official word to report, but Coleen said the Canadian press is speculating on his possible successor and that one candidate may be Energy Minister Goodale because he has been in Cabinet for quite some time.

HESF:

-Finalized the memo to Telson and sent it around for concurrences.

S. Africa:

-Met with Calvin to go over script and issues for his phone call to Deputy Minister Shabangu. Still waiting to hear about participation of DEET in the Sept. 13-15 meeting of the CEWG.

Nigeria:

-spoke with thge CIA and with Linda Dougherty of DOT, today to get the pipeline safety package back on track. We heard yesterday from the NSC that the Nigerians would be interested in seeing what we had to offer in this area, as long as we kept it quiet, no press.
-spoke with State/AF to convey information on S1's plans for bilats/signings.
-spoke with TDA about possible agreement signings with NNPC during POTUS trip.
-spoke with the NSC about the rural energy services deliverable.
-Spoke with Rachel King and Kate English about possible signing of the Clean Energy Statement.

AOPS:

-met with Camille to go over status of actions. Need to determine status of Angola/TRESP/ED funds; the Florida Solar Energy Center \$25k; and source of additional \$10k for CLAA. Owe Camille paperwork for additional \$30k to NREL for Moz.

CSIS Africa Program:

-got a call today from Steve Morrison, director of the CSIS Africa Program, who is organizing a study on US interests in Africa, which will include an energy working group. He said he has talked to David and Matt about this. He is looking to

Washington, Charles

From: Coburn, Leonard
Sent: Tuesday, September 05, 2000 9:07 AM
To: Charles Washington; James HART; Joan BELL; Karin BERRY; Kay Thompson; Lana Ekimoff; Mike Perper; Robert COPAKEN
Subject: FW: DAR 8/31, 9/1

—Original Message—

From: Pumphrey, David
Sent: Friday, September 01, 2000 6:21 PM
To: King, Rachel; Soliman, Moustafa; Alicia Porter; Calvin Humphrey; Darren Peters; DAVID GOLDWYN; David Jhirad; Emma Gilliard; John BRODMAN; Kate English; Leonard Coburn; Linda WHITTED; Matthew Willis; Robert PRICE; Steve SACKS; Teresa Beeman; Theresa Fariello
Subject: DAR 8/31, 9/1

Meeting with Sudhakar Rao at Indian Embassy to discuss energy aspects of PM's visit.

Meeting with Villa Kulild of the Norwegian Embassy to pass over the proposed S&T Agreement

Meeting with Jerry Pruzan, PECC, and Steve Burns, ENRON, to discuss APEC energy services and U.S. IFAT visit.

Meeting on Bangladesh preparations with Calvin.

Memo to Secretary on India events.

Cleared letter inviting Indian Petroleum Minister to Washington and Houston

Washington, Charles

From: Coburn, Leonard
Sent: Friday, September 29, 2000 7:52 AM
To: Charles Washington; James HART; Joan BELL; Karin BERRY; Kay Thompson; Lana Ekimoff; Mike Perper; Robert COPAKEN
Subject: FW: DAR 9/28/00

—Original Message—

From: Pumphrey, David
Sent: Thursday, September 28, 2000 6:17 PM
To: King, Rachel; Soliman, Moustafa; Alicia Porter; Calvin Humphrey; Darren Peters; DAVID GOLDWYN; David Jhirad; Emma Gilliard; John BRODMAN; Kate English; Leonard Coburn; Linda WHITTED; Matthew Willis; Robert PRICE; Steve SACKS; Teresa Beeman; Theresa Fariello
Subject: DAR 9/28/00

Meeting with Enron - Steve Burns, Mike Dahlke, Robert Neustaedter to discuss the presentation they had made to MITI Gas Director. The USTR energy restructuring discussion are heating up again and they are looking for DOE participation.

Attended Senior Staff

Attended NSC led meeting on visit of Bangladesh Prime Minister visit. Talked to desk about scheduling arrangements for Secretary's bilaterals.

Worked with George Zeigler to set up meeting to develop our ideas on the request from the APEC SOM to the EWG for a response to higher oil prices. Program meeting set for Tuesday.

Washington, Charles

From: Coburn, Leonard
Sent: Monday, October 16, 2000 11:22 AM
To: Charles Washington; Dan Melvin; James HART; Joan BELL; Karin BERRY; Kay Thompson; Lana Ekimoff; Mike Perper; Robert COPAKEN
Subject: FW: DAR 10/12-13

—Original Message—

From: Pumphrey, David
Sent: Friday, October 13, 2000 7:25 PM
To: King, Rachel; Soliman, Moustafa; Chesley, Nicole; Alicia Porter; Calvin Humphrey; Darren Peters; DAVID GOLDWYN; David Jhirad; Emma Gilliard; John BRODMAN; Kate English; Leonard Coburn; Linda WHITED; Matthew Willis; Robert PRICE; Steve SACKS; Teresa Beeman; Theresa Fariello
Subject: DAR 10/12-13

Numerous papers reviewed for APEC EWG meeting. Developed position paper on response top high oil prices.

Meeting with Enron Re Europe electricity markets. 

Meeting with BP about gas issue worldwide.

Revision to Panda letter

Disucssed Russia - Minatom issues with Barry Gale - Barry to develop plan of action.

Finalized meeting request for Indian Petroleum Minister

Reviewed Sheik Hassina Briefing paper

Attended Senior Staff

Washington, Charles

From: Coburn, Leonard
Sent: Monday, October 16, 2000 5:26 PM
To: Washington, Charles
Subject: RE: David Goldwyn's Tasking

The focus is on Middle East/Global energy policy, NOT SPR.

The people on the panel are:

David Mack of the Middle East Institute

James Placke, of Cambridge Energy Research Associates (CERA)

T.B. McClelland, Jr. Enron Middle East

—Original Message—

From: Washington, Charles
Sent: Monday, October 16, 2000 5:24 PM
To: Coburn, Leonard
Subject: David Goldwyn's Tasking

Hi Len, when you get a chance, pls send me the names that Dave Goldwyn wants me to research, re: the panel issue. Is the focus on the SPR, or is it US energy policy in general? Thanks

Washington, Charles

From: Coburn, Leonard
Sent: Tuesday, November 28, 2000 9:22 AM
To: Washington, Charles; Copaken, Robert
Cc: Caliendo, Camille
Subject: RE: Enron Meeting

The enron meeting is on December 7 at 9:15, not this Thursday. This gives you some time to put some background material together. 

-----Original Message-----

From: Washington, Charles
Sent: Tuesday, November 28, 2000 8:45 AM
To: Coburn, Leonard; Copaken, Robert
Cc: Caliendo, Camille
Subject: RE: Enron Meeting

Good morning. Bob, I'll research the Gaza power project if you'll do the Dolphin project. K?

-----Original Message-----

From: Coburn, Leonard
Sent: Monday, November 27, 2000 3:49 PM
To: Copaken, Robert; Washington, Charles
Cc: Caliendo, Camille
Subject: Enron Meeting

David Goldwyn indicated that Enron is coming in on Thursday to talk about Dolphin and the Gaza power project. Can you two pull together what we have recently done on these projects. I am not aware of much on the Gaza power project, perhaps you can review previous papers we wrote on the Middle East and come up with something 

Camille -- could you look through recent cable traffic to see what is available on either of the projects.

Thanks
Len

Washington, Charles

From: Coburn, Leonard
Sent: Tuesday, December 05, 2000 1:09 PM
To: Washington, Charles
Subject: RE: Enron Meeting

Bob has already set up the memo in the standard format, you can build on his. It is due tomorrow since it is for the meeting on Thursday. You should plan to attend that meeting along with me. It is at 9:15

Thanks
Len

-----Original Message-----

From: Washington, Charles
Sent: Tuesday, December 05, 2000 1:07 PM
To: Coburn, Leonard
Subject: RE: Enron Meeting

Hi. Sure, I assume I would address it to Dave from you (in our standard letter format), and is it due today?

-----Original Message-----

From: Coburn, Leonard
Sent: Tuesday, December 05, 2000 1:07 PM
To: Washington, Charles
Subject: FW: Enron Meeting

Chuck: Could you combine Bob's paper on Dolphin with your paper on Gaza power plant to create one memo that addresses both subjects.

Thanks
Len

-----Original Message-----

From: Copaken, Robert
Sent: Monday, December 04, 2000 12:08 PM
To: Coburn, Leonard
Subject: RE: Enron Meeting

Thanks Len for the names in the Enron meeting. I have included them and still tried to keep the memo to 2-pages. Here it is in draft for your review.

Bob

<< File: Dolphin Project Memo for Enron DLG Mtg 120700.wpd >>

<< Message: Enron Meeting >>

Washington, Charles

From: Washington, Charles
Sent: Wednesday, December 06, 2000 7:26 AM
To: Coburn, Leonard
Subject: What I Actually Said...

Hi Len, when I read Mike's DAR report re: my input on the Middle East Monthly Report, it was a bit confusing to me, which means it may be confusing to others. My point was that I was doing my input so the report wouldn't be late, not that my being on leave would result in my not doing a complete report. My actual submission is below.

-----Original Message-----

From: Washington, Charles
Sent: Tuesday, December 05, 2000 2:46 PM
To: Perper, Mike
Subject: DAR Input, Dec 5, 2000

Conducted research and Worked on Middle East Monthly Report input for January (completed one item), since I'll be on leave when the report is due the end of this month. (Washington)

Drafted Bilat and Pull Aside for Algeria and Egypt, respectively, in support of the U.S.-Africa Energy Ministers Ministerial II. (Washington)

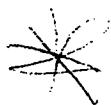
Finalized the background paper on the Dolphin Project and the Gaza Power Plant Project, in support of David Goldwyn's meeting with Enron on December 7th. (Washington)



Volume

Washington, Charles

From: Washington, Charles
Sent: Wednesday, December 06, 2000 9:58 AM
To: Coburn, Leonard; Copaken, Robert
Subject: Final Version - Enron Meeting Paper



Enron - 07 Dec 00
Goldwyns M...

Washington, Charles

From: Coburn, Leonard
Sent: Tuesday, December 12, 2000 9:19 AM
To: Charles Washington; Dan Melvin; James HART; Joan BELL; Karin BERRY; Kay Thompson; Lana Ekimoff; Mike Perper; Robert COPAKEN
Subject: FW: DAR 12/11/00

—Original Message—

From: Pumphrey, David
Sent: Monday, December 11, 2000 6:52 PM
To: Alicia Porter; Barry GALE; Calvin Humphrey; DAVID GOLDWYN; David Jhirad; Emma Gilliard; John BRODMAN; Kate English; Katherine Wilkens; Leonard Coburn; Matthew Willis; RACHEL KING; Robert PRICE; Steve SACKS; Theresa Fariello
Subject: DAR 12/11/00

Morning Update

OD's Meeting

Reviewed transition papers -- book delivered to Transition Office but they had some style comments.

Meeting with Lee Gebert

Senior Staff

Meeting on overseas details

Meeting (briefly) with Steve Burns and Mike Dahlke of Enron about concerns with regulatory actions in Korea.

Meeting with Ana Borg re IEA and EU.



Washington, Charles

b-5

From: Washington, Charles
Sent: Friday, January 05, 2001 11:14 AM
To: Caliendo, Camille
Subject: Hi. Paper on UAE from March 2000; I'll also send you a modified paper from Nov 2000

March , 2000

MEMORANDUM FOR THE SECRETARY

From: David L. Goldwyn
Assistant Secretary for International Affairs

Subject: Conversation with Obeid Bin Saif Al Nasiri, Minister of Petroleum and Mineral Resources, United Arab Emirates

Setting: TBD

Participants:

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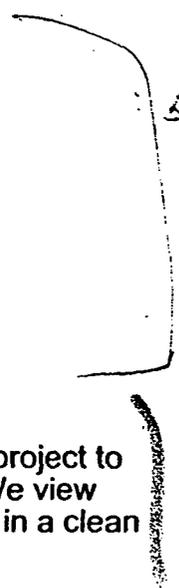
5

The

Dolphin Regional Gas Project would be run by a single joint venture company comprised of UAE Offsets (management), ELF/TOTAL (upstream development), and Enron (midstream and downstream development). According to embassy reporting, the Saudis are in favor of a GCC-wide gas grid with Qatar as its nexus. The logical customers for Qatari gas is right there in the Gulf, including Bahrain and Kuwait, both of which have gas shortages, as well as those already mentioned above.

BS

BS



Dolphin Project

- **If Raised:** I am pleased the UAE Offsets group has included Enron in the Dolphin project to develop the pipeline and downstream components of this substantial natural gas project. We view this project as advancing the goal of regional integration while it will help produce electricity in a clean and efficient manner.

week in Geneva to discuss further liberalization of the services markets. DOE is being represented by Harvetta Asamoah of General Counsel. (Tom Sperl)

Personnel/Administrative: Met with staff to discuss different personnel issues. Discussed cable distribution process and working with other IA offices to streamline the IA-32 process (Smith/Erickson). Gary Ward on leave (Wednesday & Thursday).

Washington, Charles

From: Coburn, Leonard
Sent: Thursday, May 17, 2001 9:52 AM
To: Alicia Porter; Camille Caliendo; Charles Washington; Dan Melvin; James HART; Joan BELL; Karin BERRY; Kay Thompson; Lana Ekimoff; Mike Perper; Samuel Lahood
Subject: FW: 5/15-16/01

—Original Message—

From: Person, George
Sent: Wednesday, May 16, 2001 7:13 PM
To: Pumphrey, David; Coburn, Leonard; Gale, Barry; Sacks, Steve; Gilliard, Emma; Angulo, Veronica; DL-IA-3.2; Lahood, Samuel; Hudome, Randa; Downs, Sharon; Price, Robert S; Francis, Maria; Washington, Melodie; Hayes, Juanita
Subject: DAR: 5/15-16/01

Atlantic Council of the U.S.: Attended gala dinner, which included remarks from Dr. Henry Kissinger and participation by representatives from several energy companies (Enron) and trade organizations. Included discussions on the expanding influence in and of the Western Hemisphere. *

North American Energy Working Group: Revised agenda and coordinated various logistics. (Andrea Lockwood)

National Energy Development Policy Group: Prepared transmittal letters to select Energy Ministers (and Nigerian President Obasanjo who holds the petroleum portfolio) and action memo.

U.S.-Mexico Working Group on Enhanced Electricity Trade: Continued preparations for trip visit on May 24th. Revised agenda prepared by the Mexicans, coordinated details with Embassy contacts, and identified General Counsel representative to join the team. Tasked assignments for the briefing book. Worked with V. Angulo on different issues related to the Working Group. Erika Benson and Gina Erickson continued searches for news articles and clippings on Mexico and energy. Gina signed up for several news listing services offered by the US Embassy in Mexico City.

Canada: Discussed proposed date and venue for Energy Consultative Mechanism Meeting with State Dept. State will be proposing July 17th, in Ottawa, to the Canadians as an alternative to June 26th in Washington.

West African Affairs: Carolyn Haylock-White discussed international energy issues with Gibson Asuquo, Project Engineer, Office of Project Management, Golden Field Office. Also, she coordinated and participated in meetings for Mr. Asuquo with other IA staff and EE staff (Moore, Sacco and Millhone).

Western Hemispheric Affairs: Gina Erickson began preparing the list of participants for the proposed regulators conference, which could be held late summer or fall. Potential attendees include representatives from major electricity companies and parastatal energy organizations in Latin America and the Caribbean. Prepared a database of all regulator organizations in the region.

Chile: Gina Erickson began making contacts and conducting background research to prepare for an informal meeting, requested by the Fondo de las Americas (FDLA). FDLA will be sending three representatives to the United States on June 18-29, to meet with representatives of non-governmental organizations and government agencies involved in the environment or sustainable development. The US Embassy Santiago requested that FDLA representatives meet with Gary Ward and other DOE representatives to better understand IA's role in international sustainable development and how activities could be coordinated and mutually beneficial.

Venezuela: Erika Benson is processing a J-1 visa request for an extension of a PDVSA employee. The applicant is working at the Phillips Petroleum Refinery in Texas as a technical team leader for the petroleum engineers. The host company is Fluor Daniel Latin America, which was contracted by PDVSA.

Paraguay: Reviewed and provided comments on paper being prepared by Debra Smith.

Caribbean Energy Initiative: Erika Benson is working on the concept paper for the upcoming Caribbean Natural Gas Forum in Trinidad.

3rd Conference on Least Developed Countries (LDCs) in Brussels: The Conference is being held 14-20 May, and will examine economic isolation of the LDCs, 34 are from sub-Saharan Africa. Hosted by the EU, the Conference is expected to be results oriented reaching consensus on concrete steps for international community to deal comprehensively with trade, market access, sustainable development and debt relief. The conference is follow-up from UN Millennium Summit, New York, Sept 2000. Interactive sessions on Enhancing Productive Capacities, the Role of International Trade and Services, and on Energy will be held. (Tom Sperl)

Trade in Services: The US, EU, Japan and other developed nations are meeting at the World Trade Organization (WTO) this

CETE. Message was received from the White House that the President is considering announcing the CETE initiative as part of a broad clean energy initiative. Three possible funding levels for the initiative were provided by White House staff and these numbers were presented to the Secretary's staff this afternoon. Numerous meetings have been held on various aspects of the CETE initiative over the past couple days. The key events have been: White House staff has asked IA-41 to review documents that are being presented to the President's staff on the CETE initiative, White House staff has asked for and been provided with DOE approval rough estimated numbers of possible CO2 emissions reductions that might result from different levels of funding for the initiative, IA-41 has been involved with a larger effort between PO and S1 staff to present options for the President's energy policy, a meeting of the three co-chair agencies is scheduled for tomorrow to discuss current developments as well as the advisory body, a first draft of the CETE 5-year strategic plan has been prepared and is in the process of going through review. D. Melvin.

France. Prepared a meeting request for the Secretary to meet with Commissioner Pascal Colombani of the French Atomic Energy Commission. The Commissioner is coming to Washington on July 9 and would like to meet with the Secretary. (W.Klimkiewicz)

Germany. Prepared an action memorandum to the Secretary requesting that he concur in an Implementing Arrangement with the Germans in the area of fusion energy. (W.Klimkiewicz)

EU. Provided information to Exec Sec on names, addresses of those the Secretary met with during his visit to Brussels on May 14. Provided additional information to reflect other aspects of those meetings (Commissioner Busquin's luncheon for the Secretary, the joint press conference, the signing ceremony, etc.) W.Klimkiewicz

United Kingdom. Revised and finalized meeting arrangements for the UK Department of Trade and Industry's Chief Scientist, Professor David King's visit to the Forrestal on June 5 and 6. Professor King will be meeting with IA and EE on June 5 and with SC on June 6. (W.Klimkiewicz)

IA Home Page. Worked with OSTI on new information for the home page, including a new front page link entitled Ministerials. This new link goes to information on the IEA, HEI and APEC Ministerials. (W.Klimkiewicz)

India (Presentation on Electric Power Issues and Proposed Feasibility Study for a Bagasse Gasification Plant). Dr. Arunchalam, accompanied by colleagues from the Engineering and Public Policy Department at Carnegie Mellon University, made a presentation on the challenges and opportunities facing India in the area of electric power. India's installed electric power capacity fall far short of its needs. The Indian State Electricity Boards (SEBs), responsibly for consumer power needs, face significant losses, reaching an estimated annual 44 % loss in the 2000-2001 period, and representing cumulatively some 2% of the Indian GDP. This is in part responsible for the lack of success and the increasingly tangled dealings between the Enron Corporation and the Maharastra SEB. In view of the underutilized potential of renewable energy in India and the opportunities Carnegie Mellon foresees for increasing the efficiency of producing electricity from sugarcane, Arunchalam is proposing a feasibility study for a bagasse gasification combined cycle I MW pilot power plant. The total sponsor cost for this study, with participation by a number of Indian Institutes and U.S. NREL and NETL is estimated to cost \$248,000.

Washington, Charles

From: Coburn, Leonard
Sent: Thursday, May 31, 2001 9:44 AM
To: Alicia Porter; Camille Caliendo; Charles Washington; Dan Melvin; James HART; Joan BELL; Karin BERRY; Kay Thompson; Lana Ekimoff; Mike Perper; Samuel Lahood
Subject: FW: IA-41 Activity Report, May 30, 2001

-----Original Message-----

From: Gale, Barry
Sent: Wednesday, May 30, 2001 6:07 PM
To: Alicia Porter; David Pumphrey; Effie Butler; Emma Gilliard; George PERSON; John BRODMAN; Juanita Hayes; Leonard Coburn; melodie Washington; Randa Hudome; Robert PRICE; Veronica Angulo
Cc: Barry GALE; Dan Melvin; Denise CLARKE; Erich Pieper; Kathleen REES; Keena HILLARY; Lee Gebert; Moustafa SOLIMAN; Peter JODOIN; Samuel Lahood; Sharon DOWNS; Steve SACKS; Wanda KLIMKIEWICZ
Subject: IA-41 Activity Report, May 30, 2001

Taiwan. GC has cleared off on the proposed DOE changes to the latest draft language received from Taiwan on coal cooperation as well as a draft letter to the Taiwanese explaining the reasons behind our latest changes. The Draft agreement and letter have been transmitted to the American Institute in Taiwan (AIT) for their consideration and dispatch to the Taiwanese. P.Jodoin

Canada. B. Gale and W. Klimkiewicz participated in a conference call with Department of Natural Resources Canada officials to discuss activities that have occurred since Sept. 2000 Lead Coordinators meeting (the oversight mechanism of the DOE/NRCan MOU) and the upcoming October 2001 Lead Coordinators meeting. The next meeting will be hosted by NRCan and will be held in Ottawa. Tentative date is Oct. 15-17 or Oct. 22-24.

Delegation of Signatory Authority: Appendix K. D. Clarke scanned Delegation of Signatory Authority (DSA) letter signed by the Secretary. (Russian Academy of Sciences MOU (DOE/RAS MOU) Appendix K) The redelegation from the Office of International Affairs to Office of Science letter was also scanned to be distributed to participants involved in the contract between DOE and the Civilian Research and Development Foundation (CRDF).

Country Clearance Cable. D. Clarke is working on processing the following country clearance cables: 1) Mr. Brent Vossler -Western Area Power Administration (WAPA) and Mr. R. Steven Warner (WAPA). Both are traveling to Vancouver, Canada.
Mr. Vossler -purpose of travel - Attend WSCC Operating Transfer Capability Policy Group to approve winter study plans.
Mr. Warner - purpose of travel - Attend Annual right-of-way Educational Seminar

Egypt. The U.S-Egypt Joint Board for S&T Cooperation met in Cairo on May 22/23, to review the progress over the last 12 months, and to approve new joint S&T projects in various fields of high priority to both countries. The Board recommended adding energy S&T to the list of high priority fields, and to begin soliciting joint proposals from American and Egyptian institutions in energy fields such as renewable energy, energy efficiency, advanced power systems, gas utilization technologies, and radioactive waste management. The Board also recommended increasing the annual budget from \$2 million to \$3 million, shared equally by both countries. DOE was represented by M. Soliman and Sam Lahood who also met representatives of the Egyptian Electricity Authority and the Egyptian New and Renewable Energy Authority and reviewed progress and future plans under Annexes 1 and 2 of the agreement between DOE and the Egyptian Ministry of Electricity and Energy.

China (Solar Home Systems). The City of Lhasa, the Boulder-Lhasa Sister City Project and DOE/EERE signed an MOU on July 24, 1998 to develop Solar Home Systems in the Lhasa Prefecture, a project under the APEC. Since then, the installation of a total of 4kW of photovoltaic solar home systems in two counties (Lanzhou and Damschung) has been completed. EERE is currently planning the next phase of activities. That is to further the accomplishment of phase I by undertaking off-grid renewable energy applications for long-term sustainable micro-business development. This application is based on a concept developed by Greenstar, a U.S. company under contract to DOE that delivers to rural villages a solar-powered community center with a link to the internet, which uses wireless communication technologies to allow local cultural and artistic material to be marketed via the web. This unique capability provides a low-cost, low-risk demonstration of renewable energy technologies while enhancing the local community's economic, educational, and health care resources. L. Gebert of IA was asked by EERE to contact the Lhasa Science & Technology Commission to give them a heads-up on the proposal. A delegation consisting of NREL personnel and Greenstar VP will visit Lhasa, Tibet around July 27-29.

J-1 Visas and Waivers. K. Hillary processed and completed two Certificates of Eligibility for Exchange Visitor (J-1) Status for Andrea-Lynn Slade, Materials Scientist from Canada and Dietmar Sturmayer, Professor from Austria. They will be working at Sandia National Laboratory. A Waiver of the two year home residence requirement was also processed for Dr. Sergei Galkin, a citizen of Russia who was admitted to the United States as a non-immigrant alien exchange visitor pursuant to a J-1 visa under section 101(a)(15)(J) of the Immigration and Nationality Act, 8 U.S.C. § 1101(a)(15)(J).

U.S.-Africa Energy Partnership: Transmitted letter of invitation from the Secretary to 12 African countries on the Women in Energy Program, which will be held in Washington (two weeks in July). Program is being sponsored by the Office of Economic Impact and Diversity. (Andrea Lockwood)

Discussed strategy for reinvigorating the Ministerial process and moving forward on the follow-up activities to the Oil Spill Response Workshop.

Hemispheric Energy Initiative: Discussed goals and strategy, including proposed Caribbean Gas Workshop (July), Electricity Regulators Workshop (September), process for evaluating activities, the pending requirement to hold a Steering Committee Meeting under the Mexican Ministerial Declaration, and the functioning and placement of the Coordinating Secretariat. (Gary Ward)

Peru: Discussed viable approaches for getting the bilateral agreement signed and efforts on organizing the Clean Cities Workshop in Lima (mid-July). (Gina Erickson).

Nigeria: Carolyn Gay reviewed outside proposals and responded to requests for information from Price Waterhouse and the consulting firm Thompson Cobb Brazilio and Associates. Worked on updating work plan and financial report related to the DOE-USAID interagency agreement and coordinating a meeting with USAID Nigeria Director Hobgood (in town) and DOE to discuss efforts under the joint program.

Brazil: An Interagency Working Group met on May 31st, to review issues that may be impacted by Brazil's 2002 Presidential Campaign and to plan next steps on existing/planned bilateral agreements and consultative mechanisms. Energy issues were dominant topic at the meeting in light of the current Brazilian energy crisis (energy rationing was scheduled to begin in Brazil June 1st). DOE, State and Commerce agreed to plan for energy consultations in support of the National Energy Policy. DOE emphasized that consultations should cover electric power generation issues, including fossil fuels, renewable energy and energy efficiency, and exploring ways of increasing oil production in Brazil. See additional (and similar) information via IA-41 write-up and collaboration of Soliman/Ward.

Gary Ward started preparing an assessment of the current energy situation in Brazil and possible roles for DOE, including policy or advocacy interventions on behalf of U.S. companies. Fielded inquiry from Enron representative regarding the situation.

Personnel/Administrative: Continued efforts to improve cable review and distribution process. Met with staff on different issues, including proposed travel, performance plan, developmental objectives, and strengthening the back-up desk officer process. On leave, Carolyn Haylock-White (Thursday). Person on leave Monday (June 4th), Andrea Lockwood will be acting.

Washington, Charles

From: Coburn, Leonard
Sent: Monday, June 04, 2001 8:57 AM
To: Alicia Porter; Camille Caliendo; Charles Washington; Dan Melvin; James HART; Joan BELL; Karin BERRY; Kay Thompson; Lana Ekimoff; Mike Perper
Subject: FW: 5/30 - 6/1/01

-----Original Message-----

From: Person, George
Sent: Friday, June 01, 2001 6:57 PM
To: Pumphrey, David
Cc: Coburn, Leonard; Gale, Barry; Price, Robert S; Cutler, Thomas; Sacks, Steve; Lahood, Samuel; Angulo, Veronica; DL-IA-3.2; Hudome, Randa
Subject: DAR:5/30 - 6/1/01

National Energy Policy: Continued efforts to develop baseline on existing and planned international activities that support recommendations. (Andrea Lockwood)

Caribbean and Latin American Action: On May 30, 2001, Randa Hudome and representatives from International Affairs (IA) met with the Caribbean and Latin American Action (C/LAA), a non-profit organization, to discuss the issue of deregulation in Latin America and the Caribbean, as well as promotion of private investment in the energy sector. Participants included private sector representative who are on the C/LAA Board, such as the President of ExxonMobil InterAmerica Inc. and Director General of Grupo Imperial of Mexico. Topics included: the National Energy Policy; an upcoming regulators conference (possibly September in Miami) that will help promote regulatory coordination and cooperation in the Hemisphere; ways of advancing the formation of the Energy Business Forum or Network under the Hemispheric Energy Initiative (HEI); and considering a focus on regional cooperative agreements and coordination and energy sector issues in order to gain greater support. The outcomes from the HEI Ministerial in Mexico (March), the Summit of the Americas in Quebec (April), and recent Electricity Working Group Meeting in Mexico were discussed. Also, the meeting covered the upcoming North American Energy Initiative Working Group (with Mexico and Canada) on June 27-28th and C/LAA's initiatives on trade and investment in energy and Miami Conference (December 4-7th). (Gary Ward, Debra Smith, Gina Erickson, Erika Benson)

Mexico: Prepared one-pager to the Secretary on the Electricity and Gas Interconnections and Trade Working Group and provided debriefing. Follow-up actions include evaluating Mexican proposals for corridor study and a process for the Working Group, developing concept paper for cross-border infrastructure workshop with state representatives (possibly in San Antonio in July), and exploring the viability of the North American Development Bank for energy projects with potentially significant environmental benefits. (Kathy Deutsch)

Canada: Worked on revised letter to Minister Goodale and obtained concurrence from State Department and Policy. Fielded calls regarding proposed luncheon meeting at the Canadian Embassy with the Secretary and Alberta Premier Klein (S-2 to be proposed as a surrogate).

Reviewed request for DOE participation in an industry conference on "Far North Oil & Gas", which will be held in September (Calgary). The conference is sponsored by Insight Information and the sub-topic is "Experience Gained, New Developments for Oil & Gas Operations in the Northwest Territories, the Yukon and Alaska". A surrogate to Pumphrey may be the proposed option.

Discussed the Energy Consultative Mechanism Meeting, which State Department has proposed for July 17th in Ottawa.

North American Energy Initiative Working Group: Memorandum from the Secretary to White House Chief of Staff Card, Commerce Secretary Evans, and National Security Council Rice signed and faxed. Agenda revised and sent to State and Commerce for comment. Draft press release reviewed.

Bolivia: Vice President Quiroga briefed State's Undersecretary Larsen on the development of Bolivian natural gas fields. The discussion followed earlier ones between President Banzer and U.S. Officials in Quebec and Washington. President Banzer expressed an interest in selling Bolivian gas to California. Several options are being explored for shipping Bolivian natural gas to the U.S. market. BG International, and partners, BP Amoco and Repsol, are studying a proposal to build a Liquefied Natural Gas (LNG) Plant in Chile to export Bolivian natural gas to Mexico and California.

Noteworthy points include: Bolivia increased gas exports to Brazil to help alleviate the electricity crisis in Brazil; Enron recently put up for sale its interest in the former-state owned energy transportation company (Transredes) and potential buyers are Shell and Petrobras; and Vice President Quiroga will be meeting with BP, Exxon-Mobil, TotalFinaElf, Repsol and others with stakes in Bolivian natural gas (June 11-12th) to seek agreement on a joint approach in the exploration, development and transmission of the gas. (Erika Benson)

Erika Benson and Gina Erickson attended Mission Plan Review at State Department.

Washington, Charles

From: Washington, Charles
Sent: Monday, June 18, 2001 7:33 AM
To: FELD, LOWELL
Subject: RE: Country Analysis Briefs (all countries; Middle East; OPE

Hi Lowell, unfortunately, all I know is what's in the media.

-----Original Message-----

From: FELD, LOWELL
Sent: Wednesday, June 13, 2001 12:38 PM
To: Washington, Charles; James, Wynne
Subject: FW: Country Analysis Briefs (all countries; Middle East; OPE

Chuck/Wynne: Per the question from one of Enron's oil market analysts below,
do
you have any insights into WHY Saudi Arabia decided to seize the IPSA line,
and
also why NOW? Thanks. -- Lowell Feld, EIA

-----Original Message-----

From: Clayton.Seigle@enron.com [mailto:Clayton.Seigle@enron.com]
Sent: Tuesday, June 12, 2001 2:46 PM
To: lowell.feld@eia.doe.gov
Subject: Re: Country Analysis Briefs (all countries; Middle East; OPEC)

any insight into saudi seizure of ipsa 2 line, esp in light of recent reports of border skirmishes with iraq?

Washington, Charles

From: Caliendo, Camille
Sent: Monday, June 18, 2001 5:56 PM
To: Washington, Charles
Subject: tracking sheet for my countries

This is what I could come up with. Critiqu and suggestions welcome. Re the Enron/Dolphin meeting I mentioned, that



NEP Tracking
Sheet.doc

occurred before Jan 20 this year, so I didn't put it in.



Washington, Charles

From: Caliendo, Camille
Sent: Tuesday, June 26, 2001 4:01 PM
To: Washington, Charles; Coburn, Leonard
Cc: Hart, James; Caliendo, Camille
Subject: UAE Bilats

PROPOSED AGENDA ITEMS FOR UAE-DOE BILATERALS

Oil Market Issues

- Short-term, long-term prospects
- Producer Consumer Dialogue

U.S. NEP implementation

- U.S. infrastructure: oil refineries, oil/gas receiving terminals, fuel transportation systems, etc.
-

Regional Energy Integration 1: Dolphin Regional Gas Pipeline Project

- project status
- replacement firm for Enron (pipeline)
- status of UAE/United Offset Group negotiations for Qatari gas (pricing, terms, etc)

Regional Energy Integration 2: GCC-wide Power Grid Plan

- current status
- UAE domestic grid unification

Shuwaihat Independent Power and Water Project

- project status
- status of CMS bid

Al-Taweelah A2 and A1 IPPS

- Current Status

Other Electricity Privatization issues??

Other Desalination Issues???? (Alan Hoffman said he could provide some info re new technology)

-----Original Message-----

From: Washington, Charles
Sent: Tuesday, June 26, 2001 2:41 PM
To: Coburn, Leonard; Caliendo, Camille
Cc: Hart, James
Subject: Saudi Bilats #2

Len, you were right. We did send the UAE a letter on bilats (attached). The file is dated Sep 2000, and we suggested a March 2001 meeting. I don't know if we ever got an answer. Camille, we need to add the UAE in our bilats, so we need agenda items.

<< File: UAE 28 Sep -00 Bilats Mr Khalid.doc >>

Thanks. Chuck

release

Washington, Charles

From: Washington, Charles
Sent: Friday, June 29, 2001 7:05 AM
To: 'Clayton.Seigle@enron.com%internet'
Subject: RE: meeting

Hi Clay, thanks for writing and I look forward to meeting you. Unfortunately I was unable to make the trip to Texas, and also, I am out all next week. I will return to work on July 9th. Please feel free to e-mail or call me at any time (202-586-5154). Thanks

-----Original Message-----

From: Clayton.Seigle@enron.com%internet
[mailto:Clayton.Seigle@enron.com]
Sent: Thursday, June 28, 2001 5:07 PM
To: Washington, Charles
Subject: meeting

Hi Chuck:

I saw your name on the list at the ME conference in Houston last week, but did not get a chance to say hi. I am an oil market analyst for Enron and I focus esp on the Middle East. I used to work at EIA and I had a nice dialogue with Bob Copaken when he was there.



If you are around next Friday July 6 maybe I can stop in and chat.

Thanks

Clay Seigle
Senior Market Analyst
Enron Global Markets

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MEMORANDUM FOR THE SECRETARY

**FROM: David L. Pumphrey
Acting Director
Office of International Affairs**

**SUBJECT: Your meeting with Ali Naimi, Saudi Arabian Minister of Petroleum and
Mineral Resources, April 27, 2001, 12:00 p.m. to 2:00 p.m.**

(b5)

Points that you should raise:

Upstream Investment Initiative: In 1998, the Saudis announced an upstream energy investment initiative and invited foreign oil companies to submit proposals for three core projects, primarily for natural gas. In August 2000, ExxonMobil, Shell, BP, Conoco, TotalFinaElf, Chevron, Texaco, Phillips Petroleum, ENI, Marathon Oil Canada, and Enron-Occidental Petroleum, were selected to submit proposals. Minister Naimi has resisted this initiative; however, an April 18th press report disclosed that the Minister stressed the importance of attracting foreign investment in the gas sector to help achieve a gas-based industry in Saudi Arabia.

MEMORANDUM FOR THE SECRETARY

THROUGH: Kyle McSlarrow
Chief of Staff

FROM: Vicky A. Bailey
Assistant Secretary
Office of Policy and International Affairs

SUBJECT: Your Meeting with Robert Jordan, Newly Confirmed U.S. Ambassador to Saudi Arabia, on September 27, 2001, from 10:30 a.m. to 11:00 a.m., at DOE Headquarters

Key Objectives:

This is an introductory meeting and it provides an excellent opportunity to cement a close working relationship with Ambassador Jordan, who will serve as the U.S. ambassador to Saudi Arabia. The Saudis are key to meeting world oil requirements, and last year we imported 16% of our total crude from them. Ambassador Jordan will probably not raise specific issues, but rather ask how he can help you accomplish your mission. The Ambassador's biography is attached.

Points that you may wish to raise during discussions with Ambassador Jordan:

OPEC Production:

- In view of the events of 9/11 and our preparations to mount a campaign against those responsible, I am concerned with the weakening economic situation and the possible impact that oil prices could have.
- The U.S. and global economy are teetering on the edge of recession and it would not take much to push economic growth into the negative range.
- The unexpected drop in crude prices of September 24th gives us all indication of how volatile the oil market situation is now.
- Our market experts continue to have some concerns over supply fundamentals as we progress toward winter and we necessarily must be concerned about the possible impact of future events in the campaign against terrorism.

- We understand OPEC's concern over the price drop, but we would hope that producers would resist the temptation for a quick fix that could add to the current volatility.

Establishment of a permanent Producer-Consumer Secretariat: During the Seventh International Energy Forum (Producer-Consumer Dialogue) in Riyadh, November 17-19, 2000, Crown Prince Abdullah proposed establishing a permanent Secretariat in Riyadh to deal with the Producer-Consumer Dialogue.

- Overall, our impression of the proposal was positive. Striking the right balance in designing this support structure will be important. Strengthening the dialogue, broadening participation, and allowing for the voluntary involvement of industry and other organizations, are worthy objectives that could benefit from a support structure. The primary role of a Secretariat should be to support the IEF process.
- However, we cannot support the formation of a new international organization. Assuming widespread concurrence among IEF members and other proposed participants, we could endorse a Secretariat so long as funding and participation remain voluntary.

Upstream Investment Initiative: On May 18, 2001, Saudi Arabia announced that eight energy companies were winners in its \$25 billion gas development initiative, which involves three core projects. ExxonMobil will lead the two largest projects, known as Core I and II, and Royal Dutch/Shell will lead the smallest, Core III. Core I will consist of ExxonMobil, Shell, BP, and Phillips Petroleum; Core II will consist of ExxonMobil, Enron and Occidental, and Core III will be headed by Shell, with TotalFinaElf and Conoco.

- The Saudi Arabian Government's response to the bids by international oil companies for investment in the energy sector was commendable. This was an extremely complicated process, and the U.S. is pleased with the result, especially relative to U.S. companies participation. We hope this trend continues.

Bilateral Discussions: We should return to a regular schedule for bilateral discussion.

- We should keep in close contact and have ongoing exchanges regarding regularly scheduled bilateral meetings, crude production, the upstream investment initiative, and the permanent secretariat for the Producer-Consumer Dialogue, and NOPEC. We would like to get our regularly scheduled bilateral meetings back on track, perhaps later this year or early next year in Riyadh.

MEMORANDUM FOR THE SECRETARY

FROM: David L. Goldwyn, Assistant Secretary for International Affairs

SUBJECT: Meeting with Crown Prince Abdullah of Saudi Arabia

SETTING: Riyadh, Saudi Arabia, January 14, 2001, at time and place TBD

Key Points To Make:

- Express concern over some OPEC members wanting to decrease production, and over the high cost of crude.
- Thank the Crown Prince for his government hosting the Producer-Consumer Dialogue in Riyadh.
- Seek the Crown Prince's support on transparency as it relates to oil market information.
- Inquire regarding the next stage in the process of selecting international oil companies to enter the Saudi market under the Upstream Gas Investment Initiative.

BACKGROUND:

Crude Production/Prices

The Crown Prince is the de facto ruler in the Kingdom. He may make his usual series of arguments, which are that oil prices are not that high when adjusted for inflation; the U.S. can lower its taxes if it wants to lower prices, and that the market will adjust in time. The Crown Prince should understand that the new Administration might feel compelled to act if production is significantly cut. In fact, you should stress that a real increase in supply is needed, not a hike in production quotas that merely codify present leakage.

You have taken a moderate line publicly and you can offer to continue that line as you leave Riyadh. The Minister should commit to say publicly that he will consider your concerns and appreciate their seriousness. Privately, of course, he should give you a firm commitment that he will allow the Oil Minister to increase the quotas, and to pressure other OPEC members not to consent to a cut in production.

Riyadh Producer-Consumer Dialogue

The Saudi Arabian Government hosted the Seventh International Energy Forum (Producer-Consumer Dialogue) in Riyadh on November 17-19, 2000. You also attended, and that encouraged more senior-level representation. The overall tone of the discussion was very positive, with many ministers extolling a "new era of cooperation." Particularly

positive was the near-universal endorsement by the ministers of a goal of more transparent oil market information. Participant reaction was positive and provides a good foundation for the U.S. to continue its data transparency initiative began at the July 2000 Madrid Oil Data Conference. We will be talking to consumers and producers alike about next steps in the process of achieving a timely international data reporting system.

If Asked:

At the International Energy Forum, Crown Prince Abdullah proposed establishing a permanent Secretariat in Riyadh to deal with future Producer-Consumer meetings. You indicated the U.S. would consider this proposal.

Upstream Investment

In September 1998, Crown Prince Abdullah invited foreign oil companies to submit proposals for investments in Saudi energy projects, primarily in the natural gas sector. The Saudis welcome upstream investment in gas by private companies, and that is tied to downstream investment in electric power, desalinization, petrochemicals or other projects. Eleven companies, including ExxonMobil, Shell, BP, Conoco, TotalFinaElf, Chevron, Texaco, Phillips Petroleum, ENI, Marathon Oil Canada, and Enron-Occidental Petroleum, were selected by the Saudi government and submitted proposals in August 2000 for three core project areas.

In early December, Foreign Minister Saud Al-Faisal, Chairman of the Supreme Petroleum Council Negotiating Committee, sent detailed responses to each of the oil companies that had submitted investment proposals under the initiative. Each company was asked to respond to Saudi amendments to its proposals and to sign, by the end of the year, a Procedural Letter of Intent confirming interest in assuming a role in the core project areas. Aramco is to open data rooms for the oil companies this month, and the bidding companies will be asked to sign more detailed Memoranda of Understanding this spring.

Each core project area will consist of a bundle of connected but independent projects requiring investment in each part of the gas value chain. A consortium of successful bidders will eventually run each core venture.

Oil industry sources said that ExxonMobil, Shell, Chevron (presumably including Texaco under their proposed merger), BP, ENI, and TotalFinaElf were chosen to compete for the first and largest "Core One" project in the South Ghawar area of the Eastern Province. This includes development of the Haradh gas processing plant, gas exploration, construction of desalination and electric power plants, and construction of petrochemical facilities.

Core Two, the project for the Red Sea Development Area includes upgrades to the Rabigh refinery and petrochemical complex, exploration and development of northern Red Sea gas fields, and constructing a gas pipeline to Tabuk and Yanbu. Industry sources say ExxonMobil, Marathon, BP, and TotalFinaElf have been selected for the bidding, but there may be other companies involved.

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Core Three, the Kidan-Shaybah gas development project in the Eastern Province, includes natural gas exploration in the Empty Quarter, development of the Kidan gas fields and Shaybah field associated gas, and construction of a gas pipeline. Industry sources say Enron-Occidental, Conoco, Phillips, and TotalFinaElf have been selected for the bidding.

Prepared by: Charles E. Washington, 65154

Release

MEMORANDUM FOR THE SECRETARY

**FROM: DAVID L. PUMPHREY
ACTING DIRECTOR
OFFICE OF INTERNATIONAL AFFAIRS**

**SUBJECT: INFORMATION MEMO: SAUDI ARABIA SELECTS
UPSTREAM INVESTMENT INITIATIVE PARTICIPANTS**

On May 18, 2001, Saudi Arabia announced that eight energy companies were winners in its \$25 billion gas development initiative, which involves three core projects. On June 3, 2001, the media reported that ExxonMobil will lead the two largest projects, known as Core I and II, and Royal Dutch/Shell will lead the smallest, Core III. Core I will consist of ExxonMobil, Shell, BP, and Phillips Petroleum; Core II will consist of ExxonMobil, Enron and Occidental, and Core III will be headed by Shell, with TotalFinaElf and Conoco. When you met with Saudi Arabia's Minister of Petroleum and Mineral Resources on April 27, 2001, you advocated on behalf of U.S. companies participating in these projects.

BACKGROUND: In 1998, Crown Prince Abdullah announced an initiative for new investment in Saudi Arabia's upstream hydrocarbon sector. The initiative involved gas production and related power, gas, and water sector infrastructure development, but not oil. In August 2000, ExxonMobil, Shell, BP, Conoco, TotalFinaElf, Chevron, Texaco, Phillips Petroleum, ENI, Marathon Oil Canada, and Enron-Occidental Petroleum, were selected to submit proposals. The three projects are listed below.

Core I: Kidan/Shaybah Gas Development: gas exploration in the Empty Quarter, near the UAE border; development of the Kidan gas fields and associated gas from the Shaybah oil field; and construction of a gas pipeline.

Core II. Rabigh Industrial City and Midyan Area Field Development: gas exploration in the northern Red Sea; development of the Midyan and Barqan gas fields; construction of two gas pipelines, and upgrading the Rabigh refining and petrochemical complex.

Core III. Haradh Gas Development: process raw gas found in the Khuff formation under Ghawar in the central Empty Quarter; participate with Aramco in construction and operation of the Haradh gas treatment plant to produce feedstock for petrochemical, etc.

SENSITIVITIES: None.

POLICY IMPACT: None.

RECOMMENDATION: N/A.

BRIEFING MEMORANDUM

To: Secretary Abraham
From: David L. Pumphrey, Acting Director
Department: Office of International Affairs (IA)
Subject: Meeting with Shaikh Hamad bin Jassim al-Thani,
Foreign Minister of Qatar
ESA's Role: N/A
Location: Secretary's Conference Room
Date/Time: Monday, April 30, 2001, from 12:00 to 12:30 P.M.

Who: Shaikh Hamad bin Jassim al-Thani, the Foreign Minister of Qatar
Requested by: Embassy of Qatar
Their Agenda: Introductory Meeting
Their Position: The Qataris requested an introductory meeting. They did not offer specific issues for discussion.
DOE Agenda: Introductory Meeting
DOE Position: We view this as an excellent opportunity to initiate a close working relationship with the highly influential Foreign Minister.

Lead Staff: Leonard Coburn/Camille Caliendo
Others Attending: David Pumphrey; Randa Hudome.
Briefing Material: Talking Points Attached.
Open to Press: Yes No

ADVOCACY ISSUES FOR UAE

Al Taweelah A1 Power Plant Project

- I want to urge you to continue your consideration of CMS Energy Corporation on the Al Taweelah A1 power plant project. CMS has an excellent record in UAE since it is bringing in the Al Taweelah A2 power plant project ahead of schedule and under budget. CMS also will apply the same advanced technology and modern business practices to the refurbishment and expansion of the A1 power plant that they are applying to the A2 project.
- We support CMS Energy because of its commitment to developing a long-term relationship with the UAE and to participating in the economic development of your strategic country. I am confident in saying that your trust in awarding CMS Energy with A1 will reap significant rewards for your country.

Dolphin Project

- I am pleased the UAE Offsets group has included Enron in the Dolphin project to develop the pipeline and downstream components of this substantial natural gas project. We view this project as advancing the goal of regional integration while it will help produce electricity in a clean and efficient manner.

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marketing and project risk management. Elf will focus primarily on upstream development. There are a number of strong regional sensitivities about this project and 'ownership' of North Dome resources that appear likely to delay progress on Dolphin. UOG and Qatar's General Petroleum Corporation are still negotiating the gas transfer price, as they have for nearly 15 years, although Enron representatives said last month that the two sides were very close on pricing. Among complications, ExxonMobil's Enhanced Gas Utilization project (EGU) is in direct competition with Dolphin for development and sale of Qatari North Field gas. For this reason and because Enron has not sought an advocacy letter from Commerce, we cannot "endorse" this project. We should not bring up the EGU in this meeting.

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Bilaterals

During September 2000, I sent a letter to the UAE Petroleum Ministry, proposing that we tentatively agree to schedule the next round of our regular energy bilaterals for some time during the months of February or March 2001. The Ministry responded that the time frame was appropriate; however, this initiative is now contingent upon the new Administration, and therefore, follow-through cannot be accomplished at this time.

Ret

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**MEETING WITH OBEID BIN SAIF AL NASIRI,
UAE MINISTER OF PETROLEUM AND MINERAL RESOURCES
January 12-16, 2001, Riyadh, Saudi Arabia, Time and Place: TBD**

TALKING POINTS

b-5

MEMORANDUM FOR THE SECRETARY

FROM: David L. Goldwyn, Assistant Secretary for International Affairs

SUBJECT: Meeting with H.E. Obeid bin Saif al-Nasiri, Minister of Petroleum and Mineral Resources of the United Arab Emirates

SETTING: January 12-16, 2001, UAE, Time and Place: TBD

Key Points to Make:

- Thank the Minister for his participation in the Riyadh Producer-Consumer Dialogue and seek his support on oil market transparency.
- Solicit the Minister's views on the status of the Dolphin project.
- Advise the Minister that we cannot commit to the scheduled bilateral meeting in February or March 2001, due to a change in the Administration.

Background:

Riyadh Producer-Consumer Dialogue

The Seventh International Energy Forum was held in Riyadh on November 17-19, 2000. Your attendance at this event encouraged more senior-level representation. The overall tone of the discussion was very positive, with many ministers extolling a "new era of cooperation." Particularly positive was the near-universal endorsement by the ministers of a goal of more transparent oil market information. Participant reaction was positive and provides a good foundation for the U.S. to continue its data transparency initiative began at the July 2000 Madrid Oil Data Conference. We will be talking to consumers and producers alike about next steps in the process of achieving a timely international data reporting system.

The Dolphin Project

The Dolphin Project is a major strategic initiative designed to stimulate industrial and business investment in the UAE and elsewhere through the development of an extensive gas supply and infrastructure system in the Gulf region. This ambitious and controversial plan proposes to interconnect the gas grids of Qatar, the UAE and Oman and allow the export of non-associated gas from Qatar's massive offshore North Dome field.

The [United Offsets Group (UOG), a UAE state-owned corporation] signed a production development agreement with Enron and [TotalFinaElf] in March 2000, forming a joint venture, with UOG as the 51% majority equity partner. Enron will focus on pipeline development, gas

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10/18

continuing strategic role as a dependable, reliable, and secure oil supplier to the U.S. and other world markets. The partnership between Saudi Arabia and the U.S., which has lasted for nearly seven decades, was strengthened by the mutual respect and teamwork that was fostered during the Gulf War. Saudi Arabia is the world's leading crude oil producer. We are the leading consumer, and the U.S. has been Saudi Arabia's top trade and investment partner for more than 30 years. American companies have already invested more than seven billion dollars in 250 joint ventures.

Secretary's Record in the Senate:

You should tell the Ambassador that you enjoy working with his wife, Princess Haifa, who chairs the Board of the Mosaic Foundation. Also inform the Ambassador of your vote on Jerusalem, your signing a letter supporting the entrance of Saudi Arabia into the World Trade Organization, your role in issuing a postage stamp in support of Ramadan, and of some of the other issues that you have been involved with in the Senate.

Oil Markets and OPEC:

During 1998-1999, the OPEC member countries cut production quotas by 4.3 million barrels per day (bpd). Two warmer-than-normal winters in a row, increasing production from Iraq under the United Nations Oil-for-food Program, and lower demand resulting from the Asian economic crisis had combined to swell commercial inventories, sending oil prices below \$15 a barrel. OPEC cuts succeeded in cutting inventories and combined with rising demand to raise prices above \$25 by early 2000. During the Year 2000, OPEC increased production quotas four times (totaling 3.7 million bpd), while prices remained mostly above \$28.

During December 2000, oil prices fell several dollars a barrel as the perception of adequate supply grew in the market. December opened with West Texas Intermediate (WTI) crude oil on the New York Mercantile Exchange (NYMEX) trading above \$32 a barrel, but by December 20 prices had fallen to a near-term low of \$25.77. In the first two weeks of January, crude oil prices rose in anticipation that OPEC would take action to support prices by cutting production when it met on January 17. NYMEX crude closed at \$30.29 on January 16. On January 17, OPEC members met in Vienna and agreed to cut production by 1.5 million barrels per day. OPEC's stated goal in taking this action was to support oil prices within the \$22-\$28 target price band for its "basket" price. Leading up to the meeting, OPEC's basket price was in a \$23-\$25 range, approximately \$5-\$6 under NYMEX crude prices. OPEC based its action on concern that falling oil demand following the northern hemisphere winter could lead to substantially lower prices in Q2 2001 if production was not cut back in advance. OPEC also cited signs of slowing economic and oil demand growth. On January 23, NYMEX crude closed at \$29.57.

OPEC's next meeting is scheduled for March 16, 2001. Several OPEC ministers have already opined that a further cut in OPEC production levels could be agreed to at that time. The market remains volatile, commercial inventories remain extremely low, and the harsh winter weather thus far could still generate a price spike. Even absent a winter spike, gasoline prices are already rising and the potential for a repeat of last summer's volatility is possible.

MEMORANDUM FOR THE SECRETARY

From: Randa Hudome
Senior International Affairs Advisor
Office of the Secretary

David L. Pumphrey
Acting Director
Office of International Affairs

Subject: Your meeting with Saudi Ambassador Prince Bandar bin Sultan Bin Abdul Aziz

Setting: Secretary's Office, Monday, January 29, 2001

Key Points To Make:

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Background:

This meeting provides you with the opportunity to reach out to the most important country in the Gulf and in the Organization of Petroleum & Exporting Countries (OPEC). It will provide you with the opportunity to continue to stress the close strategic alliance between our two nations.

The Ambassador of Saudi Arabia to the U.S., Prince Bandar, has held the position for almost 20 years, since 1983. The Ambassador has attended staff courses at the Air Command and Staff College at Maxwell Air Force Base in Montgomery, Alabama, and the Industrial College of the Armed Forces at Fort McNair in Washington, DC. He received his master's degree in international public policy from Johns Hopkins University School of Advanced International Studies, in Washington, DC, in 1980. The Ambassador's biography is attached.

Strategic Alliance:

The historic bilateral energy partnership between the U.S. and Saudi Arabia is extremely important. Saudi Arabia is key in meeting future world oil requirements, and has a major



positive, with many ministers extolling a "new era of cooperation." Particularly positive was the near-universal endorsement by the ministers of a goal of more transparent oil market information. Participant reaction was positive and provides a good foundation for the U.S. to continue its data transparency initiative began at the July 2000 Madrid Oil Data Conference. We will be talking to consumers and producers alike about next steps in the process of achieving a timely international data reporting system.

If Asked:

At the International Energy Forum, Crown Prince Abdullah proposed establishing a permanent Secretariat in Riyadh to deal with future Producer-Consumer meetings. You indicated the U.S. would consider this proposal.

Upstream Investment

In September 1998, Crown Prince Abdullah invited foreign oil companies to submit proposals for investments in Saudi energy projects, primarily in the natural gas sector. The Saudis welcome upstream investment by private companies, as long as it is tied to downstream investment in electric power, desalinization, petrochemicals or other projects. ExxonMobil, Shell, BP, Conoco, TotalFinaElf, Chevron, Texaco, Phillips Petroleum, ENI, Marathon Oil Canada, and Enron-Occidental Petroleum, were selected by the Saudi government and submitted proposals in August 2000 for three core project areas.

In Core Project One, industry sources said that ExxonMobil, Shell, Chevron (presumably including Texaco under their proposed merger), BP, ENI, and TotalFinaElf were chosen to compete for the first and largest project in the South Ghawar area of the Eastern Province. This includes development of the Haradh gas processing plant, gas exploration, construction of desalination and electric power plants, and construction of petrochemical facilities.

Core Project Two for the Red Sea Development Area includes upgrades to the Rabigh refinery and petrochemical complex, exploration and development of northern Red Sea gas fields, and constructing a gas pipeline to Tabuk and Yanbu. Industry sources say ExxonMobil, Marathon, BP, and TotalFinaElf have been selected for the bidding, but there may be other companies involved.

Core Project Three, the Kidan-Shaybah gas development project in the Eastern Province, includes natural gas exploration in the Empty Quarter, development of the Kidan gas fields and Shaybah field associated gas, and construction of a gas pipeline. Industry sources say Enron-Occidental, Conoco, Phillips, and TotalFinaElf have been selected for the bidding.

Prepared by: Charles E. Washington, 65154

Crude Production:

NOTE: IT IS NOT ADVISABLE TO DISCUSS SPECIFIC OIL PRICES DURING YOUR MEETING

Saudi Arabia has up to one trillion barrels of recoverable oil, and more than a quarter of the world's proven oil reserves. It is the world's leading oil producer and exporter, and its location in the politically volatile Gulf region adds an element of concern for the U.S., especially since we are the world's leading importer of oil. As of December 2000, Saudi Arabia was producing around 8.7 million barrels per day. In the Year 2000, Saudi Arabia supplied the U.S. with approximately 1.5 million bpd of oil, or 16% of U.S. crude oil imports. The Saudi economy remains heavily dependent on oil, but the government's desire to join the WTO has sparked efforts at diversification, including increased private sector and foreign investments. This is tempered, however, by fears of job losses for Saudi citizens and resistance by the private sector and some members of the Saudi royal family.

Riyadh Producer-Consumer Dialogue:

The Government of Saudi Arabia hosted the Seventh International Energy Forum (Producer-Consumer Dialogue) in Riyadh on November 17-19, 2000. Former Secretary Richardson attended, the first Secretary of Energy to attend the dialogue, and that seemingly encouraged more senior-level representation from other consuming countries. The overall tone of the discussion was very positive, with many ministers extolling a "new era of cooperation".

At the International Energy Forum, Crown Prince Abdullah proposed establishing a permanent Secretariat in Riyadh to deal with the Producer-Consumer Dialogue. Secretary Richardson advised the Saudis that we would consider this proposal; however, the Office of International Affairs has questioned the value of establishing such a secretariat.

Upstream Investment:

In September 1998, Crown Prince Abdullah invited foreign oil companies to submit proposals for investments in Saudi energy projects, primarily in the natural gas sector. The Saudis welcome upstream investment by private companies, as long as it is tied to downstream investment in electric power, desalinization, petrochemicals or other projects. ExxonMobil, Shell, BP, Conoco, TotalFinaElf, Chevron, Texaco, Phillips Petroleum, ENI, Marathon Oil Canada, and Enron-Occidental Petroleum, were selected by the Saudi government and submitted proposals in August 2000 for three core project areas. Negotiations are currently moving forward on structuring these projects and to resolve tax and fiscal issues.

Prepared by: Jim Hart and Charles E. Washington, x 65154

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MEMORANDUM FOR THE SECRETARY

FROM: David L. Goldwyn
Assistant Secretary for International Affairs

SUBJECT: Meeting with Foreign Minister Saud Al-Faisal, Saudi Foreign Minister

SETTING: Riyadh, Saudi Arabia, January 14, 2001, at time and location TBD

Key Points To Make:

BACKGROUND:

Crude Production/Prices

The Foreign Minister is a major Saudi spokesman in international fora and is intensely interested in petroleum-related issues. He may make his usual series of arguments, which are that oil prices are not that high when adjusted for inflation; the U.S. can lower its taxes if it wants to lower prices, and that the market will adjust in time. The Minister should understand that the new Administration might feel compelled to act if production is significantly cut. In fact, you should stress that a real increase in supply is needed, not a hike in production quotas that merely codify present leakage.

You have taken a moderate line publicly and you can offer to continue that line as you leave Riyadh. The Minister should commit to say publicly that he will consider your concerns and appreciate their seriousness. Privately, of course, he should give you a firm commitment to allow the Oil Minister to increase the quotas and to pressure other OPEC members not to consent to a cut in production.

Riyadh Producer-Consumer Dialogue

The Saudi Arabian Government hosted the Seventh International Energy Forum (Producer-Consumer Dialogue) in Riyadh on November 17-19, 2000. You also attended, and that encouraged more senior-level representation. The overall tone of the discussion was very

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international public policy from Johns Hopkins University School of Advanced International Studies, in Washington, DC, in 1980. The Ambassador's biography is attached.

Strategic Alliance

We cannot over-emphasize the importance of the historical bilateral energy partnership between the U.S. and Saudi Arabia. The Kingdom is key in meeting future world oil requirements, and it has a strategic role as a dependable, reliable and secure oil supplier to the U.S. and other world markets. The partnership between Saudi Arabia and the U.S. has lasted for nearly seven decades, and was strengthened by the mutual respect and teamwork that was fostered during the Gulf War. Saudi Arabia is the world's leading crude oil producer, we are the leading consumer (as well as a major producer), and the U.S. has been the Kingdom's top trade and investment partner for more than thirty years. American companies have already invested more than seven billion dollars in 250 joint ventures in the Kingdom. We were told that this represents more than half of the total foreign investment in Saudi Arabia.

Oil Markets and OPEC

Saudi Arabia is the leader of OPEC and has great influence on the direction that OPEC takes in its production quotas. During 1998-1999, OPEC cut their production quotas by 4.3 million barrels per day (bpd). Two straight warmer-than-normal winters, increasing production from Iraq under the United Nations Oil-for-food Program, and lower demand resulting from the Asian economic crisis, combined to swell commercial inventories, sending oil prices below \$15 a barrel. OPEC cuts succeeded in reducing inventories and that combined with rising demand, hiked prices above \$25 by early 2000. During the Year 2000, OPEC increased production quotas four times (totaling 3.7 million bpd), while prices remained for the most part above \$28.

During December 2000, oil prices fell several dollars a barrel as the perception of adequate supply grew in the market. In the first two weeks of January, crude oil prices rose in anticipation that OPEC would take action to support prices by cutting production when it met on January 17. On January 17, OPEC members met in Vienna and agreed to cut their production by 1.5 million barrels per day. OPEC's stated goal in taking this action was to support oil prices within the \$22-\$28 target price band for its "basket" price. Leading up to the meeting, OPEC's basket price was in a \$23-\$25 range, approximately \$5-\$6 under NYMEX crude prices. OPEC based its action on concern that falling oil demand following the northern hemisphere winter could lead to substantially lower prices in Q2 2001, if production were not cut back in advance. OPEC also cited signs of slowing economic and oil demand growth.

Our view is that OPEC's production policy is aimed at preventing commercial stocks from growing to what previously might have been considered normal levels. If successful, this policy will ensure a tight market, prone to volatility. OPEC's next meeting is scheduled for March 16, 2001. Several OPEC ministers have already opined that a further cut in OPEC production levels could be agreed at that time. The market remains volatile, commercial inventories remain extremely low, and harsh winter weather could still generate a price spike. Even absent a winter spike, gasoline prices are already rising and the potential for a repeat of last summer's volatility is significant. Our message is that stocks remain low, removing any cushion that would reduce

price volatility. The way to reduce price volatility, a prime Saudi goal, is to let inventories build back to normal levels.

Crude Production

Saudi Arabia has up to one trillion barrels of recoverable oil, and more than a quarter of the world's proven oil reserves. It is the world's leading oil producer and exporter, and its location in the politically volatile Gulf region adds an element of concern for the U.S., especially since we are the world's leading importer of oil. As of December 2000, Saudi Arabia was producing around 8.7 million barrels per day. In the Year 2000, Saudi Arabia supplied the U.S. with approximately 1.5 million bpd of oil, or 16% of U.S. crude oil imports. The Saudi economy remains heavily dependent on oil, but the government's desire to join the World Trade Organization (WTO) has sparked efforts at diversification, including increased private sector and foreign investments. This is tempered, however, by fears of job losses for Saudi citizens and resistance by the private sector and some members of the Saudi royal family.

Riyadh Producer-Consumer Dialogue

The Saudi Arabian Government hosted the Seventh International Energy Forum (Producer-Consumer Dialogue) in Riyadh on November 17-19, 2000. Secretary Richardson attended, the first Secretary to attend the dialogue, and that seemingly encouraged more senior-level representation from other consuming countries. The overall tone of the discussion was very positive, with many ministers extolling a "new era of cooperation." Particularly positive was the near-universal endorsement by the ministers of a goal of more transparent oil market information. Participant reaction was positive and provides a good foundation for the U.S. to continue its oil data transparency initiative begun at the July 2000 Madrid Oil Data Conference. We will be talking to consumers and producers alike about next steps in the process of achieving a more timely international oil data reporting system.

If Asked:

At the International Energy Forum, Crown Prince Abdullah proposed establishing a permanent Secretariat in Riyadh to deal with the Producer-Consumer Dialogue. Secretary Richardson advised the Saudis that we would consider this proposal; however, we doubt the value of establishing such a secretariat.

Secretary Richardson's Role

Secretary Richardson increased the visibility of the U.S. in discussing production and prices with the Saudis and all the members of OPEC. He made several trips to the region specifically to discuss oil markets. His latest trip was just before the January 17 OPEC meeting. We have learned from the Saudis and other energy ministers in the Gulf and OPEC that they were very uncomfortable with the high visibility of Secretary Richardson's efforts. While they value continued dialogue and discussions, the Saudis would prefer that these discussions be done in a less visible manner.

Upstream Investment

In September 1998, Crown Prince Abdullah invited foreign oil companies to submit proposals for investments in Saudi energy projects, primarily in the natural gas sector. The Saudis

welcome upstream investment by private companies, as long as it is tied to downstream investment in electric power, desalinization, petrochemicals or other projects. ExxonMobil, Shell, BP, Conoco, TotalFinaElf, Chevron, Texaco, Phillips Petroleum, ENI, Marathon Oil Canada, and Enron-Occidental Petroleum, were selected by the Saudi government and submitted proposals in August 2000 for three core project areas. Each core project includes a bundle of connected but independent enterprises requiring investment in every aspect of the gas value chain. Oil industry sources said that all eleven companies were given offers to participate in one or more projects and that negotiations are moving forward on structuring these projects. However, there still may be a number of unresolved tax and fiscal issues. U.S. companies have been concerned that they could be at a distinct disadvantage if the Saudi fiscal system does not consider their tax considerations. A uniform fiscal system would level the playing field between the U.S. and European companies. We should determine the next steps in this process, and attempt to ensure that the fiscal system is fair.

Prepared by: Jim Hart and Charles E. Washington

THIS PAPER WAS TO BE USED BY S-1 TO MEET W/SAUDI AMBASSADOR, BUT THE PAPER WAS WHITTLED DOWN, BUT THE INFO & TALKING POINTS MAY BE USEFUL ELSEWHERE...

MEMORANDUM FOR THE SECRETARY

From: David Pumphrey
Director (Acting)
Office of International Affairs

Subject: Your meeting with Saudi Ambassador Prince Bandar bin Sultan Bin Abdul Aziz

Setting: Washington, DC, Time and Place: TBD

Key Points To Make:

Background:

This is your first meeting with the Saudi Arabian Ambassador since your appointment as the Secretary of Energy. This is an important meeting providing you with the opportunity to reach out to the most important country in the Gulf and in the Organization of Petroleum Exporting Countries (OPEC). It will provide you with the opportunity to continue to stress the close strategic alliance between our two nations.

The Saudi Arabian Ambassador to the U.S., Prince Bandar, has held that position for almost 20 years, since 1983. The Ambassador has attended staff courses at the Air Command and Staff College at Maxwell Air Force Base in Montgomery, Alabama, and with the Industrial College of the Armed Forces at Fort McNair in Washington, DC. He received his master's degree in

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Oil Markets and OPEC:

During 1998-1999, OPEC cut its production quotas by 4.3 million barrels per day (bpd). This succeeded in reducing oil inventories and raising prices above \$25 by early 2000. During 2000, OPEC increased production quotas four times, totaling 3.7 million bpd, while prices remained for the most part above \$28 on the New York Mercantile Exchange. Fearing that falling oil demand following the northern hemisphere winter could lead to lower prices in Q2 2001, OPEC met on January 17th and agreed to cut production by 1.5 million bpd.

OPEC's next meeting is scheduled for March 16, 2001. Several OPEC ministers have already opined that a further cut in OPEC production levels could be agreed to at that time; however, during a meeting you had on February 15, 2001, with OPEC President Chakib Khelil, he said that he did not believe a decrease was necessary. Since then, a Saudi source said that a March production cut may be appropriate. The market remains volatile, commercial inventories remain extremely low, and the harsh winter weather thus far could still generate a price spike. Even absent a winter spike, gasoline prices are already a concern and the potential for a repeat of last summer's volatility is possible.

Producer-Consumer Dialogue

In November, Secretary Richardson attended the 7th International Energy Forum that took place in Riyadh. Secretary Richardson was the first American Energy Secretary to attend these meetings, and his message about greater transparency in the oil market was well received. Crown Prince Abdullah proposed the establishment of a permanent secretariat to support future producer-consumer efforts. Secretary Richardson indicated it was an interesting idea that needed further analysis; however, Minister Naimi has been spreading the gospel on the Secretariat and is likely to raise it with you. Your talking points indicate that you are interested in the idea but need more information before you are ready to make a decision.

Oil Market Transparency

The last Administration made a strong push for better data in order to understand oil market dynamics better, reduce uncertainty, and lead to less volatility in oil prices. Minister Naimi has picked up on that theme.

Upstream Opening for Investment

For the past two and one half years, the Saudis have worked on an initiative for opening their gas production to foreign investment, as long as it is tied to other investments such as electric power and water desalination. The initiative came from Crown Prince Abdullah and Foreign Minister Saud. Minister Naimi has been an active opponent of this initiative, which has reached the stage where eleven companies have been invited to negotiate on three major gas developments.

Several American companies are involved including, [redacted] and Enron-Occidental. It is suggested that you not engage the Minister in this issue during this phone call, but that you should be aware of it if comes up in conversation.

Prepared by: Len Coburn, Jim Hart and Charles E. Washington, x 65154

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MEMORANDUM FOR THE SECRETARY

From: David L. Pumphrey
Acting Director
Office of International Affairs

Subject: Your telephone call to Saudi Arabian Minister of Petroleum and Mineral Resources
Minister Al-Naimi

Setting: Secretary' office, Wednesday, February 21, 2001, between 11:00 am and 12:00 pm.
DOE staff: Deputy Assistant Secretary Pumphrey, Senior Advisor Hudome, Office
Director Coburn, and Policy Analyst Washington. Duration 10 minutes.

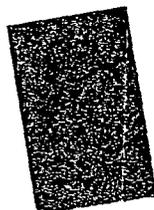
Key Points To Make:

Background:

This phone call provides you with the opportunity to reach out to the most important country in the Gulf and in the Organization of Petroleum & Exporting Countries (OPEC). It will provide you with the opportunity to continue to stress the close strategic alliance between our two nations.

Strategic Alliance:

The historic bilateral energy partnership between the U.S. and Saudi Arabia is extremely important. Saudi Arabia is key in meeting future world oil requirements, and has a major continuing strategic role as a dependable, reliable, and secure oil supplier to the U.S. and other world markets.



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March , 2000

MEMORANDUM FOR THE SECRETARY

From: David L. Goldwyn
Assistant Secretary for International Affairs

Subject: Conversation with Obeid Bin Saif Al Nasiri, Minister of Petroleum and Mineral Resources, United Arab Emirates

Setting: TBD

Participants:

Key Points to Make:

(b) (5)

Background:

Al Taweelah A1 Power Plant and CMS Energy

The UAE is undergoing a privatization of its electric power sector. Two years ago it put up for bid the Al Taweelah A2 power plant. This project was won by CMS Energy Corporation. Most recently, the UAE through the Abu Dhabi Water and Electricity Authority (ADWEA), has requested bids on the Al Taweelah A1 power plant. You recently wrote a letter supporting CMS



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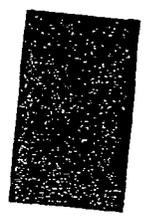
Energy for this project. CMS' principle competition is a French-Belgium consortium Total/Tractabel (GE is a subcontractor to this group). We understand that ADWEA will begin **Page 2, Conversation with UAE Minister of Petroleum Obeid Bin Saif Al Nasiri**

negotiations on March 12th with CMS Energy on the Al Taweelah A1 power plant. This is the same pattern of events that occurred the last time that CMS won the A2 power plant project. We understand that **no** public announcements have been made of the start of these negotiations. It appears to us that CMS is the preferred bidder and is likely to be awarded the project. Presently, the U.S. is **not** being asked to do anything on the part of CMS. If the project and the negotiations are raised in the conversation, you should be supportive of CMS.

Qatari Pipeline to the UAE (Dolphin Project)

A significant proposed project will tie Qatar into the United Arab Emirates (UAE) Dolphin Project, an integrated gas pipeline grid for Qatar, UAE, and Oman, with a possible subsea connection linking Oman to Pakistan. The United Offsets Group (UOG), a UAE state owned corporation backing the project, is cooperating with Qatar, Oman, and Pakistan. Mobil also signed a preliminary agreement in June 1999 for the gas supply from Mobil's production capacity in the North Field.

The total project is expected to cost more than \$10 billion, including costs associated with the development of more extensive gas distribution networks in the UAE and Oman. Qatar will initially sell around 800 Bcf/y of North Field gas, starting in 2002, transported through a pipeline linking the North Field to Abu Dhabi in the UAE. Overland links between Abu Dhabi, Dubai, and Oman should be completed by 2002, with the possible extension to Pakistan to be completed in 2005. The project has been driven in part by the desire of UAE and Oman to use more natural gas for power generation, desalination plants, refineries and other industrial use, and the decline in their own production of associated natural gas due to OPEC crude oil production cuts. The Dolphin Regional Gas Project would be run by a single joint venture company comprised of UAE Offsets (management), ELF/TOTAL (upstream development), and Enron (midstream and downstream development). According to embassy reporting, the Saudis are in favor of a GCC-wide gas grid with Qatar as its nexus. The logical customers for Qatari gas is right there in the Gulf, including Bahrain and Kuwait, both of which have gas shortages, as well as those already mentioned above.



Talking Points for Obeid Bin Saif Al Nasiri
Minister of Petroleum and Mineral Resources, United Arab Emirates

Oil Market:

- I am pleased to have the chance to discuss with you our concern over the level of crude oil supplies on the world market.
- I know your government is currently considering whether to support increased oil production at the OPEC meeting on March 27.
- I understand and appreciate that none of us want to see prices as low as they were a year ago. I know that was a difficult period for your economy.
- However, our analysis shows that world oil stocks are at their lowest level in over a decade and that we need significant increases in production in April if we are to have any chance of replenishing these stocks.
- This is a view that is shared by most of the world's oil consuming nations. France, South Korea, IEA and the EU have all made statements expressing this concern.
- Our analysts say there needs to be an increase of at least 2 million barrels per day. Is that consistent with your analysis?
- Can I count on you to support an increase of 2 million barrels per day?

Al Taweelah A1 Power Plant Project

- **If Raised:** I want to urge you to continue with your negotiations with CMS Energy Corporation on the Al Taweelah A1 power plant project. CMS has an excellent record in UAE since it is bringing in the Al Taweelah A2 power plant project ahead of schedule and under budget. CMS also will apply the same advanced technology and modern business practices to the refurbishment and expansion of the A1 power plant that they are applying to the A2 project.
- We support CMS Energy because of its commitment to developing a long-term relationship with the UAE and to participating in the economic development of your strategic country. I am confident in saying that your trust in awarding CMS Energy with A1 will reap significant rewards for your country.

Dolphin Project

- **If Raised:** I am pleased the UAE Offsets group has included Enron in the Dolphin project to develop the pipeline and downstream components of this substantial natural gas

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project. We view this project as advancing the goal of regional integration while it will help produce electricity in a clean and efficient manner.

DRAFT

COUNTRY: UNITED ARAB EMIRATES

**NAME OF PARTICIPANT: Obeid Bin Saif Al Nasiri,
Minister of Petroleum and Mineral Resources**

BILATERAL ISSUES

Background

The Dolphin Project. The past few years have seen the UAE embark on a massive multi-billion dollar program of investment in its gas sector including a shift toward gas-fired power plants and the transformation of the Taweelah commercial district into a gas-based industrial zone. An ambitious and controversial plan, the Dolphin Project, proposes to interconnect the gas grids of Qatar, the UAE and Oman and allow the export of non-associated gas from Qatar's massive offshore North Dome field. A production development agreement was signed with Enron and Totalfina-Elf in March 2000. However, there are a number of strong regional sensitivities about this project and 'ownership' of North Dome resources that appear likely to delay progress on Dolphin for an indefinite time.

Power Generation and Privatization. Due to rapid economic growth, UAE demand for electricity and water is increasing by 10-15 percent each year. In 1998, Abu Dhabi transformed its state-owned water and electricity department into a regulatory body, called the Abu Dhabi Water and Electricity Authority (ADWEA). The government plans to take a majority holding in the new ventures with minority interests held by foreign firms. Abu Dhabi currently has three independent power plant (IPP) projects in the works. If successful, these projects could serve as a possible precedent for eventual power privatization in the emirates.

Talking Points

- We support your efforts to advance the worthy goal of regional energy integration in the GCC through your investments in the gas sector.
- Abu Dhabi has shown leadership within the Gulf region with regards to the implementation of the independent power plant concept. I want to congratulate you on the progress you have made in this area.
- We hope you will support the U.S. proposals for follow-on actions to this important conference. In particular, three initiatives I will be introducing in the area of technology cooperation, enhanced oil market transparency and new investment in the oil and gas sectors.



Natural Gas (2): The Enhanced Gas Utilization Project (EGU): He may wish to also discuss the Enhanced Gas Utilization Project (EGU), which will develop upstream infrastructure in a portion of Qatar's North Dome gas field for domestic use, for export to neighboring Persian Gulf states (principally Kuwait), and for use as a feedstock for petrochemical projects. ExxonMobil and Qatar Petroleum (QP) signed a development and production sharing agreement in May 2000. ExxonMobil is now in discussions with UOG to supply gas to the project from its production capacity in the North Dome.

- You should again express pleasure that a U.S. company has such a strong role in the developing this project.

Producer-Consumer Dialogue: He may wish to support the Saudis' proposal to establishment of a permanent secretariat for the producer-consumer dialogue.

- You should note that we have told the Saudis that we will review the proposal for the Secretariat when details have been developed.

You should raise the following issues:

The Ras Laffan IPP Project: Qatar is now in the bidding process for its first Independent Power/Desalination Plant (IPP), valued at about \$700 million. You should ask about the status of the project. (The U.S. Embassy believes the project is about to be awarded to U.S. firm AES but there has been no official announcement and there may be complaints from some of the other bidders.)

- Congratulate Qatar on initiating its first Independent Power Plant project.
- Say you understand that three U.S. companies—AES, CMS Energy, and PSEG Global—are among those bidding on the project.
- If the contract has not yet been awarded, stress your hope that Qatar will choose a U.S. firm. Emphasize that U.S. companies offer both the best technologies and significant experience in power plant construction.

OUTLINE

BRIEFING FOR RANDA HUDOME, 2/6/2001

1. EGYPT/ ISRAEL GAS ISSUES

- Egypt has proven natural gas reserves of 50 TCF—the largest in the Mediterranean basin-- and may have as much as 120 TCF.
- Egypt wants to develop an export capability and is seeking markets in Israel/PA, also looking at Jordan/Syria/Lebanon and, in the future, possibly Turkey
- An agreement was recently announced for the Israeli Electricity Co to buy 1.7bcm/year of Egyptian gas--about 53% of Israel's annual supply of natural gas. (Remaining 47% to be supplied by wells offshore Israel.)
- Ten year, \$3 billion contract to begin next year. Technical issues and final pricing still under negotiation. Detailed final agreement still to be signed between IEC and EMG, the export consortium.
- Multiple pipeline routes are being discussed. Egypt is already building the pipeline to El-Arish in the Sinai.
- Price about 40% below European gas prices because of the relatively short pipeline involved.
- Opposition from domestic Israeli suppliers in competition, but two of these will share the other half of the contract.
- A new govt could reverse IEC decision, but PM candidate Ariel Sharon announced 28 Jan that he would not reverse if elected
- This is Israel's first big import agreement with a Middle Eastern energy producer. It is also the first strong economic bond between Israel and Egypt, although Egypt has been a minor oil supplier to Israel for 20 years.
- Israel's natural gas needs are expected to triple in the next decade.
- Gas supply issues are also involved in :

PA/ ENRON POWER PLANT TO BE BUILT IN GAZA

- Construction currently nearly halted by the political violence
-
-
- PA has granted British Gas drilling rights offshore GAZA with Israel's approval. Domestic companies oppose claiming state ownership/production rights.

2. LEBANON/LEVANT GAS ISSUES

- December 2000 Lebanon-Egypt-Syria formally signed MOU to build a gas pipeline that is supposed to transport Egyptian gas to Lebanon via undersea pipeline and on to Jordan, Turkey, and Europe via Syria
- Pipeline scenario bypasses Israel and its territorial waters
- Ambitious plans announced. No indication yet when or whether anything will come of it.
- Lebanon has built two natural gas-fueled power plants in Tripoli and Sidon. Both are to be fully operational next year.
- Lebanon is expected to acquire Iraqi crude oil at preferential rates similar to those currently received by Syria and Jordan

3. UAE/QATAR: DOLPHIN AND ADVOCACY ISSUES

- The ambitious and controversial DOLPHIN Regional Gas Project proposes to interconnect the gas grids of Qatar, the UAE, and Oman and allow the export of non-associated gas from Qatar's massive offshore North Dome field.
- The initial target is to supply up to 2 billion CFD of Qatari gas to the UAE and Oman.
- The total project encompasses activity along the "gas value chain," from the development of gas fields to the creation and building of energy markets for Dolphin gas, including new industrial complexes for power/water, LPG, petrochemicals, and ammonia in each of the markets touched
- The Dolphin project is to be run by a single joint venture company comprised

of UAE's state-owned United Offsets Group (which will provide management), TotalFinaElf (upstream development), and Enron (midstream and downstream development.) A production development agreement was signed in March 2000.

- Mobil (now ExxonMobil) also signed a preliminary agreement in June 1999 for the gas supply from its production capacity in Qatar's North Field.

- Qatar will initially sell around 800 BCF/year of Qatari North Field gas, starting in 2002, transported through a pipeline linking the North Field to Abu Dhabi in the UAE.

- Overland links between Abu Dhabi, Dubai, and Oman should be completed by 2002, with the possible extension to Pakistan to be completed in 2005.

- The project has been driven in part by the desire of UAE and Oman to use more natural gas for power generation, desalination plants, refineries and other industrial use, and the decline in their own production of associated natural gas due, in part, to OPEC crude oil production cuts.

- The total project is expected to cost more than \$10 billion, including costs associated with the development of more extensive gas distribution networks in the UAE and Oman.

- According to embassy reporting, the Saudis are in favor of a GCC-wide gas grid with Qatar as its nexus.

- Final negotiations are concluding; an agreement should be signed soon.

- However, there are a number of strong regional sensitivities about this project and 'ownership' of North Dome resources that might delay progress on Dolphin for an indefinite time.

- Among other complications, ExxonMobil's Enhanced Gas Utilization project (EGU) is in direct competition with Dolphin for development and sale of Qatari North Field gas.

UAE: ENERGY ISSUES

- UAE's demand for electricity and water is increasing by 10-15% each year, due to the country's rapid economic growth.

- UAE has embarked on a massive multi-billion dollar program of investment in its gas sector, including a shift toward gas-fired power plants and the transformation of the al-Taweelah commercial district into a gas-based

industrial zone.

- It is also in the process of privatizing its electric power sector.
- U.S. firms are actively involved in the energy sector.
- Two years ago the UAE put up for bid the al-Taweelah A-2 power plant. This project was won by CMS Energy Corporation, a U.S. company.
- When the UAE requested bids on the al-Taweelah A-1 power plant, Sec. Richardson wrote a letter supporting CMS Energy for this project. The project was awarded to the French-Belgium consortium Total/Tractabel. (GE is a subcontractor to this group).

QATAR : Developing the energy sector

- Qatar is moving to expand electricity production in anticipation of power shortages as early as this year.
- Expanding industries and LNG downstream-related projects in two of its industrial areas will greatly increase demand
- The GOQ is expected soon to publish a new foreign investment law with provisions for up to 100% direct foreign ownership in targeted sectors/projects
- Late last year, contracts let for two new power plants. The expansion of Raz Abu Fontas power plant/desalination station was awarded to Swiss/German/Swedish firm Asea Brown Boveri

4. MOROCCO: OIL AND WESTERN INVESTMENT

- In August 2000 King Mohamed VI announced the discovery of large quantities of oil and gas, in northeastern Morocco—Morocco's first proven energy resources.
- The exploration well demonstrated reserves of approx. 100 million barrels of oil
- Extrapolating from this well, the Algerian Minister of Energy estimated total reserves of 1.5 to 2 billion barrels oil equivalent in the area -- although other oil industry sources believe this may be optimistic.
- The U.S. firm Lone Star Energy operates the exploration site; Ministry predicted LSE's other 5 exploration sites could yield additional 10-12 billion barrels of reserves.
- Some petroleum experts say the Morocco's Atlantic offshore sites, where Lone Star, Shell and the U.S. firm Vanco have exploration rights, may produce much larger finds. However, other oil industry sources believe this may be very optimistic.
- Morocco will need significant infrastructure investment if the field(s) prove commercially viable.
- New law now allows to hold a majority stake in explorations companies operating in the country and a # of international firms are exploring for oil. Petroleum code amended to offer more attractive fiscal terms
- The state oil company requested bids for a new offshore exploration block last fall and plans to award the concessions next July, according to industry press.

Porter, Alicia

From: Washington, Charles
Sent: Tuesday, June 05, 2001 2:04 PM
To: Washington, Charles
Subject: CROWN PRINCE GAS INITIATIVE: EXXONMOBIL TO LEAD CORE VENTURE I, SHELL TO LEAD CORE VENTURE III

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D) RIYADH 404, E) RIYADH 402

<Summary>
1. (SBU) SUMMARY: ON JUNE 2, SAUDI FOREIGN MINISTER SAUD AL-FAISAL ANNOUNCED THAT EXXONMOBIL WOULD LEAD THE CORE I PROJECT OF THE CROWN PRINCE GAS INITIATIVE AND THAT SHELL WOULD LEAD THE CORE III PROJECT. ON JUNE 3, THE SUPREME PETROLEUM COUNCIL (SPC), PRESIDED OVER BY KING FAHD, FORMALLY APPROVED THESE LEADERS AND THE NATURAL GAS INVESTMENT PROJECTS SUBMITTED BY EIGHT OIL MAJORS UNDER THE RUBRIC OF THE INITIATIVE. LATER ON JUNE 3, CHIEF EXECUTIVE OFFICERS (CEOS) OF THE EIGHT

OIL MAJORS SELECTED (PLUS THE CEO OF MARATHON) PARTICIPATED IN A FORMAL CEREMONY TO SIGN "PREPARATORY ACCORDS" WITNESSED BY KING FAHD, CROWN PRINCE ABDULLAH

AND DEPUTY PREMIER SULTAN IN JEDDAH. END SUMMARY.
EXXONMOBIL NUMBER ONE (AND TWO); SHELL THREE

2. (SBU) AFTER MONTHS OF COMPLICATED NEGOTIATIONS, FOREIGN MINISTER SAUD AL-FAISAL ANNOUNCED ON JUNE 2 THAT EXXONMOBIL HAD BEEN AWARDED THE LEAD ROLE IN THE CROWN PRINCE GAS INITIATIVE'S CORE I (SOUTH GHAWAR) PROJECT. CORE I CONSTITUTES THE LION'S SHARE OF THE INITIATIVE, INCLUDING A \$15 BILLION INVESTMENT PROGRAM IN POWER, WATER AND PETROCHEMICAL INFRASTRUCTURE, AS WELL AS A MORE THAN 400,000 SQUARE KM OF NATURAL GAS EXPLORATION TERRITORY. OIL COMPANY SHARES IN CORE I ARE: EXXONMOBIL 35%, SHELL 25%, BP 25% AND PHILLIPS PETROLEUM 15%.

3. (SBU) EXXONMOBIL ALSO WILL LEAD THE CORE II (RED SEA) PROJECT WITH A 70% SHARE. THE REMAINING 30% SHARE IN CORE II WAS ORIGINALLY AWARDED TO OCCIDENTAL PETROLEUM AND ENRON. HOWEVER, INDUSTRY SOURCES REPORT THAT MARATHON WILL ASSUME ENRON'S INTEREST IN CORE II (NOTE: BOTH ENRON AND MARATHON WERE REPRESENTED AT THE JUNE 3 SIGNING CEREMONY IN JEDDAH. END NOTE.) THE SPC DESIGNATED SHELL TO LEAD THE CORE III (SHAYBAH) PROJECT WITH A 40% SHARE WITH PARTNERS CONOCO (30%) AND TOTALFINAELF (30%).

COMMENT

4. (SBU) THE GAS INITIATIVE SIGNING CEREMONY ON JUNE 3 WAS AN IMPORTANT STEP FORWARD. WE BELIEVE THAT THE SPC'S SELECTION OF EXXONMOBIL FOR A DOMINANT POSITION IN THE CROWN PRINCE GAS INITIATIVE ULTIMATELY WILL ENCOURAGE THE INCLUSION OF U.S. CONTRACTORS AND STIMULATE U.S. EXPORTS.

BRAYSHAW

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SECRETARIAL TRAVEL - BALTICS TRIP SUMMARY
Lithuania, Estonia, Latvia
February 2-5, 2000

Overview:

- The Secretary of Energy visited Lithuania, Estonia and Latvia February 2- 5, 2000. In each country he met with host government officials, as well as U.S. business representatives and Embassy officials. In each country, he was positively received by the press and participated in a number of media events.
- The overall message was U.S. support for the newly independent governments and their integration into western practices and institutions. The Secretary highlighted the strategic importance of U.S. investment in the region. He encouraged host governments to continue their efforts to privatize state-run enterprises, especially electric utilities, to take a regional approach to the electricity market, and to improve the transparency of public-private transactions.
- In Lithuania, he met with the Prime Minister, Minister of the Economy, Foreign Minister and Minister of Finance. They discussed the recent purchase by the U.S. Williams company of a controlling share in the Mazeiki Nafta oil import/export terminal, refinery and oil pipeline. They also discussed the GOL's commitment to close unit#1 of the Ignalina Nuclear Power Plant, the nuclear safety work still needed at the plant and plans for decommissioning.
- Secretary Richardson gave the keynote address at a U.S.-Baltics Power Sector Investment Seminar attended by more than 200 people. He also signed a Joint Clean Energy Statement with representatives from all three Baltic governments.
- In Estonia, the Secretary met with the President, the Minister of the Economy, senior management at the electric utility and the President of the Estonian Academy of Sciences. He signed a U.S.-Estonia Agreement on Cooperation in Oil-Shale R&D and gave a related presentation to an assembled group of scientists, press and government officials. He also advocated for completion of a deal to sell a large share of the Estonian power generating capacity to the U.S. NRG company.
- In Latvia, the Secretary met with the President, the Minister of the Economy, the Foreign Minister and senior officials from the Latvian Privatization Company, LatviasGas, and the electric utility Latvenergo. He signed a Bilateral Clean Energy Statement and advocated for the completion of a deal between the U.S. companies CME and Caterpillar and the city of Liepaja, and for greater Latvian transparency in treating a bid by GE/Harris to upgrade a utility operations center.

Follow-up:

General

- Use Industry Dialogue to highlight opportunities for U.S. investment in Baltics
- Look for S&T opportunities related to "clean energy"

Power Sector Seminar

- Identify municipal leaders interested in constructing energy generation and use plans. Help them write proposals for EU money, and business plans for possible tenders.
- Work with AID on technical consultation with Baltic Governments on creating a power pool.

Lithuania

- Discuss Secretary's commitment to be supportive of decommissioning and other nuclear safety activities with NN (Terry Lash and staff).
- Get clarification on the proposal by GOL Vilemas to conduct an international study on Ignalina unit#2 Safety Assessment
- Talk to NE (Bill Magwood and staff) re: potential cooperation related to nuclear training, R&D and engineering.
- Organize interagency meeting and determine U.S. position on role for DOE in improving relations between Lukoil/GOL/GOR/Williams.

Estonia:

- Follow-up with Embassy and NRG in response to concerns raised by President.
- Assist FE with organization of research structure and milestones for oil shale agreement.

Latvia:

- Make sure Enron and others know about March 27 date for LatviasGas auction of shares.

Reporting Cables:

Vilnius 386 - Unclassified, Feb 14

DOE Secretary Richardson's Meetings in Vilnius: Ignalina, the Williams deal, Russia and more

Vilnius 429 - Unclassified, Feb 18

U.S.- Baltic Power Sector Investment Seminar Wrap-up

Tallinn 516 - Unclassified, Feb 23

Media Summary: Secretary of Energy Bill Richardson's Visit to Estonia -

Tallinn 391 - Confidential, Feb 9

DOE Secretary Richardson's Trip to Estonia Feb 3-4

Riga 675 - Confidential, Feb 18

Visit of Energy Secretary Richardson to Latvia

MEMORANDUM FOR THE SECRETARY

From: David L. Goldwyn
Assistant Secretary
Office of International Affairs

Subject: Meeting with Latvian Minister of Economy Vladimirs Makarovs, Latvian
Development Agency Director Maris Elerts, and Latvian Privatization
Agency Director Janis Naglis

Setting: Ministry of Economy, Riga, Latvia. Saturday, February 5, 2000, 9:30a.m.
Duration: 1 hr., 40 min. Meeting to start with Minister of Economy, then move to
Signing of Clean Energy Statement, then broader meeting.

Key Points to Make:

- We support the privatization of Latvenergo (electric utility), and the completion of privatizing Latvia Gas and Ventspils Nafta (oil terminal and pipeline).
- We encourage U.S. strategic investments in the energy sector, and hope to see Latvia's business dealings with U.S. and other investors become more open and transparent.
- The U.S. supports Latvia's efforts to move toward EU and WTO membership. We recognize Latvia's desire to join NATO and welcome closer cooperation with the U.S. military under Partnership for Peace and similar programs.
- U.S. shares a commitment to the environment with Latvia and appreciates Latvia's support for the UN Framework Convention on Climate Change. Joint Clean Energy Statement highlights common priorities and goals.

Background: The Latvian dependence on energy imports and worries over Russian companies buying controlling shares in Latvia's energy assets have led to delays in privatizing the energy sector. The beginning of EU accession efforts (December 1999) and support from the IMF and World Bank for energy sector restructuring have moved the process forward. A proposal for privatizing both the power generating capabilities and distribution system was sent from the Latvian Privatization Agency to the Cabinet of Ministers in January 2000 for review.

One of the most promising areas for U.S. investment is in the energy sector. Latvia is an overall importer of electricity with the cost of energy imports representing approximately 20% of the Latvian GDP. The Latvian Government is anxious to attract strategic U.S. investors to enhance

their economic and energy security. The GOL is considering tenders for new power generating capabilities, as well as for upgrades to the two existing thermal power plants. In addition, upgrades to the existing network of small-scale district heating plants could significantly improve the efficiency and lower the cost of heat and power in urban areas.

CME/ Caterpillar have signed an agreement with the Latvian Government on the rehabilitation of Liepaja Municipality's heat and power plant. The heating plant went bankrupt and CME/Caterpillar was able to get approval for the rehab project by purchasing the debt of the facility, without going through a tender. Their plan is to invest \$70 million to upgrade and expand the plant, and change the fuel from Mazut to gas. They are now experiencing some problems with the Latvian Government due to competition for electricity supply in the municipality from a local industrialist. The benefits of an American investment in Liepaja go beyond the dollar amounts. This city was "trashed" and abandoned by the Soviet military and is in great need of new jobs, infrastructure, environmental upgrades and general development.

DC Baltija, the dispatch center for electricity transmission in the Baltics is located in Latvia and GE Harris has put forward a bid to upgrade the transmission control center. An estimated \$2 billion in upgrades are needed over the next 10 years to in the overall transmission system.

OIL. Ventspils is an ice-free port in Latvia that has a high capacity for storage and transport of oil and petroleum products. During Soviet occupation, Ventspils was the second largest terminal for the export of Russian crude oil. (Novorossiisk on the Black Sea is the largest.) Political relations between Latvia and Russia are volatile. Since Latvian independence in 1991, Russian supplies of oil have been erratic in both quality and quantity. The port transport and storage capacity is larger than the pipeline capacity. The Latvians have developed an investment consortium to expand pipeline capacity out of Belorussia. The Pipeline Consortium is 40% owned by Russian interests (34% by Transneft) , 10% by Belorussia, 20% by Latvian interests, 10% by the EBRD and 20% by Enron. Although there is room for more than 1 such expansion in the region, this project competes with the Williams deal.

Natural gas. The Latvians have the third largest underground gas storage facility in Europe located at Inčukans. The current arrangement is to take imports from Russia from April through September or October and store surplus at Inčukans. During the winter months, both domestic use and re-export back to Russia are supplied from storage. A consortium led by Gazprom is considering expanding the active storage area, which is estimated to cost \$60 million and take a number of years to complete. Several U.S. companies are also interested in the project.

Latvia Gas is responsible for the purchase, transport, storage and internal sale of natural gas. They negotiate terms with their sole supplier Gazprom on an annual basis. The domestic market in Latvia is seeing some increase from residential customers. Although demand for gas in the region could increase, Gazprom retains all re-export rights. LG therefore has limited incentive to expand the market beyond Latvia. LG is unhappy with the terms of its agreement with Gazprom and may attempt to negotiate re-export rights in the near future.

**MEETING WITH LATVIAN MINISTER OF THE ECONOMY
RIGA, LATVIA**

Talking Points:

- In appreciate your progress toward privatizing your electric utility Latvenergo and I encourage you to continue to move forward.
- I know you have also taken steps to privatize the ownership of Latvia Gas and Ventspils Nafta. These are valuable assets to Latvia and I support your efforts to strengthen these institutions by seeking western investment in their ownership.

- ~~We also support your efforts to accede to the European Union and to the WTO. I believe~~
it is important for Latvia to joint other western countries in institutions that promote fair trade and economic unity.
- We believe the Latvian energy sector presents some positive investment opportunities for U.S. companies and we hope to see several pending deals successfully underway in the near future.
- I appreciate your continuing support for environmental causes and for your early support of the UN Framework Convention on Climate Change. The Joint Clean Energy Statement we sign here today points to the shared commitments and priorities between our two countries.
- I hope that you will take full advantage of the flexible mechanisms under the Framework for achieving emissions reductions and energy savings.

Porter, Alicia

b-5

From: Washington, Charles
Sent: Tuesday, May 08, 2001 10:07 AM
To: Coburn, Leonard; Thompson, Kay; Ekimoff, Lana
Subject: CLIMATE CHANGE: RUSSIANS BLOWING HOT AND COLD



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(b)(5)

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(b)(5)

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3. (SBU) THE RUSSIAN GOVERNMENT IN COOPERATION WITH THE EU IS PLANNING A CONFERENCE IN MOSCOW ON MAY 14-15 ENTITLED "ENERGY AND CLIMATE: RUSSIAN-EUROPEAN PARTNERSHIP." THE SPEAKERS INCLUDE REPRESENTATIVES FROM THE EU ITSELF, A NUMBER OF EU MEMBER STATES, RUSSIAN GOVERNMENT OFFICIALS, DUMA DEPUTIES AND INTERNATIONAL NGOS. ALSO ON THE LIST ARE OFFICIALS FROM THE INTERNATIONAL ENERGY AGENCY AND SEVERAL BUSINESS REPRESENTATIVES, INCLUDING ONE FROM ENRON. TOPICS ON THE AGENDA INCLUDE THE FULL RANGE OF CLIMATE CHANGE ISSUES, INCLUDING RUSSIAN VIEWS OF KYOTO IMPLEMENTATION MECHANISMS AND THE STATUS OF CLIMATE CHANGES DISCUSSIONS SINCE COP-6. WHEN POST LEARNED ABOUT THE CONFERENCE, WE CALLED TO SEE IF WE COULD GET AN INVITATION. ON APRIL 26, USAID WAS TOLD BY MICHAIL MASTEPANOV OF THE MINISTRY OF ENERGY, DEPARTMENT OF ENERGY POLICY, THAT HE WAS NOT SURE THAT "YOU ARE STILL INVITED" TO THE CONFERENCE. ALSO, A DUTCH CONTACT OF USAID ESTOFF MADE THE COMMENT THAT USG MIGHT NOT BE WELCOME. IN THE MEANTIME, DESPITE A REQUEST TO HYDROMET, WE HAVE STILL NOT RECEIVED AN INVITATION.

X

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Porter, Alicia

From: Washington, Charles
Sent: Friday, April 13, 2001 9:45 AM
To: Person, George; Deutsch, Kathleen
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1. SUMMARY: OVER 27,000 MONTERREY RESIDENTS SUFFERED CUTS IN ELECTRICITY THIS WEEK IN A PREVIEW OF WHAT COULD BE A LONG, HOT SUMMER. CFE OFFICIALS WARN OF CONTINUOUS BLACKOUTS EVERY TIME TEMPERATURES REACH 38 DEGREES CELSIUS (100F), WHICH OFTEN OCCURS DURING THE SUMMER IN MONTERREY. AS A RESULT, LOCAL POLITICIANS ARE RAISING THEIR VOICES TO CALL FOR FURTHER OPENING OF ELECTRIC GENERATION TO PRIVATE INVESTMENT. END SUMMARY.
2. BEGINNING MONDAY, APRIL 2, MONTERREY BEGAN EXPERIENCING ROLLING BLACKOUTS OF ROUGHLY 30 MINUTES IN VARIOUS PARTS OF THE METROPOLITAN AREA BETWEEN 10:00P.M. AND 11:30P.M., HOURS OF PEAK ENERGY USE. ACCORDING TO CFE (FEDERAL ELECTRIC COMMISSION) SPOKESMAN GUILLERMO DELGADO, THE BLACKOUTS ARE CAUSED BY A SEVERE STRAIN ON NATIONAL GENERATING CAPACITY. LOCAL NEWSPAPER EL NORTE QUOTED DELGADO AS SAYING THAT CFEQS MARGIN OF RESERVE IS AT AN ALL TIME LOW, AND THAT THIS SITUATION COULD CONTINUE

FOR THE MAJORITY OF THIS YEAR UNTIL NEW GENERATION FACILITIES COME ON LINE. AS FAR BACK AS OCTOBER 1998, DELGADO HAD TOLD EL NORTE THAT A FAILURE TO UPGRADE CFEQS INFRASTRUCTURE TO MEET INCREASING DEMAND WOULD CREATE A CRISIS, AND NOW IT APPEARS THE CRISIS IS UPON US.

3. ACCORDING TO DELGADO, MONTERREY CONSUMES ROUGHLY 2,400 MEGAWATTS OF ELECTRICITY PROVIDED BY THE NORTHEAST GRID, WHICH PRODUCES 6,400 MEGAWATTS SHARED BETWEEN NUEVO LEON, COAHUILA AND TAMAULIPAS. WITH SEVERAL GENERATION PLANTS PRESENTLY UNDER CONSTRUCTION, CFE CLAIMS IT CAN GUARANTEE POWER SUPPLY THROUGH THE YEAR 2004. NONETHELESS, DELGADO STATED THAT THE CFE PLANS TO CONTINUE THE ROLLING BLACKOUTS THROUGHOUT THE SUMMER, WHENEVER THE TEMPERATURE REACHES 38 DEGREES CELSIUS.

4. ACCORDING TO NEWSPAPER REPORTS, NUEVO LEONQS LIEUTENANT GOVERNOR, JOSE LUIS COINDREAU, INSISTED THAT MEXICOQS CONGRESS SHOULD ALLOW PRIVATE INVESTMENT IN ELECTRICITY GENERATION. COINDREAU WAS QUOTED AS SAYING QIT IS NOT PRIVATIZATION, SIMPLY CO-EXISTENCE, WHICH WILL OPEN THE DOOR TO FOREIGN INVESTMENT TO BRIDGE THE GAP CREATED OVER THE LAST FIVE OR SIX YEARSQ.

5. MONTERREY II, AN ELECTRICAL GENERATION FACILITY CONSTRUCTED BY ABB AND NISSHO IWAI, BECAME OPERATIONAL IN FALL 2000. TWO ADDITIONAL ELECTRICAL GENERATION FACILITIES ARE CURRENTLY UNDER CONSTRUCTION IN MONTERREY WITH SCHEDULED COMPLETION DATES IN FALL 2002. ENRON IS CONSTRUCTING A 200 MEGAWATT FACILITY FOR INDUSTRIAL CONSUMERS (REFTTEL) AND IBERDROLA, A SPANISH UTILITY COMPANY, IS CONSTRUCTING MONTERREY III, WHICH IS CAPABLE OF GENERATING 350 MEGAWATTS. NEVERTHELESS, THESE FACILITIES ARE INSUFFICIENT TO MEET PROJECTED DEMAND GROWTH.

6. COMMENT: ANY HOPES THE US HAD ABOUT MEXICO SUPPLYING ELECTRICITY UNDER A REGIONAL ENERGY POLICY MAY BE PUT ON HOLD WHILE MEXICO ADDRESSES ITS DOMESTIC SHORTAGES. AT A RECENT EVENT IN MONTERREY, SECRETARY OF ENERGY MARTENS STATED THAT HE EXPECTS ENERGY REFORM LEGISLATION TO REACH MEXICOQS CONGRESS IN SEPTEMBER, BUT CURRENT AND CONTINUING BLACKOUTS IN MONTERREY FORESHADOW INCREASING LOCAL PRESSURE ON THE FOX GOVERNMENT TO SPEED THINGS UP. END COMMENT.

NOLAN

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MEMORANDUM FOR THE SECRETARY

From: David L. Goldwyn
Assistant Secretary
Office of International Affairs

Subject: Roundtable with U.S. Business Representatives

Setting: Radisson Hotel, Riga, Latvia. Saturday, February 5, 2000, 8:30a.m. Duration: 45 min.

U.S. Companies Attending:

- American Chamber of Commerce,
- CME International, William Martin, President
- Caterpillar, John Ranson
- Others invited, attendance TBD

Key Points to Make:

- You are in Latvia to encourage the GOL to continue with privatization, especially the privatization of the electricity monopoly Latvenergo, and continued privatization of the Latvian Gas Company and Ventspils Nafta, the Latvian oil terminal and pipeline project .
- You will also support Latvian policies that create and maintain a positive environment for western investment. This includes strategic investments in the energy sector by U.S. companies.
- The U.S. supports Latvia's efforts to move toward EU and WTO membership. We recognize their desire to join NATO and welcome closer cooperation with the U.S. military under Partnership for Peace and similar programs.

Background: The companies attending the dinner are interested in further efforts toward privatization, and the stability of the Latvian economy. They would also like to see greater transparency in tenders and deal negotiations, and less delays in decision-making.

The Latvian dependence on energy imports and worries over Russian companies buying controlling shares in Latvia's energy assets have led to delays in privatizing the energy sector. The beginning of EU accession efforts and support from the IMF and World Bank for energy sector restructuring have moved the process forward. A proposal for privatizing both the power generating capabilities and distribution system was sent from the Latvian Privatization Agency to

the Cabinet of Ministers in January 2000 for review.

One of the most promising areas for U.S. investment is in the energy sector. Latvia is an overall importer of electricity with the cost of energy imports representing approximately 20% of the Latvian GDP. The Latvian Government is anxious to attract strategic U.S. investors to enhance their economic and energy security. The GOL is considering tenders for new power generating capabilities, as well as for upgrades to the two existing thermal power plants. In addition, upgrades to the existing network of small-scale district heating plants could significantly improve the efficiency and lower the cost of heat and power in urban areas.

CME/ Caterpillar have signed an agreement with the Latvian Government on the rehabilitation of Liepaja Municipality's heat and power plant. The heating plant went bankrupt and CME/Caterpillar was able to get approval for the rehab project by purchasing the debt of the facility, without going through a tender. Their plan is to invest \$70 million to upgrade and expand the plant, and change the fuel from Mazut to gas. They are now experiencing some problems with the Latvian Government due to competition for electricity supply in the municipality from a local industrialist. The benefits of an American investment in Liepaja go beyond the dollar amounts. This city was "trashed" and abandoned by the Soviet military and is in great need of new jobs, infrastructure, environmental upgrades and general development.

DC Baltija, the dispatch center for electricity transmission in the Baltics is located in Latvia and GE Harris has put forward a bid to upgrade the transmission control center. An estimated \$2 billion in upgrades are needed over the next 10 years to in the overall transmission system.

OIL. Ventspils is an ice-free port in Latvia that has a high capacity for storage and transport of oil and petroleum products. During Soviet occupation, Ventspils was the second largest terminal for the export of Russian crude oil. (Novorossiisk on the Black Sea is the largest.) Political relations between Latvia and Russia are volatile. Since Latvian independence in 1991, Russian supplies of oil have been erratic in both quality and quantity. The port transport and storage capacity is larger than the pipeline capacity. The Latvians have developed an investment consortium to expand pipeline capacity out of Belorussia. The Pipeline Consortium is 40% owned by Russian interests (34% by Transneft), 10% by Belorussia, 20% by Latvian interests, 10% by the EBRD and 20% by Enron. Although there is room for more than 1 such expansion in the region, this project competes with the Williams deal.

Natural gas. The Latvians have the third largest underground gas storage facility in Europe located at Inčukans. The current arrangement is to take imports from Russia from April through September or October and store surplus at Inčukans. During the winter months, both domestic use and re-export back to Russia are supplied from storage. A consortium led by Gazprom is considering expanding the active storage area, which is estimated to cost \$60 million and take a number of years to complete. Several U.S. companies are also interested in the project.

Latvia Gas is responsible for the purchase, transport, storage and internal sale of natural gas. They negotiate terms with their sole supplier Gazprom on an annual basis. The domestic market in Latvia is seeing some increase from residential customers. Although demand for gas in the

region could increase, Gazprom retains all re-export rights. LG therefore has limited incentive to expand the market beyond Latvia. LG is unhappy with the terms of its agreement with Gazprom and may attempt to negotiate re-export rights in the near future.

**ROUNDTABLE WITH U.S. BUSINESSES
RIGA, LATVIA**

Talking Points:

- Thank you, _____ for hosting this meeting. Being able to meet with and talk to fellow Americans when traveling abroad is always important -- and enjoyable.
- I am pleased to see all of you here this morning, especially on a Saturday morning. I look forward to your insights on doing business in Latvia and in the Baltics.
- U.S. investment is important around the world, and particularly in regions where U.S. national security interests are also involved.
- Latvia is on the border between NATO and Russia, and has historically been a cross-roads between Europe and the east. We would like to see a stable, democratic government, and a stable market-oriented economy here.
- While here, we hope to encourage the Latvian Government to continue in their efforts toward privatization, and in a regional approach to energy markets.
- We will also encourage them to improve the transparency and timeliness of business dealings.

MEMORANDUM TO: Rebecca Gagen
Deputy Chief of Staff

FROM: David L. Goldwyn
Assistant Secretary
Office of Policy

SUBJECT: Report on Secretary's Trip to the Baltics

Attached is a summary of the Secretary's recent trip to the Baltics, including an overview of the trip, follow-up actions and the reference numbers for reporting cables.

We are working on the follow-up items and expect a number of positive outcomes as a result of momentum from the Secretary's trip.

**MEMORANDUM FOR THE ASSISTANT SECRETARY FOR POLICY AND
INTERNATIONAL AFFAIRS**

THROUGH: David L. Pumphrey
Deputy Assistant Secretary
for International Energy Cooperation
Office of Policy and International Affairs

FROM: Leonard L. Coburn
Director
Russian, Newly Independent States, and Middle Eastern Affairs
Office of Policy and International Affairs

SUBJECT: **ACTION:** Secretary Abraham's Meeting with Robert Jordan, Newly
Confirmed U.S. Ambassador to Saudi Arabia

ISSUE: The Secretary will meet with Robert Jordan, the newly confirmed U.S.
Ambassador to Saudi Arabia, at 10:30 a.m., on September 27, 2001, at
DOE Headquarters. Attached are the Talking Points for the Secretary's
meeting with Ambassador Jordan, as well as a biography on the
Ambassador.

Talking Points

The Dolphin Project

– We congratulate you on the recently concluded agreement between QGPC and ExxonMobil to increase output from the North Field. This agreement is a significant step forward for the Dolphin Project.

– Would you please share with us information on next steps concerning the project?

Independent Power Projects

– We commend you on the steps you have taken towards the privatization of your power sector. We believe that the U.S. energy industry can make a positive contribution to the Qatari economy, bringing both state-of-the-art technology and an additional source of capital to the country.

– **Would you please provide us with an update regarding the planned Ras Laffan Independent Power and Water project?**

Prepared by Joseph Ayoub - Energy Division - May 4, 2000 - 202-482-0313

General Energy Issues - Qatar

Background

Qatar is a member of OPEC and exports about 600,000 barrels of oil per day. The government of Qatar is investing in petrochemical plants in order to earn more per barrel of oil equivalent produced by exporting value-added products. Given OPEC production quotas, such measures are a logical way to increase revenues from petroleum. Furthermore, such downstream investment could help create private sector jobs.

Qatar has been successful in attracting foreign investment over the last decade, particularly for developing the North Dome natural gas reserves (estimated at 350 trillion cubic feet). The environment in Qatar is one that is generally receptive to foreign investment.

Qatar's two major liquefied natural gas (LNG) projects were developed in partnership between the

Qatar General Petroleum Corporation (QGPC) and foreign companies. They are the Qatar LNG Company (Qatargas) and the Ras Laffan LNG Company (Rasgas). The Qatargas downstream consortium includes one U.S. company (Mobil) and delivered its first LNG shipment to Japan in December 1996. The Rasgas project includes QGPC and Mobil as major shareholders, and has completed two trains to South Korea. Future foreign investment may be needed as additional LNG trains are added to these two projects. Larger-scale foreign investment opportunities will probably focus on the petrochemical industry, including the Q-Chem plant (a joint undertaking by QGPC and Phillips Petroleum), Qatar Vinyl Co., and other expansions.

The Dolphin Project

On May 2, 2000, the Qatar General Petroleum Corporation announced the signing of a \$1 billion deal with ExxonMobil to develop the offshore North Field and increase output to 1.75 billion cubic feet of natural gas per day. This agreement, combined with the production development agreement reached by the UAE Offsets Group on March 1, 2000 with Enron and Totalfina-Elf, is a significant step towards the realization of the \$10 billion Dolphin Project. (see section on the Dolphin Project in the paper entitled *General Energy Issues - UAE* for background information).

Power Generation and Privatization

Like other members of the GCC, Qatar's growing population and expanding industrial base will mandate the expansion of electric power capacity. Compounding this need is the fact that several existing plants are in need of extensive repairs. The government of Qatar began moving towards the privatization of the power sector in March 1998, when the Ministry of Electricity and Water transferred operation and maintenance rights to the Ras Abu Fontas-B plant to the Qatar Electricity & Water Company (QEWC). The QEWC is 57 percent controlled by local investors, and the remainder is controlled by the government.

Qatar has solicited bids for an independent power generation and water project called the Ras Laffan Independent Water and Power Project, or Ras Laffan IWPP. The plant will have a generating capacity of 1,100 megawatts. Although bids for this project were due in May of 1999, an award has not yet been made.

General Energy Issues - The United Arab Emirates

Background

The United Arab Emirates is one of the most diversified economies of all the major oil producers in the Middle East. This small country holds about 10 percent of the world's oil reserves. However, in recent years OPEC oil production quotas and increased domestic consumption of electricity have spurred the UAE to develop its natural gas reserves more aggressively. To this end, the UAE launched a \$10 billion upgrade of its gas extraction and distribution systems, including the transfer of the Taweelah commercial district into a gas-based industrial zone. The UAE has entered into joint ventures with a number of companies to develop its gas fields, including Conoco, BP-Amoco, ExxonMobil, Totalfina, and Enron.

The Dolphin Project

One of the largest energy-related projects in the world, the Dolphin Project seeks to export non-associated natural gas from Qatar's massive offshore North Dome field to the UAE, Oman, and possibly to Pakistan in the future. The project was launched in March of 1999 with a Statement of Principles signed between the UAE Offsets Group (UOG) and the Qatar General Petroleum Corporation. In July of 1999, Mobil Oil Qatar signed an MOU regarding its participation in the upstream component of the project.

Under the Dolphin Project, Qatari gas will be piped via an undersea line to the Emirate of Abu Dhabi. From Abu Dhabi, the gas will be piped overland to Dubai, then to Oman, and eventually undersea to Pakistan. The initial phase will require an estimated \$8-10 billion of investment. Dolphin is a strategic initiative designed to stimulate industrial investment through the creation of an extensive gas supply and infrastructure system in the Gulf region. It will include the development of power/water, liquefied petroleum gas, petrochemical, and ammonia industrial complexes in each of the markets in the project.

In order to achieve the initial goal of supplying 3 billion cubic feet/day of Qatari gas to the UAE, Oman, and Pakistan, the UOG will require four types of partners: strategic partners (oil majors with an equity stake in the project), operating contract partners, local partners, and suppliers. On March 1, 2000, the UOG announced the signing of a production development agreement with Enron and Totalfina-Elf, naming Enron and Elf as its two strategic partners in the Dolphin Project. Although both companies will participate in all aspects of the project, Elf will focus on upstream development, while Enron will focus on pipeline development, gas marketing, and project risk management. Gas deliveries are expected to begin in 2004, and the agreement foresees the UOG/Enron/Elf partnership lasting at least 25 years.

The production development agreement is a significant step forward for the Dolphin Project, which could provide vast additional investment opportunities for U.S. industry, both large and small, as it progresses, including equipment suppliers and services.

Power Generation and Privatization

Due to its large economic growth, UAE's demand for electricity and water is increasing by 10-15 percent each year. In 1998, Abu Dhabi transformed its state-owned water and electricity department

into a regulatory body, called the Abu Dhabi Water and Electricity Authority (ADWEA). The government plans to take a majority holding in the new ventures with minority interests held by foreign firms. Abu Dhabi currently has three independent power plant (IPP) projects in the works.

In Dubai, power is currently 100 percent government owned, with the Dubai Electricity and Water Agency (DEWA) providing all the power needs of the emirate. Dubai is not interested in IPP projects, primarily due to the government's perception that, unlike other public power agencies, DEWA is profitable and efficient. Nevertheless, Dubai is planning its first IPP to provide power to Dubai Investment Park, a subsidiary of the Dubai Investments Holding Company. Three companies have been short-listed for a build-operate-transfer contract to establish a dedicated power station for the Dubai Investment Park. The bidders include one American company (AES-Oasis), one Belgian company, and one Irish company. The plant's initial power capacity will be 120 megawatts, and the plant will require an up-front investment of \$100 million.

Reporting from the American Embassy relays the impression of AES' director that DEWA is not keen on seeing the IPP succeed, as its success will move Dubai closer to a possible privatization of power. Other constraints on the project include (1) DEWA will not commit to providing back-up power for the park, and (2) the Dubai Gas Company is not willing to commit to providing a dedicated supply of natural gas for the plant (primarily because there are acute gas shortages in Dubai, with the neighboring emirate Sharjah supplying gas to just meet Dubai's demand.) In short, it is likely that Dubai's municipal utilities will view the success of this IPP as a possible precedent for power privatization in the emirate.

Talking Points

The Dolphin Project

– We congratulate you on the recently concluded production development agreement for the Dolphin Project. This agreement between the UAE Offsets Group and Enron and Totalfina-Elf is a significant step forward for the Dolphin Project.

– Would you please share with us information on next steps concerning the project?

Independent Power Projects

– Abu Dhabi has shown leadership within the Gulf region with regards to the implementation of the independent power plant concept. We believe that the U.S. energy industry can make a positive contribution to the UAE economy, bringing both state-of-the-art technology and an additional source of capital to the country.

storage capacity is larger than the pipeline capacity. The Latvians have developed an investment consortium to expand pipeline capacity out of Belorussia.

- The Pipeline Consortium is 40% owned by Russian interests (34% by Transneft) , 10% by Belorussia, 20% by Latvian interests, 10% by the EBRD and 20% by Enron. Although there is room for more than 1 such expansion in the region, this project competes with the U.S. Williams Lithuanian project to expand pipeline capacity to their refinery and export/import terminal.

Natural gas storage

- The Latvians have a natural, underground gas storage facility at Inculkans. The current arrangement is to take imports from Russia from April through September or October and store surplus at Inculkans. During the winter months, both domestic use and re-export back to Russia are supplied from storage. Due to their unique ability to store natural gas, the Latvians have not run out of heat and power, but they have exhausted their supplies at least twice in the past 5 years. A consortium led by Gazprom is considering expanding the active storage area, a project estimated to cost \$60 million and take a number of years to complete.
- Latvia Gas is responsible for the purchase, transport, storage and internal sale of natural gas. They negotiate terms with their sole supplier Gazprom on an annual basis. The first gas purchase agreement with Gazprom was in 1997. The Latvian electric utility Latvenergo uses about 2 of total gas consumption, with the remainder going to 1 million residential users (out of a population of 2.6 million). The domestic market in Latvia is seeing some increase from residential customers. Although demand for gas in the region could increase, Gazprom retains all re-export rights. LG therefore has limited incentive to expand the market beyond Latvia. LG is unhappy with the terms of its agreement with Gazprom and may attempt to negotiate re-export rights in the near future. There is a metering station on the border with Estonia, but not with Lithuania.

Imports of fuel and electricity.

- The cost of energy imports represents approximately 20% of the Latvian GDP. Latvia imports more than 40% of its electricity, primarily from Estonia. Another 35% of its electricity comes from natural gas-fired thermal power plants. All the gas is imported from Russia/Gazprom. Domestic hydro-powered plants account for 10% of electricity, with imported coal and heavy fuel oil completing the supply. More than half the buildings in Latvia are linked to district heating with natural gas-fired boilers. Again, all gas imports are from Russia.

February 16, 2000

MEMORANDUM FOR THE SECRETARY

From: David L. Goldwyn
Assistant Secretary
Office of International Affairs

Subject: Meeting with Palestinian Authority Chairman Yasser Arafat and Dr. Addulrahman Hamad, Chairman Palestinian Energy Authority

Setting: Chairman's Office, Palestinian Authority on Tuesday, February 22, 2000 at ?a.m. DOE Delegation, U.S. Ambassador Martin Indyk, Duration: 45 minutes.

Key Points to Make:

- Express support for improving the bilateral energy relationship between our two countries through the signing of a Joint Statement on Energy Cooperation.
- Encourage increased energy cooperation regionally through outreach to other nations in the region and through cooperation in a U.S. sponsored conference on electric and gas interconnections.
- Express support for the Gaza Power Generating Company, owned by Enron and the Palestine Electric Company, that will develop a 140 megawatt combined cycle power station in Gaza.
- Express support for Egyptian sales of natural gas to the Palestinian Authority through the development of a pipeline from Egypt – the gas for the power plant will be delivered from the pipeline.
- Express support for the reinvigorated peace process and for meeting the stringent timetable for final status talks.

Background: Chairman Yasser Arafat is the longstanding leader of the Palestinian people and the Palestinian Authority (PA). In conjunction with Prime Minister Barak, he is involved in final status negotiations to achieve peace with the Israelis. The negotiations are at a sensitive point.

With the PA, Chairman Arafat is embroiled in a struggle over corruption. A recent report issued by the PA alleges abuse of power by Arafat and serious corruption involving millions of dollars of assistance provided by other countries. There is always some allegation or charge being

alleged against Arafat, a controversial figure in normal times.

Bilateral Energy Cooperation

During this trip you will sign a Joint Statement of Intent on Energy Cooperation with Palestinian Energy Authority (PEA) Chairman Dr. Abdulrahman Hamad. The purpose of the Joint Statement is to enter in negotiations for a more formal agreement on conventional energy, energy efficiency and renewable energy. Pending the conclusion of that agreement, collaboration will proceed in the areas of energy policy planning and analysis; energy regulation; energy information; electricity generation, transmission, and distribution; energy efficiency technologies and practices; fossil energy and advanced power systems; renewable energy technologies; basic energy research. The activities may include technical assistance, exchange of information and experts, training, workshops, and demonstration of energy technologies.

Regional Energy Cooperation

Gas Fired Power Plant and Gas Pipeline: The PA is totally dependent upon Israel for its energy. All electricity comes from Israel. In June 1999, Enron and Palestine Electric Company operating through the Gaza Power Generating Company signed a twenty year power purchase agreement with the PEA. Under this agreement the GPGC will build a 140 megawatt combined cycle power station in Gaza. Initially, the power plant will use distillate fuel oil to generate the electricity. The plant is being designed to use natural gas, once gas is available through the pipeline from Egypt.

Part of the planning process for a gas pipeline from Egypt includes a separate pipeline that would deliver gas to the PA and Jordan. This pipeline has not been dependent upon the peace process, but has been delayed because of the necessity for President Mubarak's agreement to export gas from Egypt. President Mubarak has been against gas exports as long as there was no progress on the peace process. With the peace process now proceeding, President Mubarak has signaled his agreement to export gas. With that, planning for two pipelines has moved forward quickly -- one to PA and Jordan and the second to Israel.

Energy Conference: DOE, in cooperation with US AID, has proposed a regional energy conference. The conference would address the technical, economic and institutional issues related to electricity and gas interconnections in the region. The conference would include government and private sector representatives of the U.S., Egypt, Israel, Jordan, and the Palestinian Authority. You could announce this conference during your trip, or encourage participation by the Palestinians in this conference.

General Background Information

As indicated the PA is totally dependent upon Israel for electricity since it does not generate any electricity itself. The PA is working with Sweden and other donors to build its own electric power transmission system. The PA has received support from Norway to assist with its electric power distribution system, with both rehabilitation and construction of new systems. On the

West Bank the PA has approached Norway, Belgium, France, Italy, and the Czech Republic, the World Bank and the European International Bank to assist with rehabilitation of electric distribution systems. Even with these efforts, over 100 West Bank villages have no electricity.

The U.S. provided financial support through a US NGO to a Greenstar project that is a solar powered system providing electricity to hospital and clinic and related medical facilities. This facility is in the West Bank village of Al Kaabneh, south of Hebron.

The World Bank is providing \$50 million to the PEA for institution building in the electricity area. At some point they will need help with the regulatory framework and with the establishment of distribution companies for the West Bank.

The USAID has a substantial program for the West Bank and Gaza and is a central element of the U.S. Government's role in the Palestinian-Israeli peace process. Following the September 1993 peace accords, the US pledged \$375 million in USAID resources over a five-year period, with spending of about \$75 million per year through FY2000. The USAID program focuses on: (1) Expanding economic opportunities for Palestinians, by improving access to financial services and access to markets, enhancing productive capacity and helping to build a transparent regulatory environment; (2) increasing access to and ore efficient use of scarce water resources, recognizing the related problems of water quantity and quality, and the need to improve waste/storm water collection and treatment; and encouraging the establishing of a functioning and accountable system of democratic governance that is seen to be responsive to the needs and expectations of the Palestinian people.

Presently, none of the money for the PA is for energy programs. DOE has approached USAID to inquire into whether some money can be targeted for energy development in the future given statement from the Palestinians concerning the importance of energy development in the West Bank and Gaza. A new program of USAID, Coastal Aquifer Management Program (CAMP) has some possibilities of combining renewable or some other power technologies with water desalination projects. DOE's Energy and Environmental Security Program has a Middle East Water Resource Management Program that combines energy technologies with water resource development in Israel, Jordan and the PA. This program has not identified a source of funding to date, despite USAID's continuing interest.

Drafted by: L. Coburn, 6-3712

**MEETING WITH PALESTINIAN AUTHORITY CHAIRMAN
YASSER ARAFAT
TALKING POINTS**

Bilateral Energy Cooperation

- I am very pleased to inform you of the enhanced energy cooperation that is taking place between the U.S. and the Palestinian Authority.
- While I am visiting the Palestinian Authority, I will be signing a Joint Statement of Intent on Energy Cooperation with Chairman Dr. Abdulrahman Hamad of the Palestinian Energy Authority. We expect to be able to exchange information, help with training, conduct joint workshops, and provide other mutually agreed technical assistance.
- I am hopeful that this is the start of a strong working relationship.

Regional Energy Cooperation

- As you move forward on your peace process initiatives, there is an increasing opportunity for regional energy cooperation.
- I am very pleased to support the efforts of Enron and the Palestine Electric Company in building a new power plant in Gaza. I understand that this will be the first Palestinian owned and operated power plant in the Palestinian Authority and I am very pleased that an American company is involved in this effort.
- I understand that this power plant eventually can be fired by natural gas that will come from Egypt. I also understand that several companies are involved in the construction of this pipeline from Egypt. I would encourage you to continue down this path, now that President Mubarak has given the green light for discussions and negotiations from the Egyptian side. Can you tell me how the status of this pipeline and when it is likely to be completed?
- I am very pleased to be able to announce during my trip to this region a conference that would focus on regional energy issues. The idea of the conference is to bring together technical experts both in government and in industry to discuss regional interconnections in electricity and gas. We are hopeful that this conference will lead to concrete projects among the nations of this region, including Israel, Egypt, Jordan, and the Palestinian Authority.

Peace Process

- I want to compliment you on your leadership in the peace process. I know you want to settle the final status of issues with Israel this year. We support you fully in this effort.

Drafted by: L. Coburn, 6-3712

February 16, 2000

MEMORANDUM FOR THE SECRETARY

From: David L. Goldwyn
Assistant Secretary
Office of International Affairs

Subject: Meeting with Israeli Minister of National Infrastructure Eli Suissa

Setting: Minister's Office, Jerusalem, Israel on Tuesday, February 22, 2000
DOE Delegation, U.S. Ambassador Martin Indyk, Duration: 1 hour

Key Points to Make:

- Express support for improving the bilateral energy relationship between our two countries through the signing of a Science and Technology Agreement and two annexes.
- Encourage increased regional energy cooperation through participation in a U.S. sponsored regional conference on electric and gas interconnections.
- Show support for the existing bilateral energy cooperation with Egypt through projects such as the proposed natural gas pipeline and the beam down solar project.
- Invite representatives of the Israeli Refinery Company and Israel Electric Company to visit DOE facilities on clean coal technologies and advanced power systems.
- Express support for increased competition in the electric power sector.
- Indicate that during your visit with the Palestinian Authority, you will be signing a Joint Statement on Energy Cooperation.

Background: Minister Suissa, a strong Shas supporter, has expressed himself on a variety of issues related to settlements and other ministerial areas of responsibility, but not very much on the energy aspects in his portfolio. He is much more interested in supporting settlements on the West Bank. Suissa took over the National Infrastructure ministry after serving as Interior Minister under the previous Likud government. The Shas Party is an ultra-Orthodox religious party which has been a member of every coalition government since the early 1980's and it has a disproportionate influence to its actual numbers with 17 seats in the Knesset (Parliament). It is generally more interested in the education system and the social benefits available to its own underclass of poor Middle Eastern Jews from Arab states than it is in national or regional issues. Rabbi Ovadiah Yosef, the spiritual leader of the Shas party has said that he favors Shimon Peres for President, if Ezer Weizman resigns.

Bilateral Energy Cooperation

During this trip you will be signing a science and technology agreement (S&T) with Minister of National Infrastructure, Eli Suissa. While the U.S. and Israel have cooperated for years in the S&T area, a 1996 agreement was never formally activated through the exchange of diplomatic notes. As a result, it was decided that the best alternative was to resign the S&T agreement. The agreement differs from the 1996 by including an Annex (Annex III), which allows Israeli scientists to cooperate under the agreement without going through procedures that would otherwise be necessary because of Israel's inclusion on the sensitive countries list. In addition, you will be signing two annexes to the agreement with Minister Suissa to implement two areas of cooperation. The first will enhance cooperation with Israel's Weizmann Institute on advanced solar technologies. Areas of emphasis include U.S. developed molten salt technology and Israeli developed photovoltaic concentrator technology. The second will enhance our cooperation in the area of electric bus technology. Two buses will be demonstrated, one with Israeli advanced zinc air batteries and the other with DOE advanced battery systems. The buses will be driven in both Israeli and U.S. urban public transportation systems.

The U.S. company Enron International, in partnership with the Palestine Electric Company (PEC), is building a 136 megawatt combined cycle power plant in the Gaza Strip, which is the first major private infrastructure investment and first independent power project in Palestine. The plant is under construction and is to be operational in mid 2000. Israeli cooperation is imperative to the project given the dependence on the Israelis for equipment imports and fuel supply.

Through the Ministry of National Infrastructure, you will be extending an invitation to representatives of the Israeli Refinery Company and Israel Electric Company to visit DOE facilities on clean coal technologies and advanced power systems. Through the U.S.-Israel Science and Technology Commission, we are investigating the feasibility of co-firing coal with municipal waste in Israel for both power production and environmental mitigation purposes. Following a questionnaire a meeting will be planned in the U.S. between the interested officials on both sides to identify options and recommend directions for implementation.

Israel Electric Company (IEC), a government owned entity, dominates both the generation and distribution of electricity in Israel, with only 1 percent of electric generation provided by an independent power producer (IPP). Israel has taken under consideration expanding the opportunities for IPPs but has not moved on opening the electricity market to competition. You can use this meeting to develop the theme that there are many consumer benefits to be gained from enhancing competition in the electricity sector.

Israel meets approximately 25% of its energy demand requirements from coal (primarily for electric power generation), all imported from a number of foreign suppliers including South Africa, Colombia, the U.S., Australia, Indonesia and Poland. The U.S. has supplied about 12% of Israeli requirements. Consolidated Coal has been the sole U.S. supplier. Consolidated's coal is relatively high sulphur (1.2-1.8%). At least one of the Israeli power plants will use scrubbers

to reduce the sulphur emissions from 2% to 0.3%. Last year Consolidated Coal's market share declined to about 7-8%, with further reductions expected this year. There is no technical reason why Consolidated could not continue to supply coal, since its coal could be blended to comply with the standards imposed by Babcock and Wilcox, the manufacturer of the scrubber. It appears that this is commercial decision by the Israelis to reduce imports of American coal.

Regional Energy Cooperation

Gas Pipeline: One of the most important opportunities for regional integration is the Israel-Egypt gas pipeline – the “peace pipeline.” Prior to Netanyahu's years as Prime Minister, there were active discussions between Israel and Egypt, which stopped when the peace process foundered. Egypt has now announced that these negotiations will resume, although they have not. The Italian company ENI has the concession to build a pipeline from the Nile delta to El Arish in the Sinai. From here, one pipeline would go to the Palestinian Authority and Jordan. A second pipeline would go to Israel.

Based upon recent Embassy reporting, a newly formed company – Eastern Mediterranean Group – has been granted the concession to build the Israel portion of the pipeline. The company is called the Eastern Mediterranean Group. The Egyptian Gas and Petroleum Company will own 60%; an Egyptian businessman, Hussein Salem, will own 20%; and The Merhav Group (of which Nimrod Novik is a VP) will own 20%. BP Amoco, ENI and Israel Electric Company (IEC) were involved in previous negotiations with Egypt on the Israeli portion of the pipeline. They are all “in shock” about the recent developments. BP Amoco will only participate in gas production and sales. It believes delays in Israeli regulating structure will slow the project down.

Solar Cooperation: Egypt is extremely interested in Israeli beam down solar technology. The technology involves concentrating the sun's power using a field of solar concentrators built by a U.S. company, Boeing. A pilot program of this technology is being demonstrated at the Weizmann Institute that you will visit on your trip. Egypt is willing to provide in kind support for a commercial demonstration of this project that would build a 10 megawatt thermal (3 mw electric) plant – land, labor, and an electric grid connection. U.S. AID has agreed to provide an initial \$1 million for a project definition and feasibility study. The plant is a hybrid system that uses both natural gas (which Egypt has plenty of) and solar (provided through the Israeli technology). If successful, this project could lead to many similar plants in the region. It also would be a major step in energy cooperation among Egypt, Israel and the U.S.

Energy Conference: DOE, in cooperation with US AID, has proposed a regional energy conference. The conference would address the technical, economic and institutional issues related to electricity and gas interconnections in the region. The conference would include government and private sector representatives of the U.S., Egypt, Israel, Jordan, and the Palestinian Authority. You need to consult with the Egyptians first before announcing this conference. In your meetings in Israel, you can encourage participation by the Israelis in this conference.

Agreement with Palestinian Energy Authority: During your visit with Palestinian Authority, you will be signing a Joint Statement on Energy Cooperation. The collaboration will include exchange of information and visits on matters such as regulatory reform, energy planning and renewable energy.

**MEETING WITH ISRAELI MINISTER OF
NATIONAL INFRASTRUCTURE ELI SUISSA
TALKING POINTS**

Bilateral Energy Cooperation

- I am pleased to be here and to sign three documents with you, Mr. Minister which will enhance the scope of bilateral energy cooperation that is taking place between our two nations. The first is an overall Science and Technology Agreement. The other two are annexes to this agreement, one on advanced solar research and the second setting up a demonstration of electric battery technologies in urban buses.
- One of the important aspects of our cooperation agreement is the annex that allows Israeli scientists to come to our labs without the additional requirements usually required for scientists from sensitive countries.
- I am pleased to know that the Gaza power project, currently under construction, is a partnership between a U.S. company, Enron, and the Palestine Electric Company (PEC). As I understand it, this is the first major U.S. private sector infrastructure investment in the Palestinian Authority and depends for its success, at least, in part, on Israeli cooperation for equipment imports and fuel supply. We are grateful to you for that continuing cooperation.
- I am also pleased to extend an invitation through you, Mr. Minister, for representatives from Israeli Refining Company and Israel Electric Company to visit DOE facilities on clean coal technologies and advanced power systems. I am confident that this enhanced cooperation will lead to many more projects of mutual benefit in the future.
- Mr. Minister, I understand the Israel Electric Company (IEC) dominates the electric generation and distribution sectors of your country. Independent power producers would like to enter your electric power industry. In the U.S., we have seen great benefits from increased competition in the electric power industry, giving consumers greater choices and lower their rates. I would urge you to continue with efforts to open both the generation and distribution segments of your electric power industry.
- I would like to raise the subject of Israeli imports of coal from the United States. In the past, Israel has imported significant amounts of coal from the U.S., with Consolidated Coal the supplier. I understand that due to commercial reasons, Israel is reducing its imports of U.S. and will soon no longer import any U.S. coal. I would like to urge you to

MEETING WITH ISRAELI AMBASSADOR DAVID IVRY
FEBRUARY 15, 2000
TALKING POINTS

Trip to Israel and Region

- I am so pleased to be able, finally, to arrange my travel schedule so that I can make this trip to Israel and Egypt, as well as to Saudi Arabia and Kuwait. As you can imagine, I am really looking forward to this one, which is not my first trip to Israel, but is my first as the Secretary of the Department of Energy.

U.S.-Israel Relationship and Peace Process

- As you know, we have deep, close and long-standing ties of friendship and cooperation with your country. It is encouraging to see the steps that Prime Minister Barak and his government have taken in recent months to reinvigorate the Middle East peace process. My hope, and I know it is yours as well, is that the current progress in the Israeli-Syrian track will, together with the multilateral track, bear positive results in the months ahead. I am particularly looking forward to seeing Prime Minister Barak as well as the other Israeli officials who I am scheduled to meet.

Bilateral Energy Issues

- Our current bilateral energy cooperation with Israel will be both broadened and deepened by the new Agreement which I will re-sign when I get there, together with the two new annexes which concern advanced solar energy research and development and a technology demonstration project for electric buses in urban areas of Israel.

Regional Energy Issues

- We are also encouraged by the possibility of Egypt exporting gas through construction of a pipeline to Israel and possibly going on to Jordan and to the Palestinian Authority. Do you think that the recently reported deal by the Merhav group (Eastern Mediterranean Group) to build the Israeli portion of the line is a firm one or is it still tentative, as suggested by recently reported comments by Egypt's Petroleum Minister Fahmy?
- Finally, we are also going to be meeting with Chairman Arafat and the head of the Palestinian Energy Authority, Mr. Hamad, to sign a statement of intent to cooperate in the area of energy. As you probably know, Enron has agreed to build a power plant jointly with the Palestine Electric Company in Gaza, which will depend on cooperation from the Israeli government for its success. My understanding is that both Minister Suissa and Yossi Kucik, Prime Minister Barak's Economic Advisor, have expressed their support for this Enron power plant.

Nuclear Issues

- As you may know, I will be signing a Letter of Intent tomorrow with Gideon Frank,

Director General of the Israeli Atomic Energy Commission.

- The letter identifies a number of areas where the U.S. Department of Energy and the Israeli Atomic Energy Commission could continue and expand our technical activities to promote our shared nonproliferation, arms control and regional security interests.
- We look forward to launching a program of work in such areas as verification of the Comprehensive Test Ban Treaty, safeguards as applied by the International Atomic Energy Agency, and monitoring technologies that could be applied across a range of regional security and cooperation arrangements.
- This program will build upon existing efforts in these areas. This includes a program on regional seismic monitoring, as well as an initiative involving Sandia National Labs Cooperative Monitoring Center, Israel and the Palestinian Authority to promote sustainable land use.
- I understand that there is much my Department can learn from your government's experience and success in integrating former Soviet scientists into the Israeli economy through the use of "technology incubators." I believe that there are important lessons we can apply to our own Nuclear Cities Initiative and look forward to an exchange of our experts.
- Finally, let me note that we will include an annex to the Energy S&T Agreement that provides security exemptions for Israeli scientists collaborating with Department of Energy labs on a specified set of non-sensitive topics. This includes activities carried out under our Letter of Intent.

IF RAISED: RUSSIA-IRAN COOPERATION

- The United States is keenly aware of your concerns regarding Iran's nuclear weapons aspirations. We continue to raise this issue with Russia at the highest levels.
- We also share your interest in weaning Russia's Ministry of Atomic Energy away from nuclear commerce with Iran. We have already taken an important step in this direction.
- As you have heard by now, the Department of Energy will request an additional \$100 million from Congress next year that I believe supports that goal. The initiative provides for the development of concepts for dry spent fuel storage -- which could potentially bring billions of dollars into Russia's economy -- and for the development of fuel cycles that enhance proliferation resistance. Both offer much greater commercial promise than Russia can hope to secure through its existing nuclear cooperation with Iran.

MEMORANDUM FOR THE SECRETARY

From: David L. Goldwyn
Assistant Secretary
Office of International Affairs

Subject: Dinner Meeting with U.S. Business Representatives

Setting: Ambassador's Residence in Vilnius, Lithuania. Wednesday, February 2, 2000,
8:00p.m. Duration: Approximately 2 hours.

U.S. Companies Attending:

- American Chamber of Commerce, John Rowell, President
- Williams Company, John C. Bumgarner Jr., Senior Vice President
- Stanton Group, Linas Kejelis
- Kraft, Jacob, Suchard, Andy Vitka
- Omnitel, Victor Gruodis
- NRG,
- Enron,

Key Points to Make:

- You are in Lithuania to encourage the GOL to continue with privatization, especially the privatization of the electricity monopoly and the natural gas company.
- You will also support Lithuanian policies that create and maintain a positive environment for western investment. This includes a more diversified trade and investment portfolio to limit exposure to the volatile Russian economy.
- The U.S. strongly supports the Lithuanian National Energy Strategy, which reiterates Lithuania's commitment to nuclear safety and allows for further development of generating alternatives and energy efficiency projects.

Background: The companies attending the dinner are interested in further efforts toward privatization, and the stability of the Lithuanian economy. The Lithuanian National Energy Strategy outlines the path forward on energy projects, and particularly nuclear safety. While the current government in Lithuania has a progressive approach to the economy, many elements of privatization have been unpopular. The Parliamentary elections in fall 2000 may lead to a much slower pace of privatization.

Williams. In October 1999 the Government of Lithuania completed the sale of operational management and 33% equity ownership in Mazeikiu Nafta to the U.S. Williams Company. Mazeikiu Nafta is the largest manufacturing company in Lithuania and includes a refinery, an oil pipeline linked to Russia's Transneft, and an oil import/export terminal on the Baltic Sea. The initial Williams investment is more than \$150 million with a potential for investment over the next five years near \$800 million. The U.S. intervened repeatedly in favor of Williams. The main competitor was Lukoil, the principal supplier of crude oil to the refinery. Lukoil and Williams are now negotiating supply contracts.

The Williams upgrades to the refinery are necessary to bring the facility into EU compliance for environmental standards. The refinery currently produces gasoline that could not be sold in most of the region in the next five years.

On the Lithuanian side of the deal, the Lithuanian Government was required to contribute more than \$130 million to bring the refinery out of apparent bankruptcy. These payments exacerbated the pressure on Lithuania's finances, and were the major reason former prime minister Paksas resigned rather than sign the deal. Members of the opposition continue to speak out publicly against the deal, and this criticism has led to a general backlash against western, and U.S. investment.

Stanton Group. The Stanton Group was part of an earlier consortium to build a "power bridge" linking the transmission systems between Lithuania and Poland. The consortium also included Duke Power and CalEnergy. There were allegations of corruption on the part of the Lithuanian Government handling the deal and financing arrangements fell through. The project is now being reconsidered. The power bridge would allow the sale of excess Lithuanian electricity into the European grid.

While the U.S. supports the interconnection of the Baltic States with western power grids, there is some concern that power from Ignalina and Russian reactors might be the sources for export. The EU would ultimately oppose the purchase of power from "unsafe" nuclear reactors, which leaves Lithuania in need of upgrades to their existing thermal facilities to create a commodity for export.

NRG. NRG is in the final stages of completing the purchase of major stock and management responsibilities in the oil shale power plants in Estonia. The Estonian deal is estimated to be worth \$350 million initially, with further investments anticipated. Although NRG is prevented from officially negotiating other deals in the Baltics until their Estonian deal is closed, NRG has expressed some interest in the Electrenai thermal plant in Lithuania. Electrenai is a 1300MW plant that could replace power from Ignalina Unit #1. Operational and technology upgrades at Electrenai would be necessary to produce electricity at a competitive price, and to bring it in line with EU emissions standards.

DINNER WITH U.S. BUSINESSES

Talking Points:

- Thank you, Mr. Ambassador for hosting this dinner. Being able to meet with and talk to fellow Americans when traveling abroad is always important -- and enjoyable.
- I am pleased to see all of you here this evening. I look forward to your insights on doing business in Lithuania and in the Baltics. U.S. investment is important around the world, and particularly in regions where U.S. national security interests are also involved.
- Lithuania is on the border between NATO and Russia, and has historically been a cross-roads between Europe and the east. We would like to see a stable, democratic government, and a stable market-oriented economy in the region.
- While here, we hope to encourage the Lithuanian Government to continue in their efforts toward privatization, debt management, and trade diversification.
- We will also support their National Energy Strategy with its focus on nuclear safety and the transition to alternative sources of power.

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MEMORANDUM FOR THE SECRETARY

FROM: David L. Goldwyn
Assistant Secretary for International Affairs

SUBJECT: Saudi Arabia: Crown Prince Abdullah's Energy Initiative on its Second Anniversary: An Update

BACKGROUND:

During a September 1998 visit to the U.S., Saudi Crown Prince Abdullah announced his initiative for new investment in Saudi Arabia's upstream hydrocarbon sector. The audience at Ambassador Prince Bandar's residence was a pre-selected number of CEOs of international oil companies, and included Exxon-Mobil, Shell, BP, Conoco, TotalFina Elf, Chevron, Texaco, Phillips Petroleum, ENI, Marathon, and Enron-Ox. This initiative only involves Saudi gas production and related power, gas, and water sector infrastructure development. Oil is not included, and this caused oil companies to engage Saudi Arabia Government (SAG) authorities. This led to a clearer, and more precise definition of what type of integrated projects were to be proposed by 11 companies selected by the SAG. The deadline for the companies to submit their "final" proposals expired on August 26th. All 11 companies met the deadline.

CURRENT STATUS:

Aramco has attempted to focus attention on the following three core projects:

1. Kidan/Shaybah Gas Development: explore for gas in the Empty Quarter, near the UAE border; develop Kidan gas fields and associated gas from the Shaybah oil field, and construct the gas pipeline from Kidan and Shaybah to the Hawidiyah gas plant to supply the Al-Uqair electric power and desalination plant.
2. Rabigh Industrial City and Midyan Area Field Development: explore for gas offshore in the northern Red Sea; develop the Midyan and Barqan gas fields; construct a gas pipeline from Midyan to Tabuk and Yanbu, two cities with large petrochemical and other industrial and commercial associated energy requirements; develop the Umm Luj and Al-Wajh onshore gas fields; construct a gas pipeline from Umm Luj and Al-Wajh to Yanbu, and upgrade the Rabigh refining and petrochemical complex
3. Haradh Gas Development: process raw gas found in the Khuff formation under Ghawar in the central Empty Quarter; and participate with Aramco in construction and operation of the Haradh gas treatment plant to produce feedstock for petrochemical, fuel for electric power, and water

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December 6, 2000

**MEMORANDUM FOR THE ASSISTANT SECRETARY FOR
INTERNATIONAL AFFAIRS**

FROM: /s/ Leonard Coburn,
Director, IA-31

SUBJECT: Your meeting with Mr. Mac McClelland, Jr. General Manager,
Government and Public Relations, Mr. Rick Bergsieker, President and
COO of Enron Middle East and Enron Global LNG and Mr. Terry Thorn,
Senior VP of Enron

SETTING: 9:15; Thursday, December 7, 2000, your office.

KEY POINTS TO MAKE:

Background:

You will recall that on November 1, 2000, Mr. Rob Fisher, Vice President, ExxonMobil New Business Development, Gas Marketing Worldwide, briefed you. He believes that ExxonMobil Enhanced Gas Utilization (EGU) should be the preferred gas supplier for the Gulf states, and that it is "best positioned" to supply that gas. He also pointed to ExxonMobil's proven record of performance and success in the Middle East.

ExxonMobil already has a development and production supply agreement (DPSA) with Qatar that was signed May 2, 2000, to produce Qatari North Field gas. Therefore, ExxonMobil feels that it already has a leg up on other competitors.

Your meeting with Enron is undoubtedly also advocacy-related. Enron is involved in the Dolphin Project and the Gaza Power Plant Project. Following is information on both projects.

Dolphin Project

The government-sponsored UAE Offsets Group (UOG) launched Dolphin in March 1999, and it is one of the largest energy-related programs ever undertaken anywhere in the world. Dolphin has secured preliminary agreements on the sourcing of the gas with Qatar, on the supply of the first gas for Dolphin with Mobil Oil Qatar Inc., and on the purchase of Dolphin gas with Abu Dhabi, Dubai, Oman and Pakistan. In addition, UOG has created a strategic partnership with Elf, a subsidiary of France's TotalFina, and Enron, to implement Dolphin's first phase. The core elements of the Dolphin Project include:

Upstream

- I. Led by UAE Offsets Group (51%) Other partners TotalFina (24.5%), Enron (24.5%)
- II. Original concept: Gas to India
- III. Current focus: Qatar North Field gas development rights
- IV. Qatar position: first gas to Dolphin from ExxonMobil/EGU

Midstream

- I. Construction of a new gas pipeline linking Qatar with the UAE and other key markets of the region.
- II. Transmission, distribution and storage of gas in local markets - feeding expansion of local gas markets. Enron will focus primarily on pipeline development, gas marketing and project risk management, according to the UOG.

Downstream

- I. Development of new and existing industrial clusters in the UAE, Qatar and the region.
- II. Investment in energy-intensive industries and in gas-fed power generation projects and conversion programs.

Other Competing Proposals

BP Amoco

- I. North Field gas development rights from Arco acquisition
- Partners: British Gas, Wintershall, Gulfstream Resources, Preussag Energie
- II. Previously focused on gas supply to Dubai, where a lapsed concession has possibly been extended, and Bahrain and Kuwait

Iran South Pars Gas Project

Discussions with Kuwait, Oman, Dubai: Gulf States prefer Qatar supply, according to some reports, depending upon what the projected Iranian government take is established to be. Iran's development of its Southern Pars Field gas is two years or more behind Qatar's and the offshore development platforms have not been placed to maximize joint field development with Qatar, according to ExxonMobil.

Assessment

The Dolphin Project, like its competing proposals, is for a massive mega-project using Qatari gas to develop an entire "value chain" of development in the Gulf states and in the region. It is still too soon for the DOE to assume a position or advocate for any of the competing proposals. The most that we should do in the current context is be an attentive listener and await further developments, which undoubtedly will occur. Our strategic interest may be in not inadvertently furthering the Iranian alternative, unless our relations with Tehran were somehow to improve. (Robert Copaken)

Gaza Power Plant

Background: Palestinians obtained autonomy over parts of Gaza in 1994 under peace deals with Israel, but the state-owned Israel Electric Corp (IEC) still provides electricity to the overcrowded, impoverished strip. The IEC reportedly generates monthly income of \$4 million from the Gaza Strip.

The Palestinians complain that the Israeli electric service is erratic, and as a result, computers, refrigerators and televisions frequently short-circuit. Palestinians believe that a Palestinian-owned power plant would correct these deficiencies, and any extra electricity generated by the plant would go into a project to desalinize Mediterranean Sea water for the drought-stricken Gaza Strip.

On November 14, 1994, the Palestinians created the Palestinian Energy Authority (PEA) to fulfill their dream of a Palestinian-owned power plant. The PEA is responsible for rural electrification, regional interconnection, and energy conservation and research in Palestinian controlled areas. The PEA also oversees a separate independent commission that is responsible for tariffs and regulatory activities. Dr. Abdul Rahman Hamad, who is

Release

also the Palestinian Housing Minister, heads the PEA. Hamad is 56 years old, he was born in the Gaza Strip, and he received his masters and doctorate degrees in electrical engineering at universities in Wisconsin. The PEA created the Palestinian Electric Company (PEC) to develop, own, and operate the first independent power project in Gaza.

Gaza IPP: The PEC teamed with US-based Enron (and its subsidiary Enron International), to develop the first major US private infrastructure investment project and the first independent power project (IPP) in the West Bank and Gaza. The \$140 million, 136 megawatt combined cycle power plant is under construction in the part of Gaza City known as Wadi Gaza, and is about 10 kilometers north of Gaza City on a 147,279 square-meter plot that is owned by the Palestine National Authority. The plant was supposed to be operational in July 2000, but that date has slipped until September 2001.

Initially the fuel source for the plant will be number 2 fuel oil with conversion to gas upon availability. Until a natural gas pipeline from Egypt to Gaza is completed, the plant will use No. 2 oil purchased through Israel, which controls all borders into Palestinian self-rule areas. An Italian energy firm signed an agreement with the Palestinian Authority last year that envisioned a natural gas pipeline. Sources close to the deal said that implementation would depend on progress in peace talks with Israel. The plant will produce enough power to light 136,000 homes and will meet all the electrical demands of the Gaza Strip for the next 10 years.

Funding will come from a combination of debt and equity, and the PEC has received insurance guarantees from the Overseas Private Investment Corporation. Enron and the PEC will each hold one third of the joint venture, and the final third is open to the public. PEC investors include the Consolidated Contractors Company, an international construction firm based in Athens; the Palestine Development and Investment Corporation; the Arab Bank; the Arab Palestinian Investment Company, an arm of Al Akkad Group; and the Palestinian government.

Reportedly, the Swiss-Swedish engineering group ABB received a contract worth over \$90 million for the engineering, procurement and construction of the plant. The high-tech plant will employ about 60 technicians and 500 others upon completion.

Enron International: Enron is one of the world's leading integrated electricity and natural gas companies. The company owns approximately \$30 billion in energy related assets, produces electricity and natural gas, develops, constructs and operates energy and water facilities world-wide, and delivers physical commodities and risk management and financial services to customers around the world.

PEC-Enron Consortium: The PEC-Enron consortium signed a power purchase agreement and an implementation agreement giving the company a 20-year monopoly license to sell electricity in Gaza. The license has two, five-year renewal options.

Current Status - Construction Progress: Construction began last September and the plant should commence operations in September 2001. The initial estimate of July 2000 was a bit optimistic. An Enron International official recently said that Israeli Defense Force attacks in Gaza stopped construction.

Funding - Initial Public Offering: The PEC will raise \$19.8 million in one of the largest-ever initial public offerings on the Palestine Securities Exchange (PSE), a source from the stock exchange told The Jerusalem Post recently. PEC had initially planned to raise \$19.8 million by offering 19.8 million shares with a par value of \$1 each, representing 33 percent of the company's equity capital. During the two-week subscription period, however, the company received some \$75 million in applications for shares. PEC officials have until the beginning of October to decide which applications to accept. It is unlikely that PEC will accept more applications than initially planned in order to protect the percentage holdings of its primary investors.

Assessment

Considering the response to the IPO, it appears that the PEC will secure at least a portion of the funding necessary to complete this project. However, escalating attacks and counterattacks may present more of a near-term danger than funding. The Israeli's have shown a willingness to attack Palestinian Authority buildings and facilities; therefore, it is unlikely that Palestinian economic targets are immune if attacks and counter attacks continue. Information thus far does not indicate intentional targeting of the power plant, however, targeting could occur and accidents do happen. Enron's decision to halt work during this extremely tense period was probably a wise move. If the violence continues, the 2001 start-up date may be optimistic. We should attempt to solicit information on potential pitfalls as they relate to this project, and specifically to determine if there is a funding problem. (Charles E. Washington)

MEMORANDUM FOR THE SECRETARY

FROM: David L. Pumphrey
Acting Director
Office of International Affairs

SUBJECT: Your meeting with Ali Naimi, Saudi Arabian Minister of Petroleum and Mineral Resources, April 27, 2001, 12:00 p.m. to 2:00 p.m.

Key Objectives:

This is your second meeting with Minister Naimi, the first meeting occurred on April 27, 2001.

...

Points that Minister Naimi may raise during your discussion:

(Talking Points are being coordinated with the NSC and State, and will be provided once coordination is completed)

Energy Task Force: The Minister may ask for an update on the Task Force report. (The Minister will likely have also discussed this with the Vice President during their meeting.)

- You can tell the Minister that the Task Force is in the process of assessing our long-term energy needs and will soon be suggesting policy options to the President. You may wish to provide some specifics as they relate to the policy options. You could also describe the energy issues that you have been asked to address since you became Energy Secretary.

OPEC Production Policy: (Jim's input)

-

Establishment of a permanent Producer-Consumer Secretariat: During the Seventh International Energy Forum (Producer-Consumer Dialogue) in Riyadh, November 17-19, 2000, Crown Prince Abdullah proposed establishing a permanent Secretariat in Riyadh to deal with the Producer-Consumer Dialogue.

- (Jim's input)

Political Reaction to OPEC Policy: The Minister may express Saudi concern about the NOPEC legislation that was recently introduced in Congress, making OPEC subject to U.S. antitrust laws. He may say that passage of such legislation may heighten tensions between

our two countries, jeopardize Saudi Aramco operations in the U.S., and increase obstacles to coordinating issues with non-OPEC producers.

- (Randa's input)

Lawsuits filed in Alabama against OPEC: A lawsuit was filed in an Alabama court, alleging that OPEC was involved in price fixing. This lawsuit has caused considerable concern among OPEC member countries.

- (Randa's input)

Iran-Libya Sanctions Act (ILSA): The Minister may express his government's discontent with ILSA.

- (input)

Points that you should raise:

Upstream Investment Initiative: In 1998, the Saudis announced an upstream energy investment initiative and invited foreign oil companies to submit proposals for three core projects, primarily for natural gas. In August 2000, ExxonMobil, Shell, BP, Conoco, TotalFinaElf, Chevron, Texaco, Phillips Petroleum, ENI, Marathon Oil Canada, and Enron-Occidental Petroleum, were selected to submit proposals. Minister Naimi has resisted this initiative; however, an April 18th press report disclosed that the Minister stressed the importance of attracting foreign investment in the gas sector to help achieve a gas-based industry in Saudi Arabia.

- You should express our appreciation of the Saudi Arabian Government's response to the bids by international oil companies for investment in the energy sector. This is an extremely complicated process, and the U.S. is pleased that American companies were chosen to bid on the three core projects.

Bilateral Discussions: You should suggest we resume regular energy discussions between DOE and the Ministry of Petroleum and Natural Resources.

- These bilaterals are an important vehicle to maintain close contact on a range of issues. We would like to schedule our next round of bilaterals for June in Riyadh.

Attachments:

1. Minister Naimi's Biography
2. List - Identifying Members of the Saudi Delegation

BIOGRAPHY

ALI BIN IBRAHIM AL-NAIMI SAUDI ARABIAN MINISTER OF PETROLEUM AND MINERAL RESOURCES

(PHONETIC: nahEEmi)

Addressed as: His Excellency

Personal

- Date of Birth: 1935
- M.S., Geology, Stanford University
- B.S., Geology, Lehigh University

Career

- President, Saudi ARAMCO, 1983-95
- Executive Vice-President for Oil and Gas Affairs, Saudi ARAMCO, 1981-83
- Member, Board of Directors, Saudi ARAMCO since 1980
- Vice-President for Petroleum Affairs, Saudi ARAMCO, 1978-80
- Vice-President for Production, Saudi ARAMCO, 1975-78
- Assistant Director, then Director of Production, for the Northern Province, Saudi ARAMCO 1972-75
- Supervisor, Production Department for Abqaiq, Saudi ARAMCO 1969-72

TRANSITION PAPERS

SAUDI ARABIA

Background

Saudi Arabia has up to one trillion barrels of recoverable oil, which is a quarter of the world's proven oil reserves. It is the world's leading oil producer and exporter, and its location in the politically volatile Gulf region adds an element of concern. As of early November 2000, Saudi Arabia was producing around 9.3 million barrels per day (bpd), and during the first eight months of 2000, it supplied the U.S. with 1.5 million bpd, or 16% of U.S. crude oil imports.

The Saudi economy remains heavily dependent on oil, but the government's desire to join the World Trade Organization (WTO) has sparked efforts at diversification, including increased private sector and foreign investments. This is tempered; however, by fears of job losses for Saudi citizens and resistance by the private sector and some members of the Saudi royal family. Last January, Saudi Arabia established an 11-member Supreme Petroleum Council (SPC) to oversee oil and gas policies in the country, and in October the government announced that the SPC would take over certain powers from Saudi Aramco. The SPC could provide momentum to Saudi Arabia's overall goal of accelerating private sector and foreign involvement.

Current Issues/Upcoming Events

OPEC Production Policy – Upcoming OPEC Meeting: OPEC's has apparently aimed its production policy at preventing commercial stocks from growing to what we consider normal levels. This policy will ensure a tight, volatile market. Several OPEC ministers are already calling for additional cuts when the cartel meets on March 16, 2001. The new Administration should move quickly to reach out to senior officials in key producing countries, especially Saudi Arabia, through bilateral consultations with the goal of continuing and enhancing dialogue on important oil market matters. An early Secretarial or senior-level visit to Persian Gulf producers, Nigeria, and Venezuela would send a strong message that the Administration appreciates the importance of these relationships and lay the groundwork for future cooperation/coordination.

Upstream Investment: Saudi Arabia welcomes private sector gas investments when it is tied to downstream investment in electric power, desalinization, petrochemicals or other projects. In this regard, eleven companies (Exxon-Mobil, Shell, BP, Conoco, TotalFina Elf, Chevron, Texaco, Phillips Petroleum, ENI, Marathon, and Enron-Oxy) were selected to submit final proposals for three core projects identified by Aramco. Each core project includes a bundle of connected but independent enterprises requiring investment in various aspects of the gas value chain. Oil industry sources said that all eleven companies were given offers to participate in one or more projects and that negotiations are moving forward on structuring these projects. However, there still may be a number of unresolved tax and fiscal issues. U.S. companies have been concerned that they could be at a distinct disadvantage if the Saudi fiscal system does not consider their tax considerations. A uniform fiscal system would level the playing field between

the U.S. and European companies. We should determine the next steps in this process, and attempt to ensure that the fiscal system is fair.

Conference on Enhanced Investment in the Oil and Gas Sectors: DOE proposed a conference to promote upstream and downstream investment in the oil and gas sectors. We anticipate this conference including industry and multilateral organizations. The conference will focus on the important issue of projected world supply constraints in the medium and long term, in the absence of timely and adequate investment. We need to determine if the Saudi's support this.

Science and Technology Initiative: As a follow-up to the Joint Statement that former Secretary Richardson signed in Saudi Arabia at the end of February 2000, a Saudi technical team was scheduled to visit our National Renewable Energy Laboratory (NREL) and Sandia National Laboratory in 2000. The Saudis canceled the trip, and they failed to respond to our subsequent invitation to reschedule. These visits would be an important step in the process of concluding an Energy Science and Technology Agreement between Saudi Arabia and the U.S. We need to determine the status of this initiative.

Enhanced Oil Market Transparency: Oil producers acknowledged that their opinions occasionally differed on key factors influencing the market. Better data would contribute to mutual understanding of market conditions, therefore, last year we co-sponsored an oil market data conference in Spain, and Secretary Richardson attended the 7th Annual International Energy Forum in Riyadh during November 2000. At the November forum, Secretary Richardson suggested attendees agree on a road map for establishing a global data network, and the attendees liked that idea. We should therefore develop an early plan to build on the current momentum. This initiative should include a strong U.S. push at senior levels to create such a data network.

Permanent Secretariat: Producer-Consumer Meetings: At the International Energy Forum (the 7th Annual Producer-Consumer Meeting), Crown Prince Abdullah proposed establishing a permanent Secretariat in Riyadh to deal with future Producer-Consumer meetings. Secretary Richardson was not in favor of this proposal because he felt it was unnecessary, and we agree.

Regular Energy Bilaterals: We proposed February or March 2001, as potential meeting dates for our next round of regular energy bilaterals, in Riyadh. We should confirm the meeting date.

Sensitivities: The highly visible nature of Secretary Richardson's energy diplomacy is known to have "ruffled some feathers" among some in OPEC. Persistent, but low key and quiet prodding is essential in moving Saudi Arabia toward full oil market transparency, and opening its crude sector to foreign investment.

Next Steps

- Meeting/telephone calls to high Saudi officials.
- Schedule bilateral discussion in Riyadh where we can discuss these and other issues.

**Potential Training Course:
Option B**

Audience - Mid-level policy makers, oil and gas executives and legislative officials.

In response to requests from foreign governments, the training is intended to include officials from the respective Ministries of Foreign Affairs and Embassy staff.

Duration - 1 to 2 weeks

Description - The purpose of this training course is to familiarize mid-level management with the strategic, economic, technical and environmental issues of building and maintaining a pipeline. Intended outcomes include greater familiarity with geopolitical and economic issues, trading practices, environmental regulations and technical elements of pipeline construction and management. The course also would serve to introduce the major companies involved in pipeline construction to program participants.

Sample subjects for discussion:

- familiarization with pipeline construction and transportation technology, and suppliers
- environmental regulations (esp. Netherlands and Austria) and ISO standards for siting and building a pipeline
- elements of asset management - the role of pipelines
- elements of trading - oil and gas hubs
- visits to pipeline management and operation centers, for example, Enron's facility in Houston and Williams control center in Tulsa
- the role of border and transit fees
- the development of institutions to regulate pipelines
- the "cost-of-transportation" factor in moving oil and gas into world markets

The course could cover case studies of pipelines already under construction or in operation and perhaps involve role playing with interdisciplinary teams to combine business, legal and operations perspectives.

Estimated Cost - Estimate per person for the entire course, paying airfare, lodging, meals and tuition. Where possible, delineate between costs.

PROGRAM PROPOSAL
Northern European Initiative: Energy Sector Integration
Estonia, Latvia, Lithuania, Poland, Kaliningrad and NW Russia

Background:

The energy sector offers a unique opportunity for directly promoting the NEI objectives of Baltic regional economic integration and growth. A stronger and more regionally integrated economic foundation also promotes regional political stability and positions the Baltic States as more attractive candidates for NATO and EU membership -- also core NEI objectives.

There is a very high absorptive capacity for assistance in the Baltic energy sector because conditions for progress are excellent. Despite opposition by certain "old think" energy players, the **current** governments of the three Baltic States understand the importance of the sector and are committed to its market reform and privatization. Furthermore, the three countries are favorably disposed towards American strategic investors in the energy sector to counter-balance various regional economic influences. The energy sector is also the best economic prospect for bringing NW Russia and Kaliningrad under the NEI umbrella. Power is largely fungible and easily traded. The three Baltic states and neighboring parts of Russia share a common interest in an assured flow of oil and natural gas, as well as and the efficiency, cost, reliability, quality and safety of electricity. This acts as a strong inducement for regional economic integration.

All the Baltic national governments have been taking steps to allow for the "unbundling" and privatization of state-run electric utilities. These steps have been widely publicized **and have been major contributing factors to changes in government in all three countries.** The U.S. position is to support continued progress as it improves energy security, promotes growth and encourages power grid integration with the Nordic countries and Central and Western Europe. In any case, the EU requires functional unbundling of electricity services as a requirement for membership.

The Baltic Governments have set 2002 as the target date for completion of a regional electricity market. The goal is to develop a trading system within the Baltics and to interconnect with Finland to the north and Poland to the south. The grid will remain connected to Russia. The three Baltic governments, their regulatory authorities and utilities are now moving from broad legislation to the specific plans necessary for implementation.

There are two areas in which additional NEI assistance funding would return excellent value if we are to remain engaged in promoting NEI objectives through work in the energy sector. They are:

- a) Continue our assistance in policy-level work to establish a Baltic regional electricity market. This is an extension of on-going work and responds to a request of the Energy



Committee of the Baltic Council of Ministers. This area of work includes Estonia, Latvia and Lithuania.

b) Conduct follow-up activities to February's USG-sponsored Baltic regional energy investment seminar. **Given the high level of visibility of energy issues in national politics in the region, it is important to develop basic public understanding of, and support for restructuring and privatization.** The seminar, attended by over 200 senior government officials and key players in the Baltic energy sector, was a high profile event that broadened the audience for the message of restructuring and privatization, and generated dialogue among consumers and government officials. Using the momentum generated by this seminar, additional assistance to broaden understanding of energy reform issues and options at the "grass-roots" level throughout the region would effectively complement the policy-level reform work we are already undertaking. **This area of work would include the three Baltic States plus Poland and NW Russia.** Engaging public support for energy sector transition from the bottom up will significantly facilitate the implementation of national and regional restructuring plans.

A) Follow-on Work Requested by the Baltic Council of Ministers Energy Committee

\$200,000 (USAID)

Overview

The initiation of work by the three Baltic States on establishing a regional electricity market, with an ambitious target date of 2002 for implementation, is a major success for USG assistance to the region. In February, the Baltic Council of Ministers Energy Committee convened donors meeting to solicit technical assistance for this effort. In response, USAID has committed to support two Energy Committee working groups: a) regulation and b) transmission operations. This is an extension of on-going regional projects to promote joint operations of the three Baltic electricity systems on the premise that this is the most cost-effective way to provide power to the region after closure of Ignalina. However, the pace of Baltic energy reform has been more successful and rapid than anticipated, resulting in uncertainty about the extent to which USAID will be able to remain actively engaged in supporting the establishment of a regional power market beyond FY 2000. USAID has approximately \$100,000 remaining for on-going work in regional power market development through FY 2000. Since funding has not yet been identified for FY 2001, USAID is requesting an additional \$200,000 to continue working with Baltic officials on regional electricity market development by providing technical advisors the Energy Committee regarding legal and regulatory work, and transmission system operations.

Project Goals

The governments of the three Baltic countries have agreed to establish a regional electricity market by 2002. This new arrangement will allow electricity producers to sell

directly to qualified consumers across the region. The market will also be open to buyers and sellers of electricity beyond the borders of the Baltic States. A combination of long term contracts and a spot market (or electricity exchange) will determine wholesale prices. Regulators will continue to have oversight over the rates charged for the natural monopoly aspects of the sector. Transmission system operators will charge for transporting power and for other services (such as maintaining frequency regulation).

There are economic benefits to be gained from joint operations. This is especially the case in the context of Lithuania's decision to close Unit #1 of the Ignalina Nuclear Power Plant. USAID supported development of an investment plan that focussed on the question of a regional least-cost solution to replacement power for Ignalina.

Opening the electricity market will also contribute to other important goals:

- interconnection with the west, through new transmission lines to Finland and to Poland
- operation of the Baltic system together with western Europe, and joining the European transmission system UCTE (Union for the Coordination of Transmission of Electricity)
- participation in the NORDEL electricity market of the Nordic countries
- development of a trade relationship in electricity with Russia based on sound commercial principles

The successful development of this market by 2002 will have major implications for U.S. companies such as AES, Enron, NRG and CME/Caterpillar that are actively involved in power sector investments in the region. ✓

Project Structure

USAID has limited funds to support the Council of Baltic Ministers Energy Committee through existing regional programs, as follows:

- (1) A contract with Electrotek, a follow-on of the Baltic Regional Energy Development Program (BREDP) activity on transmission pricing, is assisting in the formation of a market for ancillary services that will establish fees paid for electricity transmission services, and is assisting on technical aspects of the operation of the regional transmission system
- (2) a cooperative agreement with the U.S. National Association of Regulatory Utility Commissioners (NARUC) is supporting the three regulators on regulatory oversight of the regional market and;
- (3) A cooperative agreement with the U.S. Energy Association (USEA) is supporting the Electricity Management Development Institute, which organizes training

seminars and workshops with participation of electric utilities, electric regulators and government officials in all countries in the CEE/Baltic region.

The approximately \$100,000 in remaining undisbursed funding in these programs will run out at the end of FY 2000. Additional funding to advance the Common Baltic Energy Market (CBEM) collaborative process beyond that has not yet been identified. Particular attention will be given to support of the CBEM working group on regulatory issues of a liberalized trading environment, including electricity trade beyond the Baltic borders with Finland (NORDEL) and (CENTREL and UCTE), and Russia.

Secretary of Energy Richardson expressed strong support for the development of this regional market with interconnections to the west and Russia



Summary: The Syrian-Iraqi Oil pipeline is to reopen after 18 years, and the Gaza power plant started with a bang, but now there is barely a whimper.

Contents

1. Syrian-Iraqi Oil Pipeline to Re-Open after 18 Years
2. Gaza – Independent Power Plant

Items

Syrian-Iraqi Oil Pipeline to Re-Open after 18 Years

The Syrian-Iraqi oil pipeline recently begun operations for the first time in 18 years and Iraq is expected to export between 200,000 - 300,000 b/d to Syria at discounted prices. This will allow Syria to benefit from the price difference and to increase its own oil exports. Moreover, it is a strategic move by Iraq to allow about six percent of its exports to be placed outside the scope of the UN's economic sanctions. This will earn Iraq a "sanctions dividend." On Syria's part, this move represents a means for buying some patronage for its business classes who stand to benefit from this extralegal oil trade and thereby quieting some opponents of the regime in Damascus. Syria was looking for a deal similar to the Jordanian one with Iraq, but theirs earns them hard currency, through their oil exports, not primarily barter, as does the deal with Amman.

This move represents another effort by Iraq to thumb its nose at U.S. policy toward it, and is a vehicle to try to loosen UN sanctions further. From the Syrian perspective, there has been significant change in its relations with Iraq since the end of the Gulf war ten years ago, when it sided with the Gulf coalition against Iraq's invasion of Kuwait. Recently there have been a number of high-level Syrian officials visiting Baghdad and this new deal with the re-opening of a long-dormant pipeline represents a potentially significant "fraying" of the sanctions coalition against Saddam. Now, it is really up to the British and French UN members to see whether they can, through a combination of carrots and sticks, get some more explicit timetables set for the implementation of UN Security Council Resolution 1284 which, until now, has met with an impasse on the part of Iraq. The US with its insistence upon "regime change" in Baghdad has effectively painted itself into a corner, from which it has been unable, to date, to extricate itself.

Assessment: Where do we go from here? The Administration will work with the UN to find a solution to this latest effort by Iraq to change the rules of the game on UN sanctions against Iraq. (Copaken)

2. Gaza – Independent Power Plant

Background: Palestinians obtained autonomy over parts of Gaza in 1994 under peace deals with Israel, but the state-owned Israel Electric Corp (IEC) still provides electricity to the overcrowded, impoverished strip. The IEC reportedly generates monthly income of \$4 million from the Gaza Strip.

MIDDLE EAST MONTHLY REPORT FOR DECEMBER 2000

November 30, 2000

The Palestinians complain that the Israeli electric service is erratic, and as a result, computers, refrigerators and televisions frequently short-circuit. Palestinians believe that a Palestinian-owned power plant would correct these deficiencies, and any extra electricity generated by the plant would go into a project to desalinize Mediterranean Sea water for the drought-stricken Gaza Strip.

On November 14, 1994, the Palestinians created the Palestinian Energy Authority (PEA) to fulfill their dream of a Palestinian-owned power plant. The PEA is responsible for rural electrification, regional interconnection, and energy conservation and research in Palestinian controlled areas. The PEA also oversees a separate independent commission that is responsible for tariffs and regulatory activities. Dr. Abdul Rahman Hamad, who is also the Palestinian Housing Minister, heads the PEA. Hamad is 56 years old, he was born in the Gaza Strip, and he received his masters and doctorate degrees in electrical engineering at universities in Wisconsin. The PEA created the Palestinian Electric Company (PEC) to develop, own, and operate the first independent power project in Gaza.

Gaza IPP: The PEC teamed with US-based Enron (and its subsidiary Enron International), to develop the first major US private infrastructure investment project and the first independent power project (IPP) in the West Bank and Gaza. The \$140 million, 136 megawatt combined cycle power plant is under construction in the part of Gaza City known as Wadi Gaza, and is about 10 kilometers north of Gaza City on a 147,279 square-meter plot that is owned by the Palestine National Authority. The plant was supposed to be operational in July 2000, but that date has slipped until September 2001.

Initially the fuel source for the plant will be number 2 fuel oil with conversion to gas upon availability. Until a natural gas pipeline from Egypt to Gaza is completed, the plant will use No. 2 oil purchased through Israel, which controls all borders into Palestinian self-rule areas. An Italian energy firm signed an agreement with the Palestinian Authority last year that envisioned a natural gas pipeline. Sources close to the deal said that implementation would depend on progress in peace talks with Israel. The plant will produce enough power to light 136,000 homes and will meet all the electrical demands of the Gaza Strip for the next 10 years.

Funding will come from a combination of debt and equity, and the PEC has received insurance guarantees from the Overseas Private Investment Corporation. Enron and the PEC will each hold one third of the joint venture, and the final third is open to the public. PEC investors include the Consolidated Contractors Company, an international construction firm based in Athens; the Palestine Development and Investment Corporation; the Arab Bank; the Arab Palestinian Investment Company, an arm of Al Akkad Group; and the Palestinian government.

Reportedly, the Swiss-Swedish engineering group ABB received a contract worth over \$90 million for the engineering, procurement and construction of the plant. The high-tech plant will employ about 60 technicians and 500 others upon completion.

MIDDLE EAST MONTHLY REPORT FOR DECEMBER 2000

November 30, 2000

Enron International: Enron is one of the world's leading integrated electricity and natural gas companies. The company owns approximately \$30 billion in energy related assets, produces electricity and natural gas, develops, constructs and operates energy and water facilities world-wide and delivers physical commodities and risk management and financial services to customers around the world.

PEC-Enron Consortium: The PEC-Enron consortium signed a power purchase agreement and an implementation agreement giving the company a 20-year monopoly license to sell electricity in Gaza. The license has two, five-year renewal options.

Current Status - Construction Progress: Construction began last September and the plant should commence operations in September 2001. The initial estimate of July 2000 was a bit optimistic. An Enron International official recently said that Israeli Defense Force attacks in Gaza stopped construction.

Funding - Initial Public Offering: The PEC will raise \$19.8 million in one of the largest-ever initial public offerings on the Palestine Securities Exchange (PSE), a source from the stock exchange told The Jerusalem Post recently. "It is one of the largest IPOs ever on the Palestine Securities Exchange," the official from the Nablus-based PSE said. PEC had initially planned to raise \$19.8 million by offering 19.8 million shares with a par value of \$1 each, representing 33 percent of the company's equity capital. During the two-week subscription period, however, the company received some \$75 million in applications for shares. PEC officials have until the beginning of October to decide which applications to accept. It is unlikely that PEC will accept more applications than initially planned in order to protect the percentage holdings of its primary investors.

Other: To obtain detailed information on the Palestinian "vision" for the second phase of this project, click on this link: <http://www.pea.gov.ps/transmission/Transsmision.htm>

Assessment: Considering the response to the IPO, it appears that the PEC will secure funding necessary to complete this project. However, escalating attacks and counterattacks may present more of a danger than funding. The Israeli's have shown a willingness to attack Palestinian Authority buildings and facilities; therefore, it is unlikely that Palestinian economic targets are immune if attacks and counter attacks continue. Information thus far does not indicate intentional targeting of the power plant, however, targeting could occur and accidents do happen. Enron's decision to halt work during this extremely tense period was probably a wise move. If the violence continues, the 2001 start-up date may be optimistic. (Washington)

Porter, Alicia

From: Washington, Charles
Sent: Monday, February 26, 2001 2:56 PM
To: Coburn, Leonard; Caliendo, Camille
Subject: ISRAEL: ENRON GETS GOOD NEWS

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1. (SBU) IN A MEETING WITH ENRON REP ED HUSSAMI, ECONCOUNS, AND ECONOFF (NOTETAKER), DEPUTY MATAK HEAD MG YOUSEF MISHLEV SAID THE GOI VIEWED THE COMPLETION OF THE GAZA POWER PLANT TO BE IN ITS INTERESTS AND WOULD COOPERATE WITH ENRON TO ENSURE THE PROJECT WAS COMPLETED. DURING THE MEETING, HUSSAMI OUTLINED FOUR AREAS WHERE ASSISTANCE WAS NEEDED AND PROPOSED SOLUTIONS TO ADDRESS GOI CONCERNS. MISHLEV WAS VERY RESPONSIVE AND EXPRESSED OPTIMISM THAT THE GOI'S SECURITY CONCERNS COULD BE ADDRESSED IN MOST OF THE REQUESTS. HUSSAMI IS TO PROVIDE A WRITTEN PROPOSAL, INCLUDING PROCEDURES, TIMETABLES, AND PERSONNEL, TO MATAK ON SUNDAY. MISHLEV WILL THEN REVIEW THE PLANS WITH SOUTHERN COMMAND TO OBTAIN FINAL APPROVAL.
2. (U) MATAK AGREED IN PRINCIPLE TO ALLOW THIRD-COUNTRY PERSONNEL TO OPERATE THE HEAVY-LIFT CRANES AND TRUCKS NEEDED TO MOVE SOME 18 PIECES OF HEAVY EQUIPMENT NOW IN ASHDOD. UNDER THE ARRANGEMENT, ISRAELI DRIVERS WOULD TAKE THE TRUCKS AS FAR AS THE BORDER WITH GAZA WHERE THE FOREIGN DRIVERS WOULD TAKE OVER. ENRON AGREED TO TAKE ON ALL RESPONSIBILITIES FOR LICENSING AND INSURANCE. THE EQUIPEMENT TO BE MOVED INCLUDES A NUMBER OF TURBINES AND BOILERS.

3. (U) MATAK ALSO AGREED IN PRINCIPLE TO ALLOW A SIMILAR ARRANGEMENT TO LAY PIPES FOR THE INTAKE AND OUTAKE OF WATER TO THE PLANT. BARGES THAT MUST BE BROUGHT FROM HAIFA WILL BE OPERATED BY INTERNATIONAL PERSONNEL IN THE WATERS OFF OF GAZA. THESE BARGES WILL ALSO TRANSPORT INTAKE AND OUTAKE STRUCTURES FROM HAIFA TO THE SITE IN GAZA.

4. (U) MISHLEV SAID HE THOUGHT THERE WOULD BE NO PROBLEM IN THE MOVEMENT OF 4500 TONS OF AGREGGATE AND ANOTHER 4500 TONS OF BASE COARSE MATERIAL THROUGH KARNI CROSSING. ENRON HAD MOVED TWO TRUCKS PREVIOUSLY, ONLY TO BE STYMIED BY A PALESTINIAN STRIKE. THE MOVEMENTS ARE TO START ON FEBRUARY 25.

5. (U) THE LAST ISSUE REMAINS THE MOST PROBLEMATIC. ENRON ASKED FOR "VIP PERMITS" FOR FOUR ARAB-ISRAELIS TO TRAVEL BETWEEN ISRAEL AND GAZA AND ONE PALESTINIAN ENGINEER LIVING IN RAMALLAH TO TRAVEL BETWEEN THE WEST BANK AND GAZA AS NEEDED. MISHLEV ASKED FOR THE DETAILS OF THE FIVE INDIVIDUALS, BUT NOTED GOI POLICY PREVENTED ANY ISRAELI, WHETHER ARAB OR JEW, TO ENTER THE GAZA STRIP OR AREA A (AND CURRENTLY NO PALESTINIANS ARE PERMITTED TO TRAVEL BETWEEN THE WEST BANK AND GAZA). MISHLEV REPEATEDLY NOTED THE DANGEROUS SECURITY SITUATION IN GAZA AND ASKED "WHO WOULD BE RESPONSIBLE FOR THEIR (THE ISRAELIS') SECURITY?" HUSSAMI NOTED TO EMBOFFS AFTER THE MEETING THAT ENRON MAY HAVE TO BRING IN FOREIGN SPECIALISTS IF THE GOI DOES NOT GRANT THIS REQUEST.

6. (U) HUSSAMI EXPRESSED COMPLETE SATISFACTION WITH THE OUTCOME OF THE MEETING. BARRING FURTHER DIFFICULTIES, HE SAID HE THOUGHT CONSTRUCTION ON THE PLANT COULD BE COMPLETED IN ABOUT A YEAR'S TIME.

INDYK

BT

#0972

7DDB

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Porter, Alicia

From: Washington, Charles
Sent: Thursday, February 22, 2001 8:45 AM
To: Haylock, Carolyn
Subject: FUJAIRAH WATER AND ELECTRIC POWER PROJECT

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SUBJECT: FUJAIRAH WATER AND ELECTRIC POWER PROJECT

1. (U) IN FEBRUARY 2001 THE UAE OFFSET GROUP (UOG) ANNOUNCED THE SHORTLIST FOR A USD 1 BILLION WATER DESALINATION AND POWER CO-GENERATION PROJECT IN FUJEIRA, ON THE EAST COAST OF UAE, ON THE ARABIAN SEA. THIS "FAST TRACK" PROJECT, EXPECTED TO BE COMPLETED WITHIN TWO YEARS OF AWARD DATE, WILL BE UAE'S FIRST LARGE DESALINATION AND POWER PLANT OUTSIDE THE STRAITS OF HORMUZ. FOURTEEN GROUPS HAVE QUALIFIED FOR THE USD 550 MILLION PROJECT FOR A 100 MILLION GALLON PER DAY DESAL PLANT AND A CAPTIVE POWER PLANT OF MORE THAN 100 MEGAWATT.
2. (SBU) SEVENTEEN COMPANIES HAVE PREQUALIFIED FOR THE USD 450 MILLION CONSTRUCTION OF STORAGE TANKS, ASSOCIATED FACILITIES, AND A 180-KM WATER TRANSMISSION PIPELINE TO AL AIN. FOUR HAVE PREQUALIFIED FOR BOTH. THEY INCLUDE SOUTH KOREA'S HANJUNG, JAPAN'S MARUBENI, AND TWO US FIRMS - ENRON AND BECHTEL. BECHTEL

IS COOPERATING WITH GERMANY'S PREUSSAG WASSERTECHNIK.
(NOTE: AS REPORTED SEPTTEL, ENRON, WHILE NOT BIDDING ON
THE PROJECT, HAS OFFERED TO ACT AS INFORMAL CONSULTANT;
ENRON IS A PARTNER IN UOG'S MAJOR DOLPHIN GAS PROJECT.
END NOTE.)

3. (U) ALTHOUGH THEY MAY NOT HAVE PREQUALIFIED FOR
THE ENGINEERING, PROCUREMENT AND CONSTRUCTION (EPC)
CONTRACTS, US COMPANIES STILL HAVE A CHANCE TO
PARTICIPATE IN THE FUJEIRA PROJECT IF THEY TEAM WITH
LOCAL COMPANIES WHO HAVE PREQUALIFIED. THE COMMERCIAL
SERVICE HAS BEEN ACTIVELY SEARCHING FOR U.S. COMPONENTS
AND ENGINEERING EXPERTISE FOR SEVERAL LOCAL GROUPS.

4. (SBU) COMMENT: THIS AND THE LARGE SCALE
SHUWEIHAT WATER DESAL/POWER PROJECT (SEE SEPTTEL) SHOW
THE UAE GOVERNMENT'S CONSIDERABLE SUPPORT FOR SHORING
UP ITS WATER SUPPLY. THE UOG FALLS UNDER THE
SPONSORSHIP OF SHEIKH MOHAMMED BIN ZAYED AND SHUWEIHAT
UNDER HIS YOUNGER BROTHER, SHEIKH DIYAB - BOTH SONS OF
THE UAE PRESIDENT HH SHEIKH ZAYED BIN SULTAN AL NAHYAN.
IT IS NOTEWORTHY THAT SIXTY PERCENT OF THE DESAL
PRODUCED BY THE FUJEIRAH PLANT IS DESTINED FOR ZAYED'S
BELOVED DESERT OASIS, AL AIN, WITH THE REMAINING FORTY
PERCENT ALLOCATED TO FOUR OF THE POORER NORTHERN
EMIRATES. END COMMENT.

KATTOUF

BT

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Porter, Alicia

From: Washington, Charles
Sent: Thursday, January 04, 2001 3:06 PM
To: Coburn, Leonard; Thompson, Kay; Ekimoff, Lana
Subject: SNAPSHOT 73: MAJOR U.S. INVESTMENTS IN THE OIL AND GAS SECTOR

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SUBJECT: SNAPSHOT 73: MAJOR U.S. INVESTMENTS IN THE
OIL AND GAS SECTOR

(U) SENSITIVE BUT UNCLASSIFIED; HANDLE ACCORDINGLY.
1. (U) SUMMARY. THIS IS ONE OF A SERIES OF "SNAPSHOT"
CABLES UNDERTAKEN WITH THE APPROACHING CHANGE OF U.S.
ADMINISTRATIONS IN MIND. SEEN AS A WHOLE, THE SERIES
IS INTENDED TO PROVIDE AN OVERVIEW OF U.S.-RUSSIAN
RELATIONS, SIGNIFICANT INTERNAL ISSUES IN RUSSIA, AND

THE OPERATIONS OF THE U.S. MISSION IN RUSSIA. THIS CABLE DEALS WITH U.S. INVESTMENTS IN RUSSIA'S OIL AND GAS SECTOR. END SUMMARY.

2. (U) U.S. ENERGY COMPANIES HAVE PATIENTLY PURSUED INVESTMENT OPPORTUNITIES THROUGHOUT RUSSIA OVER THE LAST DECADE. ALMOST EVERY MAJOR WESTERN OIL COMPANY HAS A REPRESENTATIVE OFFICE IN MOSCOW, AS DO SEVERAL GAS AND UTILITY COMPANIES. DESPITE THEIR PRESENCE, HOWEVER, U.S. INVESTMENT TO DATE IS VERY SMALL, WITH A FEW EXCEPTIONS. INSTABILITY OF TAXES AND OF THE LAWS GOVERNING INVESTMENT, QUESTIONS ABOUT THE RULE OF LAW AND CONTRACT SANCTITY AND NOTORIOUSLY HEAVY BUREAUCRACY AT ALL LEVELS PREVENT THE INFLOW OF MAJOR AMOUNTS OF CAPITAL. EVEN WHEN THOSE OBSTACLES CAN BE OVERCOME, OTHER PROBLEMS -- SUCH AS ACCESS TO PIPELINES, EXPORT QUOTAS, AND CHANGING TRANSPORTATION TARIFFS -- REMAIN.

3. (U) THERE ARE TWO EXCEPTIONS TO THIS GENERAL U.S. RELUCTANCE TO INVEST IN THE SECTOR -- EXXONMOBIL'S INVESTMENT IN THE SAKHALIN I PROJECT AND THE INVESTMENT BY SEVERAL U.S. OIL COMPANIES IN THE CASPIAN PIPELINE CONSORTIUM PROJECT (CPC) -- WHICH REPRESENT A COMBINED INVESTMENT BY U.S. FIRMS OF BETWEEN \$1.5 AND \$2 BILLION. THE RELATIVE SUCCESS OF THESE PROJECTS DEMONSTRATES THE NEED FOR INSULATION FROM POLITICAL UNCERTAINTY THAT IS THE PRINCIPLE BEHIND THE INDUSTRY'S PUSH TO INTRODUCE A COMMERCIALY ACCEPTABLE PRODUCTION SHARING AGREEMENT (PSA) REGIME. SAKHALIN I IS A "GRANDFATHERED" PSA, WHILE CPC IS ESSENTIALLY A PIPELINE VERSION OF A PSA, IN WHICH TAXES AND OTHER TERMS ARE GUARANTEED FOR THE LIFE OF THE PROJECT.

4. (U) DESPITE ITS INSULATION, SAKHALIN I HAS BEEN DELAYED BY THE GOR'S FAILURE TO PASS SEVERAL NORMATIVE ACTS (REGULATIONS), AND SAKHALIN INVESTORS ARE SUFFERING DELAYS IN DRILLING IMPOSED BY WEATHER-RELATED LIMITS ON THE DRILLING SEASON WHILE THE GOR FAILS TO RESOLVE THIS ISSUE. AS FOR CPC, WHICH IS BUILDING A PIPELINE FROM KAZAKHSTAN'S GIANT TENGIZ OILFIELD TO THE RUSSIAN PORT CITY OF NOVOROSIYSK, THE PROJECT IS LARGELY ON SCHEDULE TO SHIP ITS FIRST OIL IN THE SUMMER OF 2001. THE U.S. HAS LONG SUPPORTED CPC AS THE LARGEST U.S. INVESTMENT IN RUSSIA, AN EXAMPLE OF U.S.-RUSSIA CORPORATE PARTNERSHIP, AND AS A MANIFESTATION OF THE INCLUSION OF RUSSIA IN THE U.S. VISION OF AN EAST-WEST ENERGY CORRIDOR TO MOVE CASPIAN HYDROCARBONS TO WORLD MARKETS.

5. (U) IN THE ABSENCE OF A PSA REGIME, MOST COMPANIES HAVE LIMITED THEIR INVESTMENT TO JOINT VENTURES (JV), NEARLY ALL OF WHICH HAVE BEEN HINDERED BY THE UNCERTAINTIES OF RUSSIAN LAW AND POLITICS. CONOCO IS DEVELOPING THE ARDALIN FIELD IN NENETS OKRUG UNDER THE POLAR LIGHTS JV, BUT THIS PROJECT IS PLAGUED BY LEGAL CHALLENGES FROM LOCAL OFFICIALS. OCCIDENTAL AND SEVERAL SMALLER COMPANIES ARE PRODUCING CRUDE UNDER SEPARATE JVS THAT OFTEN FALL VICTIM TO ADMINISTRATIVE AND LEGAL PROBLEMS. TEXACO IS CLINGING TO THE HOPE OF PARTICIPATING IN A PSA FOR THE TIMAN PECHORA COMPANY TO DEVELOP LARGE OILFIELDS IN THE KOMI REGION, BUT TPC HAS SUFFERED NUMEROUS SETBACKS IN RECENT YEARS, INCLUDING LEGAL AND ADMINISTRATIVE DELAYS. TEXACO IS ALSO EMBROILED IN A LAWSUIT IN THE INTERNATIONAL COURT OF ARBITRATION IN STOCKHOLM TO COLLECT PAYMENT FROM SIBNEFT FOR A JV DATING FROM THE EARLY 1990S. TEXACO AND CHEVRON HAVE EACH PAIRED WITH RUSSIAN OIL COMPANIES

JNCLAS SECTION 02 OF 02 MOSCOW 000014

STATE FOR S/NIS, S/NISC, EUR/RUS, EB/ESC, S/CBED

WHITE HOUSE FOR OVP/FUERTH, NSC/MEDISH

JSDOC FOR 1000/ITA/JKALICKI

USDOC ALSO FOR 4231/IEP/EUR/OEERIS/RISD/JBROUGHER
DOE FOR GOLDWYN/HUGHES/EKIMOFF/MALLOY/COBURN/FARIELLO
LONDON FOR USREP EBRD

SENSITIVE

E.O. 12958: N/A

TAGS: EPET, ENRG, ETRD, RS

SUBJECT: SNAPSHOT 73: MAJOR U.S. INVESTMENTS IN THE
OIL AND GAS SECTOR

TO MARKET REFINED PRODUCTS. MARATHON, PHILIPS, AND
ANADARKO, AS WELL AS THE U.S. MAJOR OIL COMPANIES, ARE
SEARCHING FOR FURTHER UPSTREAM PROJECTS. HALLIBURTON
HAS A STRONG RELATIONSHIP WITH TNK BACKED BY U.S. EXIM
LOANS TO REFURBISH WELLS IN THE SAMOTLOR FIELD, THE
NATION'S LARGEST, AND HOPES TO ALSO WORK WITH SIBNEFT
AND YUKOS. OTHER U.S. OILFIELD SERVICE FIRMS ARE HERE
AS WELL.

6. (U) THERE ARE NO SIGNIFICANT PROJECTS INVOLVING
U.S. COMPANIES IN THE GAS OR ELECTRICITY SECTOR,
LARGELY BECAUSE THESE SECTORS REMAIN CONTROLLED BY
STATE-RUN MONOPOLIES (GAZPROM AND UES, RESPECTIVELY).
WE EXPECT U.S. FIRMS AES (WHICH MAINTAINS AN OFFICE
HERE) AND ENRON, UTILITY COMPANIES, AND THE OIL/GAS
MAJORS TO CLOSELY FOLLOW UES AND GAZPROM RESTRUCTURING
DEVELOPMENTS.

7. (SBU) THE FUTURE OF U.S. INVESTMENT IN RUSSIAN
ENERGY PROJECTS DEPENDS MORE ON RUSSIA THAN ON THE U.S.
A PSA REGIME ACCEPTABLE TO INDUSTRY SHOULD REMAIN A GOR
PRIORITY. THE GOR AND RUSSIAN INDUSTRY IN TANDEM WILL
NEED TO IMPROVE RUSSIA'S REPUTATION FOR HONORING THE
SANCTITY OF CONTRACTS AND OBSERVING THE RULE OF LAW.
THE GOR NEEDS TO MANAGE THE LIBERALIZATION OF DOMESTIC
ENERGY PRICES TO GENERATE INVESTMENT IN NON-EXPORT
PROJECTS. FINALLY, THE GOR WILL NEED TO DEMONSTRATE
MORE EMPHATICALLY THAT IT RECOGNIZES INVESTOR CONCERNS
ABOUT STREAMLINING THE BUREAUCRACY.

ORDWAY

BT

#0014

8318

NNNN

<Msg> MSG000599841200

Porter, Alicia

From: Washington, Charles
Sent: Wednesday, September 27, 2000 1:16 PM
To: Fariello, Theresa; Brodman, John; Person, George
Subject: POST SUPPORTS OPIC INSURANCE FOR ENRON NIGERIA BARGE POWER PROJECT

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UNCLAS LAGOS 003004
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SENSITIVE
E.O. 12958: N/A

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SUBJECT: POST SUPPORTS OPIC INSURANCE FOR ENRON NIGERIA
BARGE POWER PROJECT

<References>
REF: (A) LAGOS 2127 (B) SWILLIAMS/AMEMBASSY FAX: 9/7/00

<Summary>
1. (SBU) SUMMARY: REF B REQUESTED POST TO PROVIDE A
RECOMMENDATION TO OPIC REGARDING POLITICAL RISK
INSURANCE FOR THE LAGOS EMERGENCY POWER BARGE PROJECT,
IMPLEMENTED BY ENRON. IN LIGHT OF THE IMPORTANCE OF THIS
PROJECT TO NIGERIA AND THE POTENTIAL IMPACT OF ITS
SUCCESSFUL COMPLETION ON NIGERIA'S POWER SUPPLY, POST
RECOMMENDS THAT OPIC ISSUE THE APPLICABLE INSURANCE. END
SUMMARY

2. (U) EMBASSY OFFICERS FIRST BECAME INVOLVED WITH THIS
PROJECT IN JANUARY 2000 WHEN ENRON'S CONTRACT WITH THE
NATIONAL ELECTRIC POWER AUTHORITY (NEPA) WAS BEING
RENEGOTIATED WITH THE GOVT.OF NIGERIA (GON). IN JUNE AN
AMENDMENT WAS SIGNED TO THE EXISTING CONTRACT, DETAILING
TWO PHASES OF POWER GENERATION FOR LAGOS STATE. THE
FIRST PHASE ENTAILS THE SUPPLY OF POWER TO LAGOS STATE
AND THE REGION BY UTILIZING 9 BARGE-MOUNTED NATURAL GAS

GENERATORS. THE SECOND PHASE IS THE CONSTRUCTION OF A GAS-POWERED INDEPENDENT POWER PLANT (IPP). POST'S UNDERSTANDING IS THAT ALL AGREEMENTS ARE IN PLACE FOR THE EMERGENCY POWER PHASE, WHILE DETAILS OF THE IPP ARE STILL BEING FINALIZED.

3. (U) THIS PROJECT IS A MAJOR COMPONENT OF AN OVERALL POWER REHABILITATION PROGRAM INSTITUTED BY THE OBASANJO ADMINISTRATION TO SOLVE A NATIONWIDE POWER CRISIS. THE CURRENT UNRELIABILITY OF EXISTING POWER PLANTS CONSTRAINS NIGERIA'S ECONOMIC DEVELOPMENT AND NEGATIVELY AFFECTS THE BASIC QUALITY OF LIFE FOR ITS CITIZENS. SECONDLY, BOTH PROJECTS, THE EMERGENCY POWER BARGES AND THE IPP, WILL UTILIZE NATURAL GAS AS AN ENERGY SOURCE. NIGERIA CURRENTLY FLARES 75% OF ITS NATURAL GAS AS A BY-PRODUCT OF OIL PRODUCTION; THE UTILIZATION OF THIS WASTED RESOURCE IS NOT ONLY MORE COST-EFFECTIVE AND ENVIRONMENTALLY FRIENDLY, BUT ALSO POLITICALLY ADVANTAGEOUS.

4. (SBU) WE ALSO NOTE THAT THE ENRON POWER BARGE PROJECT IS A JOINT VENTURE WITH A WELL-KNOWN NIGERIAN COMPANY, THE YINKA FOLAWIYO GROUP. THIS TRADING COMPANY HAS BEEN IN BUSINESS FOR A NUMBER OF YEARS, POSSESSES A GOOD REPUTATION, AND IS NOT KNOWN TO BE ALIGNED TO A SPECIFIC POLITICAL PARTY. IN NIGERIA, POLITICAL NECESSITY DICTATES THAT SIGNIFICANT BUSINESS VENTURES INVOLVE INDIGENOUS COMPANIES. THE FACT THAT THE ENRON PROJECT IS A JOINT-VENTURE WITH A REPUTABLE NIGERIAN COMPANY, THAT THEY PLAN TO HIRE AND TRAIN NIGERIAN ENGINEERS AND STAFF, AND THAT ANY ADDITIONAL POWER GENERATION WOULD BE WELCOMED BY THE PUBLIC, IMPLIES THAT THERE WOULD BE SUBSTANTIAL PUBLIC SUPPORT FOR THIS PROJECT.

5. (SBU) THE ONLY NEGATIVE PUBLIC REACTION TO THE PROJECT POST HAS OBSERVED TO DATE OCCURRED DURING THE CONTRACT RENEGOTIATION STAGE AND WAS THE RESULT OF ASSOCIATED POLITICAL INFIGHTING AMONG VARIOUS NIGERIAN OFFICIALS AND BETWEEN THE FEDERAL AND LAGOS STATE GOVERNMENTS -- INFIGHTING TYPICAL DURING BUSINESS NEGOTIATIONS IN NIGERIA WHEN VARIOUS LEVELS OF GOVERNMENT ARE INVOLVED.

6. (SBU) CONCLUSION: POST BELIEVES THAT IT IS IN THE INTEREST OF THE USG TO FULLY SUPPORT THIS PROJECT WHICH WILL HAVE A VERY POSITIVE IMPACT ON NIGERIA OVERALL BY PROVIDING A RELIABLE BASELOAD POWER SOURCE FOR LAGOS STATE AND THE REGION. WE ALSO FEEL THE ENRON NIGERIA BARGE PROJECT WILL NOT ONLY AID IN NIGERIA'S ECONOMIC DEVELOPMENT AND POLITICAL STABILITY, BUT ALSO HOPEFULLY SPUR OTHER INVESTMENT IN THE COUNTRY AND LEAD TO A FURTHER STRENGTHENING OF OUR BILATERAL RELATIONS.

SERPA

2

UNCLASSIFIED

BT

#3004

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NNNN

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Porter, Alicia

From: Washington, Charles
Sent: Wednesday, October 25, 2000 11:59 AM
To: Goldwyn, David
Cc: Coburn, Leonard; Willis, Matthew; Gilliard, Emma
Subject: VISIT DOE A/S GOLDWYN TO CHINA

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RUEHHK/AMCONSUL HONG KONG 1107
RUEHIN/AIT TAIPEI 5481

BT
UNCLAS SECTION 01 OF 04 BEIJING 010617
WHITE HOUSE FOR OSTP AND OVP-OSIUS
JSDOC FOR TD/BASIC INDUSTRY/OFFICE OF ENERGY
JSDOC FOR ITA/MAC/AP/CHINA/4420
E.O. 12958: N/A

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TAGS: ENRG, TRGY, SENV, ETRD, EINV, BTIO, CH
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SUBJECT: VISIT DOE A/S GOLDWYN TO CHINA: BILATERAL
COOPERATION, AND U.S. FIRMS IN CHINA'S ENERGY SECTOR

<Summary>
1. SUMMARY: USDOE A/S DAVID GOLDWYN MET WITH CHINESE
COUNTERPARTS IN BEIJING OCTOBER 12 TO PUSH FORWARD
BILATERAL ENERGY TECHNOLOGY COOPERATION, SUPPORT U.S.
COMMERCIAL INTERESTS IN THE ENERGY AREA AND ELICIT
DETAILS ON THE 10TH FIVE-YEAR PLAN AND THE GREAT WESTERN
DEVELOPMENT STRATEGY. GOLDWYN ALSO MET WITH
REPRESENTATIVES OF U.S. ENERGY FIRMS, WHO STRESSED THE
IMPORTANCE OF REGULATORY REFORM FOR CHINA'S ENERGY

SECTOR, AND SPOKE WITH A SINGAPORE-BASED TRADE PUBLICATION. CHINESE INTERLOCUTORS SHED LITTLE NEW LIGHT ON THEIR DEVELOPMENT PLANS. ON THE BILATERAL COOPERATION FRONT, SEVERAL PROJECTS ARE HUNG UP IN BUREAUCRATIC LIMBO, AND IT APPEARS UNLIKELY THAT ALL FIVE ANNEXES UNDER THE NEW FOSSIL ENERGY PROTOCOL WILL

BE READY FOR SIGNATURE THIS YEAR. END SUMMARY.

2. DAVID GOLDWYN, ASSISTANT SECRETARY OF ENERGY FOR INTERNATIONAL ACTIVITIES, AND ROBERT PRICE, DIRECTOR OF DOE'S OFFICE OF SCIENCE AND TECHNOLOGY COOPERATION, VISITED BEIJING OCTOBER 11-12 TO SPEAK AT A HIGH-LEVEL INTERNATIONAL CONFERENCE ON CHINA ENERGY AND WESTERN DEVELOPMENT AND TO DISCUSS BILATERAL ISSUES WITH CHINESE COUNTERPARTS. GOLDWYN MET WITH STATE DEVELOPMENT PLANNING COMMISSION (SDPC) VICE CHAIRMAN LI ZIBIN ON THE MARGINS OF THE CONFERENCE OCTOBER 12. HE AND PRICE ALSO VISITED THE MINISTRY OF SCIENCE AND TECHNOLOGY (MOST) THAT AFTERNOON AND HAD DINNER WITH U.S. INDUSTRY REPRESENTATIVES THAT EVENING.

FIVE-YEAR PLAN, WESTERN DEVELOPMENT, AND CHINA'S REGULATORY AND INVESTMENT ENVIRONMENT

3. GOLDWYN OPENED HIS MEETING WITH LI ZIBIN BY EXPLAINING THAT, BY SENDING GOLDWYN TO CHINA TO JOIN THE SEMINAR, SECRETARY RICHARDSON WANTED TO SHOW SUPPORT FOR THE WESTERN DEVELOPMENT INITIATIVE. GOLDWYN SAID HE HOPED TO LEARN ABOUT THE 10TH FIVE-YEAR PLAN, AND IN PARTICULAR WHETHER THERE WILL BE ANY NEW INCENTIVES FOR FOREIGN INVESTMENT AND PARTICIPATION. GOLDWYN STRESSED THE IMPORTANCE OF COMPETITIVE RATES OF RETURN, AND TRANSPARENT ACCESS TO GEOLOGIC DATA, AS CRITICAL TO ENCOURAGING INVESTMENT IN CHINA'S ENERGY SECTOR. LI REPLIED THAT POWER AND ENERGY PROJECTS WILL PLAY AN IMPORTANT PART IN BOTH THE WESTERN DEVELOPMENT INITIATIVE AND THE 10TH FIVE-YEAR PLAN, AND FOREIGN INVESTMENT WILL BE ENCOURAGED, INCLUDING USING TAX CREDITS OF UP TO 15% FOR PROJECTS APPROVED BY MOFTEC. SOME EQUIPMENT WILL ALSO BE ALLOWED TO BE IMPORTED TARIFF-FREE. LI RECOMMENDED THAT THE U.S. TAKE A GOOD LOOK AT THE SPEECH OF TRADE MINISTER SHI AT THE RECENT INVESTMENT SEMINAR IN XIAMEN, IN ORDER TO GET A CLEARER IDEA OF CHINESE PLANS FOR INVESTMENT INCENTIVES.

4. CONCERNING NATURAL GAS, GOLDWYN PRAISED CHINA'S AMBITIOUS PLANS, BUT AGAIN UNDERLINED THE NEED FOR A TRANSPARENT, STABLE REGULATORY ENVIRONMENT. THIS SHOULD INCLUDE A SOUND LEGAL AND POLICY FRAMEWORK, AS WELL AS THE REMOVAL OF SUBSIDIES FOR OTHER FUELS. THE PRESS IS DISCUSSING HAVING PRIVATE FIRMS AND STATE-OWNED ENTERPRISES (SOE'S) COMPETE DIRECTLY IN THE ENERGY SECTOR, GOLDWYN NOTED. IN THAT CASE, IT WOULD BE IMPORTANT THAT SOE'S NO LONG RETAIN THEIR REGULATORY ROLE. LI REPLIED THAT NATURAL GAS WILL BE IMPORTANT IN THE WESTERN DEVELOPMENT PROGRAM. CHINA'S LEGAL FRAMEWORK IS BEING REFORMED TO INCREASE TRANSPARENCY, INCLUDING RULES THAT WILL ACCOMPANY THE NEW FIVE-YEAR PLAN. AS FOR SUBSIDIES, LI NOTED THAT CHINA WILL SOON BE SUBJECT TO WTO RULES.

5. NOTING THE COOPERATION TO DATE BETWEEN CHINA AND THE UNITED STATES ON RENEWABLE ENERGY, GOLDWYN SAID THAT HE HOPES THE U.S. AND CHINA CAN WORK TOGETHER IN THIS AREA IN THE CONTEXT OF THE WESTERN DEVELOPMENT INITIATIVE AND THE 10TH FIVE-YEAR PLAN. TO PROMOTE THE USE OF RENEWABLES, GOLDWYN NOTED THAT IT WOULD BE IMPORTANT TO LOWER CHINA'S VALUE-ADDED TAX, SIMPLIFY PROJECT

UNCLAS SECTION 02 OF 04 BEIJING 010617

WHITE HOUSE FOR OSTP AND OVP-OSIUS
USDOC FOR TD/BASIC INDUSTRY/OFFICE OF ENERGY
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E.O. 12958: N/A

TAGS: ENRG, TRGY, SENV, ETRD, EINV, BTIO, CH
SUBJECT: VISIT DOE A/S GOLDWYN TO CHINA: BILATERAL
COOPERATION, AND U.S. FIRMS IN CHINA'S ENERGY SECTOR
APPROVAL, ALLOW INDEPENDENT POWER PRODUCERS, AND MAKE
LIBERAL USE OF TAX CREDITS AND OTHER INCENTIVES. IN
THIS AREA, LI EXPLAINED THAT A NUMBER OF GROUPS IN CHINA
ARE ACTIVE, INCLUDING IN SOLAR, WIND, AND GEOTHERMAL
POWER. ALL THESE RENEWABLE ENERGY SOURCES WILL PLAY A
ROLE IN THE WESTERN DEVELOPMENT INITIATIVE, LI SAID,
ADDING THAT HE HOPES THE U.S. WILL WORK WITH CHINA IN
THIS AREA, SINCE CHINESE TECHNOLOGY IS NOT VERY FAR
DEVELOPED.

6. GOLDWYN ALSO EXPRESSED HIS HOPE THAT THE U.S. AND
CHINA CAN MAKE PROGRESS ON THE CLEAN DEVELOPMENT
MECHANISM IN ADVANCE OF THE COP-6 CLIMATE CHANGE TALKS
IN THE HAGUE IN NOVEMBER. THIS IS A COMPLEX ISSUE,
GOLDWYN NOTED, BUT ONE THAT POTENTIALLY COULD BE VERY
PROFITABLE FOR CHINA.

7. OFFICIALS AT MOST SAID PRIORITIES FOR THE 10TH FIVE-
YEAR PLAN WOULD INCLUDE CLEAN COAL TECHNOLOGY, ADVANCED
POWER SYSTEMS, COAL LIQUEFACTION AND GASIFICATION, AND
DESULFURIZATION/DE-NOX TECHNOLOGY. THEY SAID CHINA
HOPED TO BUILD A 300-400 MW INTEGRATED GASIFICATION
COMBINED CYCLE (IGCC) POWER PLANT IN YANTAI DURING THE
PLAN PERIOD, AS WELL AS A 200 MW CIRCULATING FLUIDIZED
BED (CFBC) PLANT USING LOCALIZED TECHNOLOGY. ON COAL
LIQUEFACTION, THE MOST OFFICIALS SAID A PRE-FEASIBILITY
STUDY HAD BEEN COMPLETED WITH A U.S. FIRM AND THEY WERE
COMPARING U.S., JAPANESE AND GERMAN TECHNOLOGIES.
SHENHUA GROUP HOPES TO BUILD A COMMERCIAL-SCALE
DEMONSTRATION PLANT DURING THE 10TH FIVE-YEAR PLAN.

COMMERCIAL ADVOCACY

8. GOLDWYN PASSED LI A COPY OF A RECENT GORE-ZHU LETTER
MENTIONING THE PLANNED LIQUEFIED PETROLEUM GAS (LNG)
TERMINAL IN GUANGDONG PROVINCE, URGED LI ZIBIN TO GIVE
FAVORABLE CONSIDERATION TO U.S. FIRMS COMPETING FOR THE
CONTRACT TO BUILD THE TERMINAL. LI REPLIED THAT CHINA
HAD RECEIVED HIGH-LEVEL LOBBYING PITCHES FROM FRANCE AND
AUSTRALIA FOR THIS PROJECT, BUT ALSO NOTED THE PROJECT
PARTNER WOULD BE CHOSEN VIA AN OPEN, MARKET-BASED
COMPETITION. HE SAID ALL COMPETITORS HAD GOOD
TECHNOLOGY, SO THE DECISION WOULD LIKELY COME DOWN TO
PRICE AND STABILITY OF SUPPLY.

9. GOLDWYN ALSO ADVOCATED ON BEHALF OF UNOCAL, WHICH IS
SEEKING TO DEVELOP AN OIL AND GAS PROJECT IN XIHU TRENCH
IN THE EAST CHINA SEA. GOLDWYN NOTED THAT UNOCAL HAS
THE EXPERIENCE AND THE RIGHT KIND OF TECHNOLOGY FOR THIS
COMPLEX GEOLOGIC AREA. GOLDWYN ADDED THAT THE U.S.
HOPES CHINA WILL SETTLE ON A SINGLE OPERATOR, AND WILL
KEEP THE ENTIRE OIL AND GAS FIELD AS A SINGLE PROJECT.
HE ASKED IF THE DEBATE OVER WHETHER SINOPEC OR CNOOC
SHOULD BE THE CHINESE PARTNER HAD BEEN SETTLED, AND LI
ZIBIN OPINED THAT IT SHOULD BE CNOOC, SINCE THE SITE IS
OFFSHORE. LI ALSO ACKNOWLEDGED THAT THE U.S. HAS STRONG
TECHNOLOGY IN THIS FIELD.

10. CONCERNING THE PROPOSED WEST-EAST GAS PIPELINE
PROJECT, GOLDWYN EXPLAINED THAT U.S. FIRMS ARE
TECHNOLOGY LEADERS, AND EAGER TO PARTICIPATE. LI NOTED
THAT THE ESTIMATED INVESTMENT IN THE PIPELINE ITSELF
WOULD BE 40 BILLION RMB (\$5 BILLION), AND FOR THE
DOWNSTREAM FACILITIES WOULD BE 80 BILLION RMB (\$10

BILLION) -- ALL OF WHICH WOULD BE OPEN TO FOREIGN INVESTORS. THE GOVERNMENT HAS CONFIRMED CUSTOMERS THAT CAN USE AT LEAST 6.5 BILLION CUBIC METERS OUT OF THE PLANNED 12 BILLION CUBIC METER CAPACITY, MAKING THE PROJECT "ALMOST RISK FREE," LI SAID. THE GOVERNMENT IS ALSO WILLING TO APPROVE A GAS PURCHASE AGREEMENT FORM OF PROJECT STRUCTURE IN ORDER TO ENCOURAGE INVESTMENT. THE GOVERNMENT HOPES TO IDENTIFY A PARTNER, AND RUSH TO A PROJECT FEASIBILITY STUDY, IN ORDER TO COMPLETE THE PROJECT WITHIN THE SPAN OF THE 10TH FIVE-YEAR PLAN (I.E., BY 2006). IN ADDITION TO THE MAIN XINJIANG-SHANGHAI TRUNK LINE, GAS PIPELINES FROM CHONGQING TO UNCLAS SECTION 03 OF 04 BEIJING 010617

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E.O. 12958: N/A

TAGS: ENRG, TRGY, SENV, ETRD, EINV, BTIO, CH
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WUHAN, QINGHAI TO LANZHOU, AND SHANXI TO HOHHOT ARE ALSO PLANNED.

11. FINALLY, CONCERNING NUCLEAR POWER PROJECT OPPORTUNITIES, GOLDWYN EMPHASIZED THAT U.S. FIRMS HAVE GOOD TECHNOLOGY, AND ARE SOLID PARTNERS WHO UNDERSTAND THE IMPORTANCE OF TECHNOLOGY TRANSFER. HE ALSO NOTED THAT GOOD PROGRESS HAS BEEN MADE OF LATE ON IRONING OUT BUREAUCRATIC ISSUES RELATED TO NUCLEAR SAFEGUARDS. LI REPLIED THAT CHINA IS "STILL CONSIDERING THE ROLE OF NUCLEAR POWER IN THE 10TH FIVE-YEAR PLAN," BUT SINCE NUCLEAR POWER, HYDROELECTRIC POWER, AND GAS ARE ALL RELATIVELY CLEAN ENERGY, NUCLEAR IS LIKELY TO BE INCLUDED. LI SAID HE IS AWARE THAT U.S. FIRMS ARE INTERESTED IN PARTICIPATING.

FOSSIL ENERGY PROTOCOL

12. AT MOST, GOLDWYN AND PRICE MET WITH XU JING, DIRECTOR OF THE ENERGY AND TRANSPORTATION DIVISION, AND MA LINING, HEAD OF THE BILATERAL COOPERATION DIVISION. GOLDWYN ASKED ABOUT THE STATUS OF THE FIVE ANNEXES UNDER THE FOSSIL ENERGY PROTOCOL SIGNED BETWEEN DOE AND MOST IN APRIL AND HOPED THEY COULD ALL BE READY FOR SIGNATURE BY THE END OF THIS YEAR.

13. XU SAID THAT THE TEXT ON ENERGY AND THE ENVIRONMENT (ANNEX IV) WAS READY FOR SIGNATURE AND THAT SHI DINGHUAN, DIRECTOR GENERAL OF MOST'S DEPARTMENT OF HIGH-TECH INDUSTRIALIZATION, COULD SIGN IT WHEN HE VISITED WASHINGTON IN DECEMBER FOR MEETINGS UNDER THE CIVIL ENGINEERING PROTOCOL WITH USDOC. THE TEXT ON POWER SYSTEMS (ANNEX I) IS ALSO READY TO GO.

14. ON THE CLEAN FUELS ANNEX (ANNEX II), XU SAID MOST WAS STILL AWAITING A RESPONSE FROM SDPC, WHICH IS TO BE THE SIGNATORY FOR THAT ANNEX. HE SAID THERE HAD BEEN SOME PERSONNEL CHANGES IN THE RESPONSIBLE OFFICE AT SDPC. GOLDWYN OFFERED TO WRITE TO ZHANG GUOBAO, VICE CHAIRMAN OF SDPC, TO ENCOURAGE A REPLY. XU ASKED DOE TO HOLD OFF UNTIL HE HAD HAD AN ADEQUATE CHANCE TO WORK THE MATTER OUT WITH SDPC DIRECTLY. (EARLIER, WITH SDPC VICE MINISTER LI ZIBIN, GOLDWYN EXPRESSED THE U.S. HOPE THAT THE CLEAN FUELS ANNEX CAN BE COMPLETED BY THE END OF THIS YEAR.)

15. ON THE OIL AND GAS ANNEX (ANNEX III), XU SAID THE CHINESE SIDE HAD SOME SPECIFIC PROPOSALS. BUT HE SAID THAT CHINA'S GOVERNMENT REORGANIZATION HAD BLURRED RESPONSIBILITIES IN THIS AREA AND THAT THE PROPOSED SIGNATORY FOR THE ANNEX WAS AWAITING INSTRUCTIONS.

16. FINALLY, ON CLIMATE SCIENCE (ANNEX V), XU SAID THE CHINESE ACADEMY OF SCIENCES AND THE CHINA METEOROLOGICAL ADMINISTRATION COULD NOT AGREE AMONG THEM WHICH ORGANIZATION SHOULD SIGN THE ANNEX.

17. XU SAID HE WOULD DISCUSS DETAILED PLANS AND BUDGETS FOR THE PROPOSED SYMPOSIUM/TRADE SHOW ON CLEAN ENERGY/CARBON MANAGEMENT WITH DOE/FE'S DR. SUN CHUN NEXT MONTH. HE SAID TWO WORK TEAMS HAD BEEN FORMED TO PLAN THE EVENT, TENTATIVELY SCHEDULED FOR NEXT AUGUST. XU SAID HE HOPED THE TRADE EXHIBIT WOULD INCLUDE RENEWABLE TECHNOLOGIES -- SOLAR, PHOTOVOLTAIC, WIND AND GEOTHERMAL -- AS WELL AS FOSSIL TECHNOLOGIES.

ENERGY EFFICIENT BUILDINGS

18. GOLDWYN TOLD THE MOST OFFICIALS THAT BUDGETARY ISSUES AND TARIFF/TAX TREATMENT MATTERS WOULD HAVE TO BE WORKED OUT BEFORE DOE COULD SIGN THE PROPOSED ENERGY EFFICIENT BUILDINGS DEMONSTRATION PROJECT AGREEMENT WITH CHINA. MA AND XU SAID THAT THE USG NEEDS TO DISCUSS THOSE ISSUES DIRECTLY WITH WANG WEIZHONG OF THE UNCLAS SECTION 04 OF 04 BEIJING 010617 WHITE HOUSE FOR OSTP AND OVP-OSIUS USDOC FOR TD/BASIC INDUSTRY/OFFICE OF ENERGY USDOC FOR ITA/MAC/AP/CHINA/4420

E.O. 12958: N/A

TAGS: ENRG, TRGY, SENV, ETRD, EINV, BTIO, CH

SUBJECT: VISIT DOE A/S GOLDWYN TO CHINA: BILATERAL COOPERATION, AND U.S. FIRMS IN CHINA'S ENERGY SECTOR ADMINISTRATIVE CENTER FOR CHINA'S AGENDA 21. EMBASSY EST SECTION WILL FOLLOW UP.

OTHER COOPERATION AREAS

19. XU JING OF MOST SAID THE 10TH FIVE-YEAR PLAN WOULD INCLUDE A CLEAN ENERGY ACTION PROGRAM INVOLVING 15 CITIES. THE CITIES WILL PREPARE STRATEGIC PLANS FOR REDUCING COAL POLLUTION, AND MOST WILL PROVIDE SUPPORT TO LOCAL DEMONSTRATION PROJECTS. GOLDWYN SUGGESTED THAT THIS PROGRAM MIGHT DOVETAIL WITH DOE'S CLEAN CITIES PROGRAM. HE ALSO SUGGESTED DOE'S ROADMAPPING PROCESS MIGHT BE USEFUL TO CHINA. XU SAID HE WAS FOLLOWING U.S. RESEARCH ON VISION 21 VIA THE INTERNET.

DINNER WITH U.S. ENERGY FIRMS

20. OVER DINNER OCTOBER 12, REPRESENTATIVES OF UNOCAL, EXXONMOBIL, ENRON, PHILLIPS AND APEX (A LOCAL SERVICES AND CONSULTING FIRM) VENTED THEIR FRUSTRATIONS OVER THE OBSTACLES TO DOING BUSINESS IN CHINA. COMMON COMPLAINTS INCLUDED:

- OPAQUE REGULATORY AND LICENSING PROCEDURES;
- MONOPOLY SUPPLIERS/PURCHASERS/SERVICE PROVIDERS, OFTEN WITH TIES TO THE GOVERNMENT;
- DIFFICULTY OBTAINING DATA;
- INABILITY TO GET INTO UPSTREAM GAS OPERATIONS;
- CHINESE COMPETITORS/PURCHASERS WHO ALSO WIELD REGULATORY AUTHORITY.

21. THE BUSINESS EXECUTIVES URGED THE USG TO CONTINUE TO PUSH CHINA TO ADOPT MORE TRANSPARENT, MARKET-FRIENDLY RULES AND PROCEDURES IN ACCORDANCE WITH INTERNATIONAL PRACTICES.

COMMENT

22. THE CONCERNS OF U.S. ENERGY FIRMS, AS WELL AS THE CONTINUING DIFFICULTY OF IMPLEMENTING COOPERATIVE

BILATERAL PROGRAMS, UNDERLINE THE IMPORTANCE OF
CONTINUING, OR FINDING A ROBUST SUCCESSOR MECHANISM FOR,
THE ENVIRONMENT AND DEVELOPMENT FORUM WHICH HAS SERVED
US WELL UNDER THE CLINTON ADMINISTRATION.

PRUEHER

BT

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Department of Energy

Washington, DC 20585

MAR 22 2001

Relevant

Mr. E. Joseph Hillings
Energy Services Coalition
1775 Eye Street NW
Suite 800
Washington, D.C. 20006

Dear Mr. Hillings: *Joe*

In response to your letter of February 21, 2001, to Secretary Abraham, I am pleased to inform you that Lana Ekimoff and Pamela Cochran from the Office of International Affairs are now working with Harvetta Asamoah on the energy services section of the General Agreement on Trade and Services as well as other energy related trade issues. Mr. Henry Santiago's vast experience will be missed with his retirement, but we are confident that the team including Lana Ekimoff, Pam Cochran, and Harvetta Asamoah will provide the technical support needed and sought by the Office of the U.S. Trade Representative in its trade negotiations.

The liberalization of the energy services sector is a priority energy trade issue. The Department is working in the bilateral and multilateral fora to encourage the adoption of transparent, efficient and fair regulatory regimes that will enhance trade and investment in development of energy globally. We look forward to continuing our successful cooperation with the Energy Services Coalition to achieve this goal.

Sincerely,

David L. Pumphrey
Acting Director
Office of International Affairs

Folder Profile

Control # 2001-004911

Name Letter to Secretary Spencer Abraham from Joe Hilings & Do

Priority Important Critical

Folder Trigger Letter

DOE Addressee

Spencer Abraham

Source PM-O

Date Received 2/21/01

Subject Text

Urging DOE to maintain a strong level of commitment to the energy services negotiations by providing a full complement of Departmental support

Correspondence Date 2/21/01

RIDS Information Head of Agency

Sensitivity Not Applicable

Action Office #

Classification None

Signature/Approval

IA

Point of Contact SEISERP

Organization ID EXECCORR2

Action Requested

Prepare Response

Assigned To

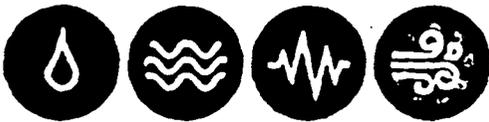
IA

Date Due 3/14/01

Special Instructions

Info copy: GC

Date Completed



Energy Services COALITION

Chairman

E. JOSEPH HILLINGS,
ENRON

DONALD A. DELINE,
HALLIBURTON

Executive Members

CHRISTINA M. BOLTON,
CAPITOL STRATEGIES

CHRIS LONG,
ENRON

BRIAN PETTY,
INTERNATIONAL ASSOCIATION
OF DRILLING CONTRACTORS

TIMOTHY J. RICHARDS,
GENERAL ELECTRIC

1775 Eye Street, Suite 800
Washington, D.C. 20006
T (202) 828-3388
F (202) 828-3372

February 21, 2001

The Honorable Spencer Abraham
Secretary
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Mr. Secretary:

The Energy Services Coalition (ESC) is a coalition of almost 60 companies and trade associations whose goal is to promote the global liberalization of energy services. A membership list is attached. We are working closely with the Department of Energy, the Office of the US Trade Representative, and the Department of Commerce to achieve this end in the services negotiations underway in the World Trade Organization and in ongoing bilateral and regional negotiations such as those involving Chile and the Free Trade Area of the Americas.

We are writing to urge that the Energy Department maintain its strong level of commitment to these negotiations. The Department plays a central role as energy advisor to the U.S. delegation providing practical expertise about the energy industry to our trade negotiators as well as energy specific trade advice. Two Energy Department employees in particular - Mr. Pablo Santiago and Ms. Harvetta Asamoah - have done an excellent job in providing the staff-level input needed for these negotiations. Unfortunately, Mr. Santiago recently retired, leaving a void in the critical advisory role played by the Energy Department.

The ESC asks you and your staff to find someone with the same level of practical expertise in the energy sector and trade policy experience as Mr. Santiago and assign that person to assist the U.S. energy services negotiating team, in addition to continuing the able support provided by Ms. Asamoah. The U.S. energy services negotiating team needs a full complement of support from the Energy Department.

Time is short. The U.S. WTO negotiating team is due to return to Geneva at the end of March. Negotiators for the U.S.-Chile free trade agreement also are scheduled to meet at the same time.

The United States has made energy services liberalization one of its priorities in the current round of trade negotiations. The annual global market for our companies is estimated at somewhere between \$600 billion to over \$1 trillion. All

004911

B

The Honorable Spencer Abraham
February 21, 2001
Page Two

nations need access to the energy services that will allow them to develop and use energy resources in the most efficient and cost-effective manner. We can achieve our goal of opening global energy services markets if we continue to receive the strong support of the Energy Department and other U.S. agencies.

Respectfully yours,



Joe Hillings
Co-Chairman



Don Deline
Co-Chairman

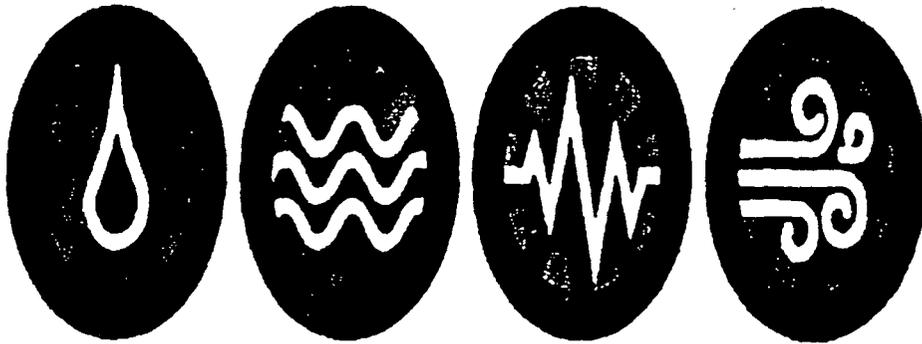
Encl.

Membership of the Energy Services Coalition as of: 2/21/01

ABB
American Consulting Engineers Council
American Wind Energy Association
American Petroleum Institute
ARCO
Baker Hughes, Inc.
BP AMOCO Corporation
Business Council for Sustainable Energy
CG/LA Infrastructure
Capitol Strategies
The Chevron Companies
CMS Energy
Coalition of Service Industries (CSI)
Covoco
Domestic Petroleum Council
Duke Energy
Edison Electric Institute
EDS
Electric Power Supply Association (EPSA)
El Paso Energy
Emerson Electric Co.
ENERX Development
Enron
Energy Wholesale
Environmental Export Council
EPRI
European American Business Council (EABC)
Export Council for Energy Efficiency
Exxon-Mobil
EZ Solutions, Inc.
Duke Energy
General Electric
Halliburton Company
Honeywell
International Association of Drilling Contractors (IADC)
Interstate Natural Gas Association of America (INGAA)
International Gas Center
Independent Petroleum Association of America (IPAA)
Kelley Drye & Warren
McDermott Inc.
Mid-American Energy Holdings Company
National Association of Energy Services Companies (NAESCO)
National Foreign Trade Council (NFTC)
National Electrical Manufacturers Association (NEMA)
New York Mercantile Exchange
NRG Energy, Inc.
Petroleum Equipment Suppliers Association (PESA)
Rockwell Automation
Sarkeys Energy Center, University of Oklahoma
Schlumberger Technology
Siemens
United States Energy Association (USEA)
US ASEAN Business Council
US Chamber of Commerce
United States Council for International Business (USCIB)
U.S. Oil & Gas Association
US Pacific Economic Cooperation Council (US-PECC)
Westinghouse
World Environment Center

February 21, 2001

**ENERGY SERVICES
AND THE
WTO SERVICES NEGOTIATIONS**



**Energy Services
COALITION**

November 2000

A. ENERGY SERVICES - SECTOR STATUS

All nations and all forms of economic activity – developed or developing economy; agriculture, manufacturing, or services company – depend on clean, reliable, efficiently produced, and reasonably priced energy. Demand for energy continues to grow. According to the U.S. Department of Energy (DoE), global energy consumption is projected to rise by 60 percent over the next 20 years. Almost two-thirds of the increase in demand is projected to occur in developing countries.¹ DoE also estimates that the global energy services market today is roughly \$600 billion.

A thriving energy sector – including energy services – is today a basic element of economic well-being. There is a high correlation between rising energy usage and economic growth, increased life expectancy, and higher standards of living. Moreover, modern energy services mean that we can develop energy resources in an environmentally sound manner and in ways that promote responsible and efficient development and usage of energy resources.

There is today no internationally agreed definition or classification of energy services. Yet for those companies active in the sector, there is wide agreement about the types of activities that comprise energy services. As a working definition of energy services, the Energy Services Coalition² has adopted the following:

Energy services are those services that comprise or are related to the exploration, development, extraction, production, generation, transportation, transmission, distribution, marketing, consumption, management and efficiency of energy, energy products and fuels.

The reasoning behind the definition is simple – energy services comprise a closely related set of activities that begins with the process of locating and developing energy resources, through their production and provision to final consumers, to cleanup and decommissioning, to activities in every stage to promote the development and usage of clean and energy efficient technologies.

B. WTO CLASSIFICATION OF ENERGY SERVICES

Energy services do not have a discrete classification under the current WTO Sectoral Classification List (W/120). When the W/120 was developed and the GATS negotiated, energy services largely were omitted from the negotiations. At the time, the energy sector largely was dominated by state-owned monopolies operating within national (or even subnational) markets. Whether public or private, oil and gas companies and power generating utilities performed most of their own services internally.

W/120 does contain for three classifications that specifically provide for limited elements of the energy services sector, including:

- Services incidental to mining;
- Services incidental to energy distribution; and

¹ International Energy Outlook 2000, Energy Information Agency, U.S. Department of Energy.

² A group of 55 companies and trade associations whose goal is to promote energy services trade liberalization.

- Pipeline transport.

However, these classifications are narrowly defined and do not cover the breadth of energy services activities, including those related to energy development, production, energy networks, and wholesale and retail activities. While some activities related to energy services may be covered under existing, non-energy specific classifications – design, engineering and construction of generating facilities, for example – it simply is not clear where the full range of energy services activities falls within the GATS classification system or even if the system provides for all of these activities.

Because most countries make market access commitments on the basis of the W/120 classification list, it is imperative that work be done to ensure that the full array of commercial activities by energy services providers be covered by that list. Any classification also should be sufficiently flexible so as to encompass new energy services activities and technologies as they arise.

C. BARRIERS TO ENERGY SERVICES

Energy services providers face a variety of barriers that fall within two key categories – limits on market access and restrictive or discriminatory regulatory systems.

Market access restrictions are similar to those faced by many services providers and include lack of a right of establishment, an inability to provide cross-border service, barriers to entering needed personnel and equipment, restrictive procurement practices, among others.

But just as important – or in some cases even more important – are regulatory frameworks that are opaque, discriminatory, arbitrary, or simply confusing. Without a regulatory network that provides a basis for fair competition, energy services companies often are at a disadvantage to one favored competitor.

Both market access and regulatory issues therefore must be addressed in the services negotiations. Market access commitments may well be meaningless without regulatory reform, and it does little good to create a pro-competitive regulatory environment unless market access restrictions are eliminated. To take but one example, if a country were to make a market access commitment liberalizing the trading and brokering of energy, that commitment would be meaningless unless it also committed to a regulatory environment that ensured fair, nondiscriminatory access to the electricity grid or the pipeline system so that the trader could deliver its product.

D. NEGOTIATING OBJECTIVES

Given the nature of the barriers commonly faced by energy services providers, we believe that the best way to ensure broad, meaningful liberalization in energy services trade would be to negotiate a broad set of market access commitments and a pro-competitive regulatory reference paper.

I. Market Access Commitments

The market access commitments could be based upon an agreed set of energy services and related sectors covering those energy services not already provided for within the GATS classification

system as well as activities essential to energy services that already are covered in the system (e.g. construction and engineering services, transportation services, maintenance and repair, etc.). They should incorporate a variety of principles aimed at ensuring the broadest possible market opening for energy services. The maximum removal of barriers to energy services trade will create an environment in which energy services providers can deliver the highest degree of benefits to energy services consumers in terms of cost, investment, transfer of technology, and employment.

The following are principles that we would urge be embodied in market access obligations undertaken by all Members subscribing to an energy services agreement³:

- **Broadest possible market access commitments:** Energy services providers should have the opportunity to provide and distribute their services through all four modes provided under the GATS – cross border supply, consumption/purchase abroad, establishment of a commercial presence, or through the temporary movement of natural persons. Commitments should be made in all four modes, with minimal exceptions, so as to ensure the most efficient means of providing a given energy service.⁴
- **Technological neutrality:** Technology in energy services continues to evolve at a rapid pace. To ensure that energy services providers can use the best available technology, market access commitments should be made without regards for the technology used to provide energy services.
- **Temporary entry of equipment/tools of the trade:** Energy services providers often rely on specialized equipment to perform their service. When market access commitments are made in energy services, energy services providers should be allowed to enter, on a temporary, duty-free basis, tools of the trade and equipment essential to the provision of those services.⁵
- **Temporary entry of business persons and specialists:** Energy services companies employ many people with highly specialized skills and should have the right to the temporary entry of essential personnel necessary to provide a covered service.
- **Unrestricted movement of electronic information and transactions:** Many energy services today rely on electronic information flows and transactions, including geologic data analysis, trading and brokering, and energy efficiency services. Any negotiation should ensure the free movement of these information exchanges and transactions.

³ Consistent with GATS Articles XIV (General Exceptions) and XIV bis (Security Exceptions).

⁴ We recognize that several countries have sensitivities in the energy area, such as ownership of resources. We believe an energy services agreement could be negotiated that would address these nations' concerns in a manner that could allow them to more effectively develop their resources and create new market opportunities for energy services providers.

⁵ We have made this recommendation on the basis that negotiations now are limited to the mandated agenda. Should negotiations on goods commence, we would strongly urge governments to consider eliminating tariffs on energy related goods. While not fully resolving the issues surrounding the need to temporarily enter equipment and tools of the trade, such an initiative could significantly help facilitate such activities and would enhance greatly the costs savings and benefits associated with energy services liberalization.

II. Regulatory Framework

Regulation and technical standards play a critical role in energy services. Indeed, regulations and technical requirements often are the key barriers to market entry and growth.

In the negotiations on Basic Telecommunications, WTO members recognized the need for specific disciplines in a highly regulated sector. We believe that a similar approach is required for energy services. Indeed, the prior work in the WTO on telecommunications issues may provide an appropriate basis for crafting a reference paper on energy services. Building on the work done in both the Annex on Telecommunications and the Basic Telecommunications Reference Paper, a reference paper on energy services should ensure the following requirements are applied to both governments and to major suppliers⁶ of energy services.

- Transparency in the formulation, promulgation and implementation of rules, regulations, and technical standards.
- Non-discriminatory third-party access to and interconnection with energy networks and grids.
- An independent regulatory system separate from and not accountable to any supplier of energy services.
- Transparent, objective and timely procedures for the allocation of scarce network resources, such as transmission capacity and rights of way.
- Disciplines to prevent anti-competitive business practices, including cross-subsidization.

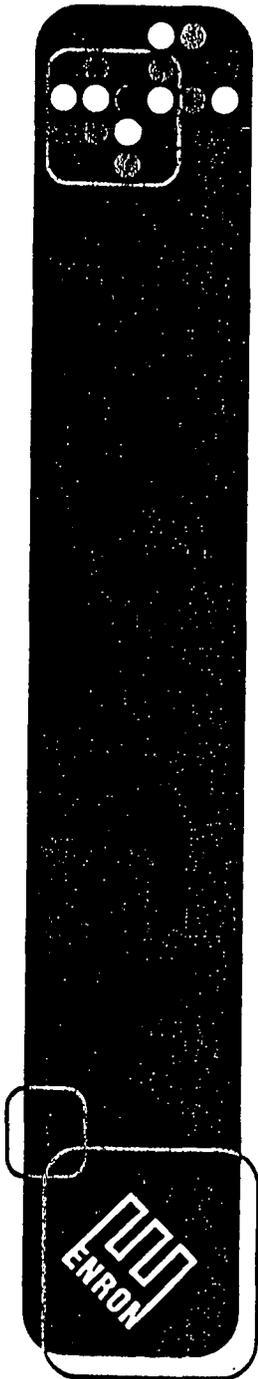
E. CONCLUSION

When the WTO first addressed the services in the Uruguay Round, the energy services sector was in its infancy. The time would not have been ripe to attempt to address this sector and its issues within the context of the GATS.

Today, however, the energy services sector has developed to the point where it can benefit most – and deliver the greatest benefits in return – from a system of global commitments that ensure the broadest possible market access and a pro-competitive regulatory environment. We urge governments to make a firm commitment to broad energy services liberalization in the current WTO services negotiations.

⁶ For purposes of this paper, the terms "major supplier" and "essential facilities" are defined as in the Basic Telecommunications Reference Paper on Regulatory Principles. A major supplier is a supplier that has the ability to materially affect the terms of participation (having regard to price and supply) in the relevant market for an energy service as a result of: (a) control over essential facilities (such as transmission networks); or (b) use of its position in the market. "Essential facilities" means facilities of an energy, energy product, or fuel transmission network or service that are (a) exclusively or predominantly provided by a single or limited number of suppliers; and (b) cannot feasibly be economically or technically substituted in order to provide a service.

12/2000

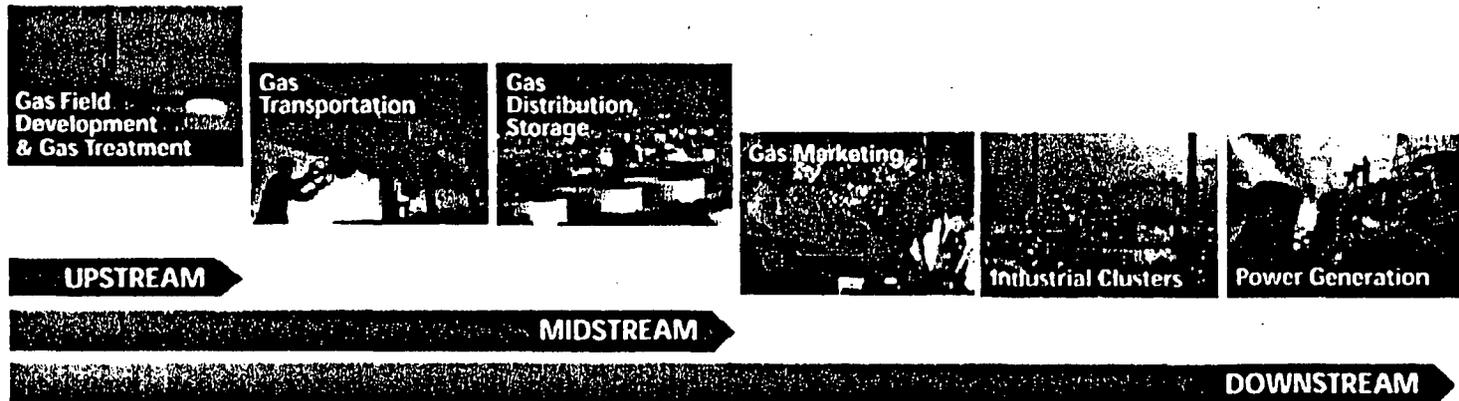


PROJECT DOLPHIN

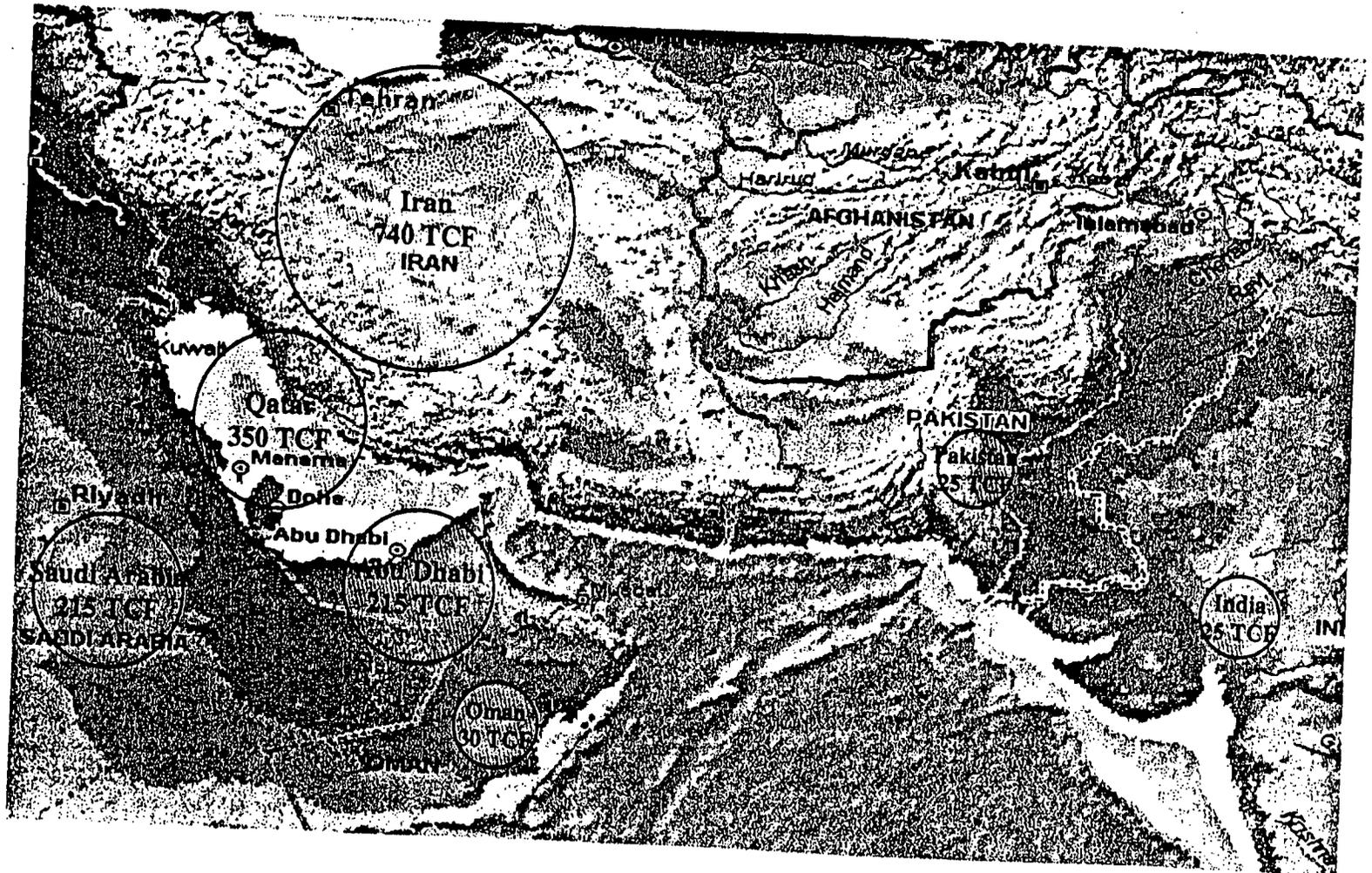
A Joint Venture Between Enron, Total/Fina/Elf
and the United Arab Emirates Offsets Group

The Dolphin Project Is A Portfolio Of Gas Related Activities Covering The Entire Gas Value Chain

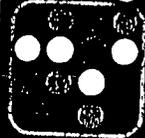
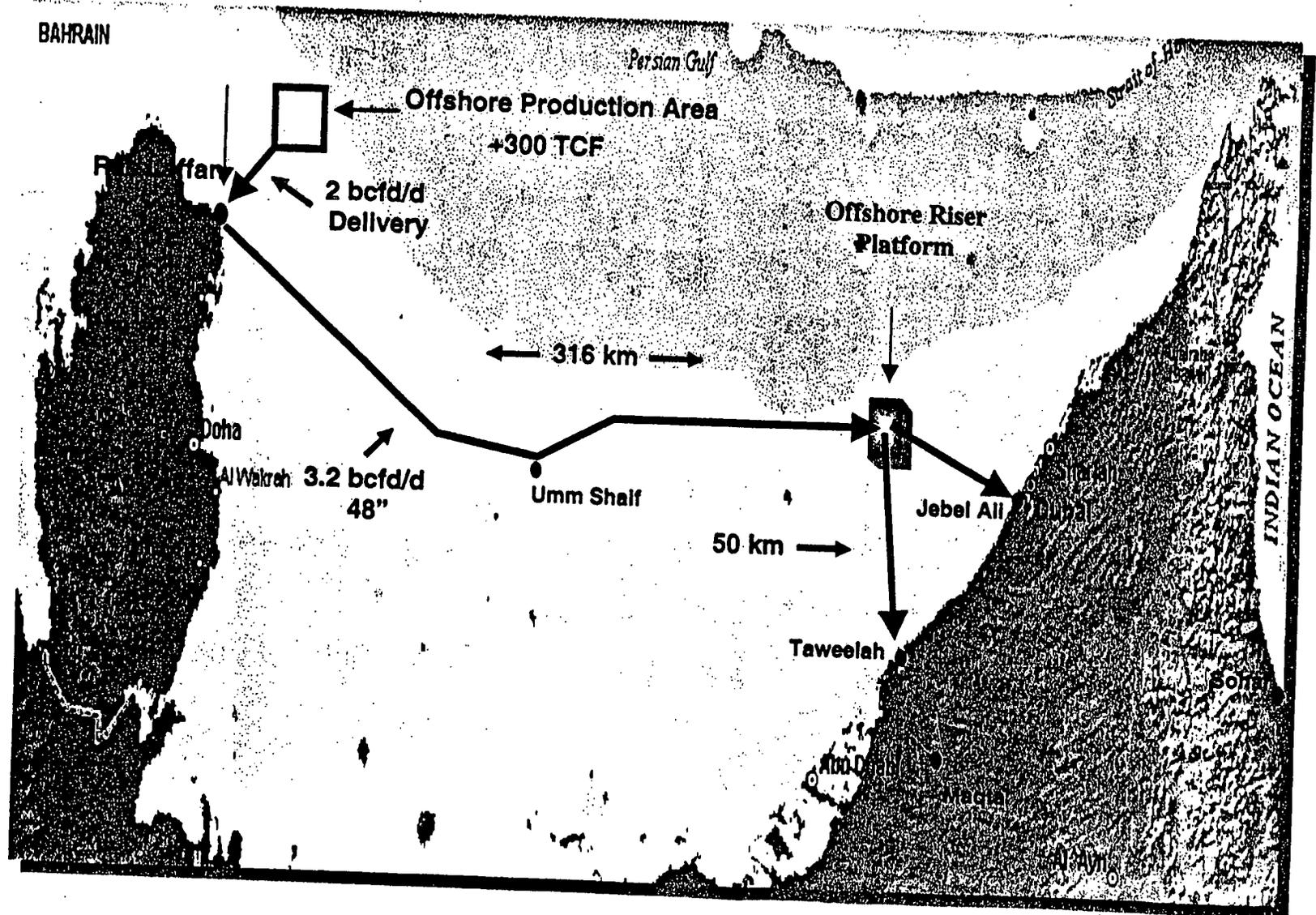
COMPREHENSIVE INTEGRATED ENERGY MARKETING INITIATIVES

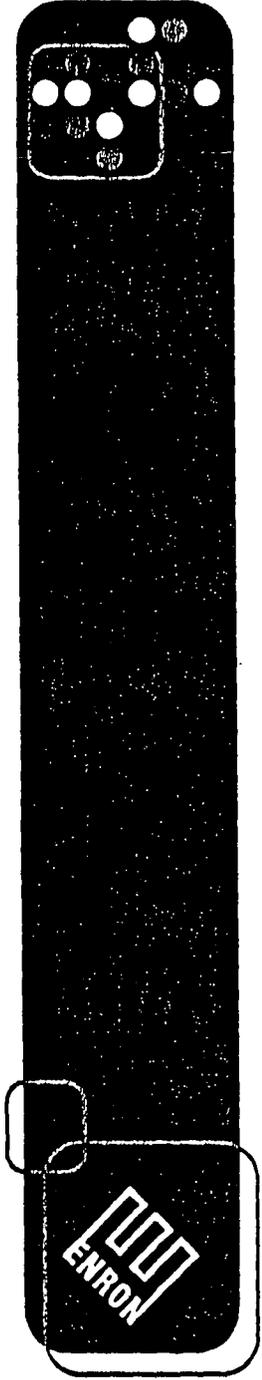


Dolphin's Long Term Vision Is To Expand The Arabian Gulf Gas Network Into A Regional Gas Market Providing Efficient Links Between Producers And Consumers



Project Dolphin - Conceptual Development



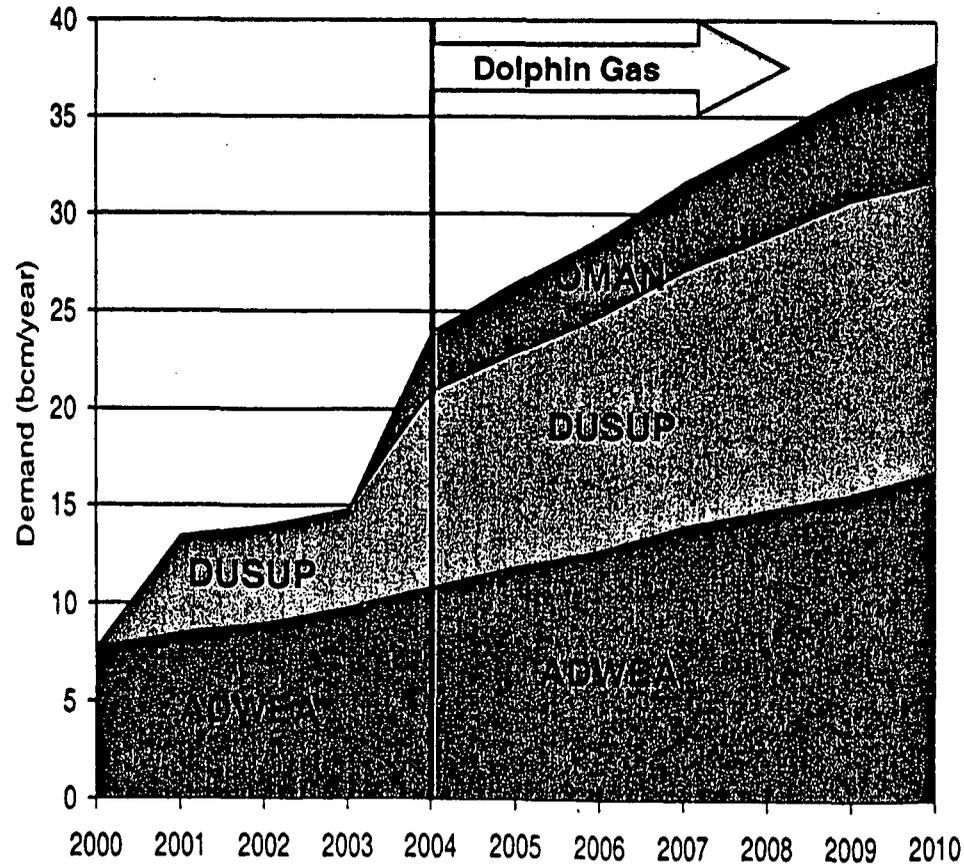


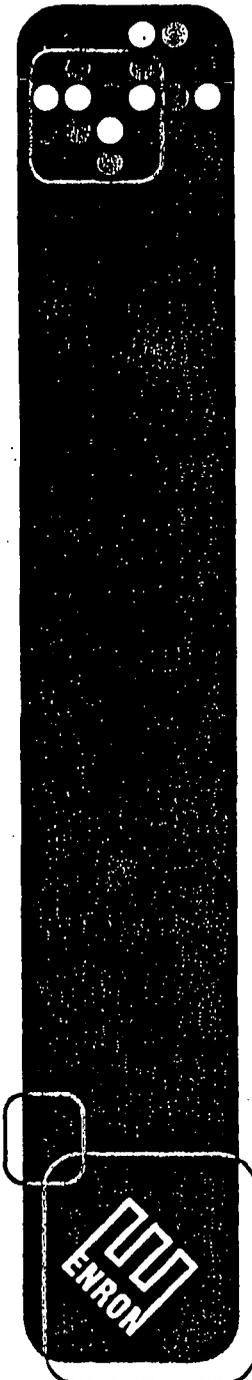
Dolphin Is The Designated Importer of Natural Gas to the Emirates

- Dolphin has been granted exclusive rights by the UAE government to bring gas to the Emirates
- The project will grow to meet additional natural gas demand in Oman and the Northern Emirates
- The Dolphin pipeline has been designed to deliver 3.2 Bcfd with the initial 2.0 Bcfd supplied from Dolphin's concessions in Qatar
- It has always been intended that the incremental 1.2 Bcfd will be supplied by Mobil's 1.0 Bcfd concession in Qatar and other third parties in Qatar

Dolphin Has Key Anchor Customers With Aggregate Gas Demand Exceeding 25 BCM/Year In 2005 And 35 BCM/Year In 2010

DOLPHIN KEY ANCHOR CUSTOMERS





Summary

The successful implementation of Dolphin

- Will enhance the security of supply for the Emirates
- It will strengthen political and economic ties between the UAE and Qatar
- Pre-empt Iranian gas deliveries to the Emirates
- Creates a foundation for sustainable economic growth
- Secures the U.S. role in the Gulf energy infrastructure through the direct participation of two U.S. corporations

Caliendo, Camille

From: Caliendo, Camille
Sent: Monday, January 28, 2002 3:39 PM
To: Caliendo, Camille
Subject: FW: Enron - 07 Dec 00 - Goldwyns Meeting-

-----Original Message-----

From: Washington, Charles
Sent: Monday, January 28, 2002 11:30 AM
To: Caliendo, Camille
Subject: Enron - 07 Dec 00 - Goldwyns Meeting-2

December 6, 2000

MEMORANDUM FOR THE ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS

FROM: /s/
Leonard Coburn,
Director, IA-31

SUBJECT: Your meeting with Mr. Mac McClelland, Jr. General Manager, Government and Public Relations, Mr. Rick Bergsieker, President and COO of Enron Middle East and Enron Global LNG and Mr. Terry Thom, Senior VP of Enron

SETTING: 9:15; Thursday, December 7, 2000, your office.

KEY POINTS TO MAKE:

- Emphasize that DOE must remain neutral in any project where American firms are submitting competing proposals (viz. ExxonMobil's EGU); and that we must maintain that position until a specific proposal is selected.
- Remind Enron that the advocacy rules prohibit specific advocacy, as contrasted with generic advocacy, until a single U.S. firm has been selected.
- Inform Enron that our role is to try to get the countries involved and to maintain a level playing field while a selection is being considered, but once a selection is made, we have more freedom to advocate on behalf of U.S. firms.
- Indicate that we are receptive to hearing about problems and successes, and in being kept in the loop by all of the competitors involved in the Dolphin project, as well as Enron's involvement in the Gaza Power Plant project.
- Acknowledge that we are aware that the initial public offering for the Gaza Power Plant went extremely well, but that there still may be financing problems, and ask if that is the case.

Background:

2/13/2002

You will recall that on November 1, 2000, Mr. Rob Fisher, Vice President, ExxonMobil New Business Development, Gas Marketing Worldwide, briefed you. He believes that ExxonMobil Enhanced Gas Utilization (EGU) should be the preferred gas supplier for the Gulf states, and that it is "best positioned" to supply that gas. He also pointed to ExxonMobil's proven record of performance and success in the Middle East. ExxonMobil already has a development and production supply agreement (DPSA) with Qatar that was signed May 2, 2000, to produce Qatari North Field gas. Therefore, ExxonMobil feels that it already has a leg up on other competitors.

Your meeting with Enron is undoubtedly also advocacy-related. Enron is involved in the Dolphin Project and the Gaza Power Plant Project. Following is information on both projects.

Dolphin Project

The government-sponsored UAE Offsets Group (UOG) launched Dolphin in March 1999, and is one of the largest energy-related programs ever undertaken anywhere in the world. Dolphin has secured preliminary agreements on the sourcing of the gas with Qatar, on the supply of the first gas for Dolphin with Mobil Oil Qatar Inc., and on the purchase of Dolphin gas with Abu Dhabi, Dubai, Oman and Pakistan. In addition, UOG has created a strategic partnership with Elf, a subsidiary of France's TotalFina, and Enron, to implement Dolphin's first phase. The core elements of the Dolphin Project include:

Upstream

- I. Led by UAE Offsets Group (51%) Other partners TotalFina (24.5%), Enron (24.5%)
- II. Original concept: Gas to India
- III. Current focus: Qatar North Field gas development rights
- IV. Qatar position: first gas to Dolphin from ExxonMobil/EGU

Midstream

- I. Construction of a new gas pipeline linking Qatar with the UAE and other key markets of the region.
- II. Transmission, distribution and storage of gas in local markets - feeding expansion of local gas markets. Enron will focus primarily on pipeline development, gas marketing and project risk management, according to the UOG.

Downstream

- I. Development of new and existing industrial clusters in the UAE, Qatar and the region.
- II. Investment in energy-intensive industries and in gas-fed power generation projects and conversion programs.

Other Competing Proposals

BP Amoco

- I. North Field gas development rights from Arco acquisition
- Partners: British Gas, Wintershall, Gulfstream Resources, Preussag Energie
- II. Previously focused on gas supply to Dubai, where a lapsed concession has possibly been extended, and Bahrain and Kuwait

Iran South Pars Gas Project

Discussions with Kuwait, Oman, Dubai: Gulf States prefer Qatar supply, according to some reports, depending upon what the projected Iranian government take is established to be. Iran's development of its Southern Pars Field gas is two years or more behind Qatar's and the offshore development platforms have not been placed to maximize joint field development with Qatar, according to ExxonMobil.

Gaza Power Plant

Background: Palestinians obtained autonomy over parts of Gaza in 1994 under peace deals with Israel, but the state-owned Israel Electric Corp (IEC) still provides electricity to the overcrowded, impoverished strip. The IEC reportedly generates monthly income of \$4 million from the Gaza Strip.

The Palestinians complain that the Israeli electric service is erratic, and as a result, computers, refrigerators and televisions frequently short-circuit. Palestinians believe that a Palestinian-owned power plant would correct these deficiencies, and any extra electricity generated by the plant would go into a project to desalinate Mediterranean Sea water for the drought-stricken Gaza Strip.

On November 14, 1994, the Palestinians created the Palestinian Energy Authority (PEA) to fulfill their dream of a Palestinian-owned power plant. The PEA is responsible for rural electrification, regional interconnection, and energy conservation and research in Palestinian controlled areas. The PEA also oversees a separate independent commission that is responsible for tariffs and regulatory activities. Dr. Abdul Rahman Hamad, who is also the Palestinian Housing Minister, heads the PEA. Hamad is 56 years old, he was born in the Gaza Strip, and he received his masters and doctorate degrees in electrical engineering at universities in Wisconsin. The PEA created the Palestinian Electric Company (PEC) to develop, own, and operate the first independent power project in Gaza.

Assessment: The Dolphin Project, like its competing proposals, is for a massive mega-project using Qatari gas to develop an entire "value chain" of development in the Gulf states and in the region. It is still too soon for the DOE to assume a position of advocate for any of the competing proposals. The most that we should do in the current context is be an attentive listener and await further developments, which undoubtedly will occur. Our strategic interest may be in not inadvertently furthering the Iranian alternative, unless our relations with Tehran were somehow to improve.

Gaza IPP: The PEC teamed with US-based Enron (and its subsidiary Enron International), to develop the first major US private infrastructure investment project and the first independent power project (IPP) in the West Bank and Gaza. The \$140 million, 136 megawatt combined cycle power plant is under construction in the part of Gaza City known as Wadi Gaza, and is about 10 kilometers north of Gaza City on a 147,279 square-meter plot that is owned by the Palestine National Authority. The plant was supposed to be operational in July 2000, but that date has slipped until September 2001.

Initially the fuel source for the plant will be number 2 fuel oil with conversion to gas upon availability. Until a natural gas pipeline from Egypt to Gaza is completed, the plant will use No. 2 oil purchased through Israel, which controls all borders into Palestinian self-rule areas. An Italian energy firm signed an agreement with the Palestinian Authority last year that envisioned a natural gas pipeline. Sources close to the deal said that implementation would depend on progress in peace talks with Israel. The plant will produce enough power to light 136,000 homes and will meet all the electrical demands of the Gaza Strip for the next 10 years.

Funding will come from a combination of debt and equity, and the PEC has received insurance guarantees from the Overseas Private Investment Corporation. Enron and the PEC will each hold one third of the joint venture, and the final third is open to the public. PEC investors include the Consolidated Contractors Company, an international construction firm based in Athens; the Palestine Development and Investment Corporation; the Arab Bank; the Arab Palestinian Investment Company, an arm of Al Akkad Group; and the Palestinian government.

Reportedly, the Swiss-Swedish engineering group ABB received a contract worth over \$90 million for the engineering, procurement and construction of the plant. The high-tech plant will employ about 60 technicians and 500 others upon completion.

Enron International: Enron is one of the world's leading integrated electricity and natural gas companies. The company owns approximately \$30 billion in energy related assets, produces electricity and natural gas, develops, constructs and operates energy and water facilities world-wide, and delivers physical commodities and risk management and financial services to customers around the world.

PEC-Enron Consortium: The PEC-Enron consortium signed a power purchase agreement and an implementation agreement giving the company a 20-year monopoly license to sell electricity in Gaza. The license has two, five-year renewal options.

Current Status - Construction Progress: Construction began last September and the plant should commence operations in September 2001. The initial estimate of July 2000 was a bit optimistic. An Enron International official recently said that Israeli Defense Force attacks in Gaza stopped construction.

Funding - Initial Public Offering: The PEC will raise \$19.8 million in one of the largest-ever initial public offerings on the Palestine Securities Exchange (PSE), a source from the stock exchange told The Jerusalem Post recently. PEC had initially planned to raise \$19.8 million by offering 19.8 million shares with a par value of \$1 each, representing 33 percent of the company's equity capital. During the two-week subscription period, however, the company received some \$75 million in applications for shares. PEC officials have until the beginning of October to decide which applications to accept. It is unlikely that PEC will accept more applications than initially planned in order to protect the percentage holdings of its primary investors.

Assessment: Considering the response to the IPO, it appears that the PEC will secure funding necessary to complete this project. However, escalating attacks and counterattacks may present more of a danger than funding. The Israeli's have shown a willingness to attack Palestinian Authority buildings and facilities; therefore, it is unlikely that Palestinian economic targets are immune if attacks and counter attacks continue. Information thus far does not indicate intentional targeting of the power plant, however, targeting could occur and accidents do happen. Enron's decision to halt work during this extremely tense period was probably a wise move. If the violence continues, the 2001 start-up date may be optimistic. We should attempt to solicit information on potential pitfalls as they relate to this project.

Caliendo, Camille

From: Caliendo, Camille
Sent: Friday, November 02, 2001 2:28 PM
To: Caliendo, Camille
Subject: DOLPHIN UPDATE 29 OCT 01

FROM MEES 29 OCT 01 (see paper file for full story)

The technical aspects of the Dolphin Project, including delineation drilling in (Qatar's) North Field, are proceeding despite the fact that a detailed development and production-sharing agreement (DPSA) with Qatar Petroleum (QP) --scheduled for signature last September-- has yet to be completed. A sales and purchase (SPA) agreement with Dubai is still being negotiated and Dolphin Energy Ltd. (DEL) has yet to choose a strategic partner for the Dolphin Project to replace Enron, which withdrew last May. DEL is negotiating with 5 leading international companies to take up the 24.5% stake previously held by Enron--BP, Conoco, ExxonMobil, Occidental Petroleum and Shell.

Caliendo, Camille

From: Coburn, Leonard
Sent: Tuesday, June 26, 2001 4:39 PM
To: Caliendo, Camille; Washington, Charles
Cc: Hart, James
Subject: RE: UAE Bilats

Looks good

—Original Message—

From: Caliendo, Camille
Sent: Tuesday, June 26, 2001 4:01 PM
To: Washington, Charles; Coburn, Leonard
Cc: Hart, James; Caliendo, Camille
Subject: UAE Bilats

PROPOSED AGENDA ITEMS FOR UAE-DOE BILATERALS

Oil Market Issues

- Short-term, long-term prospects
- Producer Consumer Dialogue

U.S. NEP implementation

- U.S. infrastructure: oil refineries, oil/gas receiving terminals, fuel transportation systems, etc.

Regional Energy Integration 1: Dolphin Regional Gas Pipeline Project

- project status
- replacement firm for Enron (pipeline)
- status of UAE/United Offset Group negotiations for Qatari gas (pricing, terms, etc)

Regional Energy Integration 2: GCC-wide Power Grid Plan

- current status
- UAE domestic grid unification

Shuwaihat Independent Power and Water Project

- project status
- status of CMS bid

Al-Taweelah A2 and A1 IPPS

- Current Status

Other Electricity Privatization issues??

Other Desalination Issues???? (Alan Hoffman said he could provide some info re new technology)

—Original Message—

From: Washington, Charles
Sent: Tuesday, June 26, 2001 2:41 PM
To: Coburn, Leonard; Caliendo, Camille
Cc: Hart, James
Subject: Saudi Bilats #2

Len, you were right. We did send the UAE a letter on bilats (attached). The file is dated Sep 2000, and we suggested a March 2001 meeting. I don't know if we ever got an answer. Camille, we need to add the UAE in our bilats, so we need agenda items.

<< File: UAE 28 Sep -00 Bilats Mr Khalid.doc >>

Caliendo, Camille

From: Washington, Charles
Sent: Friday, January 05, 2001 11:14 AM
To: Caliendo, Camille
Subject: Hi. Paper on UAE from March 2000; I'll also send you a modified paper from Nov

March , 2000

MEMORANDUM FOR THE SECRETARY

From: David L. Goldwyn
Assistant Secretary for International Affairs
Subject: Conversation with Obeid Bin Saif Al Nasiri, Minister of Petroleum and Mineral Resources, United Arab Emirates

Setting: TBD

Participants:

Key Points to Make:

- Reemphasize our common interests in stability in oil and gas markets and reiterate your understanding that the March 27th OPEC meeting will help further the interests of the international community by increasing its production quotas. Explain the purpose of your recently completed Middle Eastern trip and our common interests as both producers and consumers in sustaining economic growth to our respective economies.
- **If raised:** Encourage the UAE to continue its negotiations with CMS Energy over its bid on the Al Taweelah A1 power plant project.
- **If raised:** Indicate U.S. satisfaction with the Dolfen project and Enron's participation in this significant effort.

Background:

Al Taweelah A1 Power Plant and CMS Energy

The UAE is undergoing a privatization of its electric power sector. Two years ago it put up for bid the Al Taweelah A2 power plant. This project was won by CMS Energy Corporation. Most recently, the UAE through the Abu Dhabi Water and Electricity Authority (ADWEA), has requested bids on the Al Taweelah A1 power plant. You recently wrote a letter supporting CMS Energy for this project. CMS' principle competition is a French-Belgium consortium Total/Tractabel (GE is a subcontractor to this

group). We understand that ADWEA will begin

Page 2, Conversation with UAE Minister of Petroleum Obeid Bin Saif Al Nasiri

negotiations on March 12th with CMS Energy on the Al Taweelah A1 power plant. This is the same pattern of events that occurred the last time that CMS won the A2 power plant project. We understand that **no** public announcements have been made of the start of these negotiations. It appears to us that CMS is the preferred bidder and is likely to be awarded the project. Presently, the U.S. is **not** being asked to do anything on the part of CMS. If the project and the negotiations are raised in the conversation, you should be supportive of CMS.

Qatari Pipeline to the UAE (Dolphin Project)

A significant proposed project will tie Qatar into the United Arab Emirates (UAE) Dolphin Project, an integrated gas pipeline grid for Qatar, UAE, and Oman, with a possible subsea connection linking Oman to Pakistan. The United Offsets Group (UOG), a UAE state owned corporation backing the project, is cooperating with Qatar, Oman, and Pakistan. Mobil also signed a preliminary agreement in June 1999 for the gas supply from Mobil's production capacity in the North Field.

The total project is expected to cost more than \$10 billion, including costs associated with the development of more extensive gas distribution networks in the UAE and Oman. Qatar will initially sell around 800 Bcf/y of North Field gas, starting in 2002, transported through a pipeline linking the North Field to Abu Dhabi in the UAE. Overland links between Abu Dhabi, Dubai, and Oman should be completed by 2002, with the possible extension to Pakistan to be completed in 2005. The project has been driven in part by the desire of UAE and Oman to use more natural gas for power generation, desalination plants, refineries and other industrial use, and the decline in their own production of associated natural gas due to OPEC crude oil production cuts. The Dolphin Regional Gas Project would be run by a single joint venture company comprised of UAE Offsets (management), ELF/TOTAL (upstream development), and Enron (midstream and downstream development). According to embassy reporting, the Saudis are in favor of a GCC-wide gas grid with Qatar as its nexus. The logical customers for Qatari gas is right there in the Gulf, including Bahrain and Kuwait, both of which have gas shortages, as well as those already mentioned above.

Talking Points for Obeid Bin Saif Al Nasiri
Minister of Petroleum and Mineral Resources, United Arab Emirates

Oil Market:

- I am pleased to have the chance to discuss with you our concern over the level of crude oil supplies on the world market.
- I know your government is currently considering whether to support increased oil production at the OPEC meeting on March 27.
- I understand and appreciate that none of us want to see prices as low as they were a year ago. I know that was a difficult period for your economy.
- However, our analysis shows that world oil stocks are at their lowest level in over a decade and that we need significant increases in production in April if we are to have any chance of replenishing these stocks.
- This is a view that is shared by most of the world's oil consuming nations. France, South Korea, IEA and the EU have all made statements expressing this concern.
- Our analysts say there needs to be an increase of at least 2 million barrels per day. Is that consistent with your analysis?
- Can I count on you to support an increase of 2 million barrels per day?

Al Taweelah A1 Power Plant Project

- **If Raised:** I want to urge you to continue with your negotiations with CMS Energy Corporation on the Al Taweelah A1 power plant project. CMS has an excellent record in UAE since it is bringing in the Al Taweelah A2 power plant project ahead of schedule and under budget. CMS also will apply the same advanced technology and modern business practices to the refurbishment and expansion of the A1 power plant that they are applying to the A2 project.
- We support CMS Energy because of its commitment to developing a long-term relationship with the UAE and to participating in the economic development of your strategic country. I am confident in saying that your trust in awarding CMS Energy with A1 will reap significant rewards for your country.

Dolphin Project

- **If Raised:** I am pleased the UAE Offsets group has included Enron in the Dolphin project to develop the pipeline and downstream components of this substantial natural gas project. We view this project as advancing the goal of regional integration while it will help produce electricity in a clean and efficient manner.

Caliendo, Camille

From: Washington, Charles

Sent: Friday, January 05, 2001 11:15 AM

To: Caliendo, Camille

Subject: Hi. Modified Paper on UAE (Nov 8th); we call this a Pull Aside but it has latest info as of

DRAFT

COUNTRY: UNITED ARAB EMIRATES

**NAME OF PARTICIPANT: Obeid Bin Saif Al Nasiri,
Minister of Petroleum and Mineral Resources**

BILATERAL ISSUES***Background***

The Dolphin Project. The past few years have seen the UAE embark on a massive multi-billion dollar program of investment in its gas sector including a shift toward gas-fired power plants and the transformation of the Taweelah commercial district into a gas-based industrial zone. An ambitious and controversial plan, the Dolphin Project, proposes to interconnect the gas grids of Qatar, the UAE and Oman and allow the export of non-associated gas from Qatar's massive offshore North Dome field. A production development agreement was signed with Enron and Totalfina-Elf in March 2000. However, there are a number of strong regional sensitivities about this project and 'ownership' of North Dome resources that appear likely to delay progress on Dolphin for an indefinite time.

Power Generation and Privatization. Due to rapid economic growth, UAE demand for electricity and water is increasing by 10-15 percent each year. In 1998, Abu Dhabi transformed its state-owned water and electricity department into a regulatory body, called the Abu Dhabi Water and Electricity Authority (ADWEA). The government plans to take a majority holding in the new ventures with minority interests held by foreign firms. Abu Dhabi currently has three independent power plant (IPP) projects in the works. If successful, these projects could serve as a possible precedent for eventual power privatization in the emirates.

Talking Points

- We support your efforts to advance the worthy goal of regional energy integration in the GCC through your investments in the gas sector.
- Abu Dhabi has shown leadership within the Gulf region with regards to the implementation of the independent power plant concept. I want to congratulate you on the progress you have made in this area.
- We hope you will support the U.S. proposals for follow-on actions to this important conference. In particular, three initiatives I will be introducing in the area of technology cooperation, enhanced oil market transparency and new investment in the oil and gas sectors.

Caliendo, Camille

From: Washington, Charles

Sent: Monday, January 08, 2001 1:50 PM

To: Caliendo, Camille

Subject: Hi Camille - here is the Saudi paper that I'm submitting to Len. We have to do one on Qatar too (I'll do it)

MEMORANDUM FOR THE SECRETARY

SUBJECT: Meeting with Ali Al-Naimi, Saudi Arabian Minister of Petroleum & Mineral Resources

SETTING: January 12-15, 2001, Date and Time: TBD

Key Points To Make:

- Thank the Minister for hosting the Riyadh Producer-Consumer Dialogue.
- Acknowledge the Minister's leadership in the Producer-Consumer Dialogue.
- Seek the Saudi's support on oil market transparency as it relates to oil market information.
- Inquire regarding the next stage in the process of selecting IOC's to enter the Saudi market under the Crown Prince's Upstream Gas Investment Initiative.
- Seek support for transparency initiatives as they relate to taxes and fiscal requirements.

BACKGROUND

Riyadh Producer-Consumer Dialogue

The Saudi Arabian Government hosted the Seventh International Energy Forum in Riyadh on November 17-19, 2000. You also attended, and that encouraged more senior-level representation. The overall tone of the discussion was very positive, with many ministers extolling a "new era of cooperation."

Particularly positive was the near-universal endorsement by the ministers of a goal of more transparent oil market information. Participant reaction was positive and provides a good foundation for the U.S. to continue its data transparency initiative began at the July 2000 Madrid Oil Data Conference. We will be talking to consumers and producers alike about next steps in the process of achieving a timely international data reporting system.

Upstream Investment

In September 1998, Saudi Crown Prince Abdullah invited foreign oil companies to submit proposals for investments in Saudi energy projects, primarily in the natural gas sector. Minister Al-Naimi has said the Saudis welcome upstream investment in gas by private companies that is tied to downstream investment in electric power, desalinization, petrochemicals or other projects. Eleven companies, including ExxonMobil, Shell, BP, Conoco, TotalFinaElf, Chevron, Texaco, Phillips Petroleum, ENI, Marathon Oil Canada, and Enron-Occidental Petroleum, were selected by the Saudi government and submitted proposals in August 2000 for three core project areas.

In early December, Foreign Minister Saud Al-Faisal, Chairman of the Supreme Petroleum Council Negotiating Committee, sent detailed responses to each of the oil companies that had submitted investment proposals under the initiative. Each company was asked to respond to Saudi amendments to its proposals and to sign, by the end of the year, a Procedural Letter of Intent confirming interest in assuming a role in the core project areas. Aramco is to open data rooms for the oil companies this month, and the bidding companies will be asked to sign more detailed Memoranda of Understanding this spring.

Each core project area will consist of a bundle of connected but independent projects requiring investment in each part of the gas value chain. A consortium consisting of those oil companies whose bids are finally successful (and probably Aramco) will eventually run each core venture.

Oil industry sources said that ExxonMobil, Shell, Chevron (presumably including Texaco under their proposed merger), BP, ENI, and TotalFinaElf were chosen to compete for the first and largest "Core One" project in the South Ghawar area of the Eastern Province. This includes development of the Haradh gas processing plant, gas exploration, construction of desalination and electric power plants, and construction of petrochemical facilities.

Core Project Two for the Red Sea Development Area includes upgrades to the Rabigh refinery and petrochemical complex, exploration and development of northern Red Sea gas fields, and constructing a gas pipeline to Tabuk and Yanbu'. Industry sources say ExxonMobil, Marathon, BP, and TotalFinaElf have been selected for the bidding, but there may be other companies involved.

Core Project Three, the Kidan-Shaybah gas development project in the Eastern Province, includes natural gas exploration in the Empty Quarter, development of the Kidan gas fields and Shaybah field associated gas, and construction of a gas pipeline. Industry sources say Enron-Occidental, Conoco, Phillips, and TotalFinaElf have been selected for the bidding.

There still may be a number of unresolved tax and fiscal issues. U.S. companies have been concerned that they could be at a distinct disadvantage if the Saudi fiscal system does not consider their tax considerations. A uniform fiscal system would level the playing field between the U.S. and European companies.