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January 25, 2002

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INDEPENDENT

The Vice President
The Eisenhower Executive Office Building
Washington, DC 20501

Dear Mr. Vice President:

On January 16, I wrote you about 17 provisions in the White House energy plan that benefitted Enron. New information has now come to my attention concerning one of those provisions: the recommendation that the United States back natural gas development in India, where Enron has a major natural gas fueled power plant in Dabhol that has been embroiled in financial difficulties. It appears that this provision was absent from the final draft that the State Department circulated during the interagency review process for the energy plan. Instead, the provision appears to have been added to the plan during the period in which the White House directly controlled the drafting.

The Dabhol project is a massive combined-cycle power plant on the western coast of India's Maharashtra state. This \$2.9 billion facility is 65% owned by Enron. In 1993, the World Bank evaluated the project and concluded that it was "not economically viable" because the proposed plant would produce too much power at too high a price for the state.¹ Nevertheless, Enron pushed the project, and it came into operation after nine years of development. When the plant started operations in 2001, the power from Dabhol was four times more expensive than that from domestic power producers.² It quickly became clear that the state neither needed nor could afford this power, and the Indian government ceased payment in early 2001.³ Enron sought to resolve the dispute by having its interest bought out for \$2.3 billion.⁴

¹*Enron and Foreign Investment*, Business Times (Dec. 11, 2001).

²*Enron Issues Veiled Sanctions Threat to India*, Financial Times (Aug. 24, 2001).

³*See Enron and Foreign Investment*, Business Times (Dec. 11, 2001).

⁴*White House Aided Enron in Dispute: Cheney, Others Intervened Over Indian Power Plant*, Washington Post (Jan. 19, 2002).

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On January 18 and 19, the *New York Daily News* and the *Washington Post* reported that you tried to help Enron with its financial problems concerning the Dabhol power plant in India.⁵ These articles reported that on June 27, 2001, you mentioned Enron and the Dabhol plant by name in a meeting with the Indian opposition leader Sonia Gandhi.⁶

An aide to the President, Mary Matalin, explained your action in the following manner: “[Vice President Cheney] said, what is the status of the Dabhol project, and he was answered and they moved on. That is his job. He was asked to do that by no one other than our interagency process.”⁷ She also stated: “This is not our issue. It was in the briefing papers, so he asked the question. The vice president didn’t remember that topic at all. I asked him directly.”⁸

The attached document is a March 30, 2001, draft of the chapter on national energy security and international relations in the White House energy policy.⁹ According to my understanding, the White House energy plan was first drafted by the National Energy Policy Development workgroup. The workgroup was composed of staff from various agencies led by the Executive Director, Andrew Lundquist, a member of your staff. Each chapter of the energy plan was drafted by one of the participating agencies. Drafts were then circulated among all of the workgroup members, and the workgroup met to discuss each agency’s comments on the draft.

My understanding is that the attached March 30, 2001, draft of the international chapter was a product of this interagency process. The draft was written by the State Department. It had undergone multiple reviews over a roughly six-week period. It had been vetted through the interagency process. And it had been approved by the State Department to be sent to the White House.

It is further my understanding that after this draft was submitted to the White House, any further changes in the plan were made under the direction of the White House. No subsequent versions of the White House energy plan were circulated to the interagency workgroup.

This March 30 draft very closely tracks its counterpart chapter in the final White House

⁵*Veep Tried to Aid Firm: Key role in India Debt Row*, *New York Daily News* (Jan. 18, 2002); *White House Aided Enron in Dispute: Cheney, Others Intervened Over Indian Power Plant*, *Washington Post* (Jan. 19, 2002).

⁶*Id.*

⁷CNN Wolf Blitzer Reports (Jan. 18, 2002).

⁸*Veep Tried to Aid Firm: Key role in India Debt Row*, *New York Daily News* (Jan. 18, 2002).

⁹*Section 10: National Energy Security and International Affairs* (filename: 03_30_01_NEPG Study_R4a.doc) (March 30, 2001).

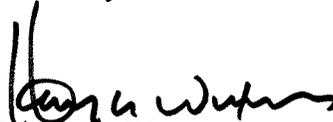
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energy plan in all respects except one.¹⁰ The final White House energy plan has one entirely new section. The new section discusses energy supplies in Asia, and it specifically recommends that “the President direct the Secretaries of State and Energy to work with India’s Ministry of Petroleum and Natural Gas to help India maximize its domestic oil and gas production.”¹¹ The energy plan does not discuss this recommendation or explain why maximizing oil and gas production in India should be a U.S. national energy priority.

This recommendation regarding oil and gas development in India benefitted Enron by formally enlisting two Cabinet secretaries in Enron’s conflict with the Indian government. According to news accounts, the Enron dispute was chilling foreign investment in India’s energy sector, making resolution a precondition to collaboration between the United States and Indian governments to promote India’s natural gas and oil production.¹²

I am not challenging Ms. Matalin's explanation of your actions regarding the June 27, 2001, meeting with Sonia Gandhi. But I do believe that there should be more disclosure about the Administration's involvement in the Dabhol power plant. I respectfully request that you provide information about the point in the task force process that the provision recommending natural gas development in India was inserted, who recommended it be included, and what rationale was given for this action.

Sincerely,



Henry A. Waxman
Ranking Minority Member

cc: The Honorable David M. Walker
The Honorable John D. Dingell

¹⁰The only other changes appear to be slight expansions of earlier discussions, some reorganization, and the addition of one new recommendation on the Strategic Petroleum Reserve, which had already been discussed extensively in the earlier draft.

¹¹Report of the White House National Energy Policy Development Group, 8-20.

¹²See *Enron Rocks India's Flagship Investors*, Financial Times (May 29, 2001) (quoting a senior executive discussing the “hurdle rate of return” for investment in India, which is the minimum rate of return on equity in dollars: “‘If this Enron thing works out badly,’ the senior executive said, ‘the hurdle rate is going to be infinity’”); *High-Stakes Showdown; Enron's Fight Over Power Plant Reverberates Beyond India*, NY Times (March 20, 2001) (“The worry that Dabhol could chill foreign investment is serious for India”); *NSC Aided Enron's Efforts: Agency Sought Lay Meeting with Indians on Plant*, Washington Post (Jan. 25, 2002) (in a meeting with the Indian government on April 6, Secretary of State Colin Powell told his Indian counterpart that “failure to resolve the matter could have a serious deterrent effect on other investors”).