

FINAL – INTERAGENCY CLEARED
TALKING POINTS FOR US EMBASSY- INDIA

[(b)(5)]

FINAL – INTERAGENCY CLEARED

TALKING POINTS FOR US EMBASSY- INDIA

Re: Meeting with Ministries of Finance and Power and Dabhol Lenders' Steering Committee

[Follow-up to meeting between Principal Secretary and National Security Advisor Mishra and OPIC President Watson in Washington]

- We are concerned that the continuing dispute over the Dabhol Power Project, unless expeditiously resolved, could affect India's investment climate and hamper development of our bilateral economic and political relations.
- It is important that the GOI work actively for a long-term solution for the Dabhol project. The GOI's involvement is critical to the sound resolution of the dispute.
- We very much appreciate the efforts to date of Ministers Sinha and Prabhu. Their continued engagement will be critical in any long-term solution.
- We encourage the GOI to work with the Maharashtra state government to bring a speedy resolution to the payment dispute and reinforce the need for power sector reforms in the state's overall efforts to support economic growth.
- GOI needs to engage the secured lenders to the project directly and quickly. The lenders represent 2/3rds of the capital invested in the project and their loans are secured by all of the project assets. Given the current status of the project, the lenders have assumed a key decision-making role.
- The lenders want to work with the government of India to resolve this problem. They have formed a steering committee to make recommendations to the larger group about how to proceed. We urge GOI officials, including the Ministers of Power and Finance, to meet with this steering committee at the earliest possible time in August.
- In addition, despite the full availability of the plant, Phase I cash flow has ceased. This is a serious problem for the project and its lenders. If the GOI could encourage the restart of cash flow to Phase I, it would provide a strong signal of the GOI's intention to seek a resolution to the matter.
- As you know, the Overseas Private Investment Corporation (OPIC) and the Export-Import Bank (ExIm), agencies of the U.S. government, have provided significant support to the Dabhol Power Project. This complicates the issue in that a negative outcome of the Dabhol problem ultimately could have unwanted legal and financial effects on our government-to-government relations.
- This Administration very much wants to build the U.S.-India relationship. The U.S. government hopes that a creative resolution can be found to Dabhol so that we can focus without distraction on our growing economic and political ties.