EXHIBIT H

to

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Prospects for Federal GHG Legislation

During 2007, the debate on national legislation to control the pollution that causes global warming will start in earnest in the Congress. We will likely see energy legislation moving forward in both the House and Senate, and the adoption of some form of climate legislation during the next three years. We may see climate legislation during 2007 that, ironically, environmentalists will oppose because it's too weak.

The first factor that will likely drive the passing of legislation is the change in public attitudes. The mid-term election was not about the environment or climate change or energy -- generally voters focused on the war, competence, and corruption -- but exit polling revealed that heavy advertising by congressional candidates in key swing districts focused on energy and climate had a significant impact on independent voters. Recent polls show public attitudes on energy and climate shifting, in particular when the issues of energy security and climate change are linked.

Americans have been influenced by extreme events like Hurricane Katrina, and by Al Gore's movie, speeches, and lectures. Media coverage of global warming has increased from a trickle to a steady flow of science, business, and political coverage.

Another indicator of political change is the accelerating pace of local and state action. Early last fall, California passed the nation's strongest legislation to reduce greenhouse gas emissions by 20 percent. Political observers in California attribute the turnaround in Governor Schwarzenegger's lagging political fortunes to his endorsement of that legislation -- he moved rapidly from lagging to leading in the polls. It wasn't just California that took action. Three hundred fifty five cities have climate action plans. Twenty two states require renewable power as part of their electrical energy mix. Eleven states have joined California in imposing stricter rules on automobiles than the Federal Government. Seven Northeast states that imposed their own cap on emissions from electrical generating plants in 2005 are soon likely to be joined by Massachusetts and Maryland.

These state and local actions are strong political indicators. Historically, on issues ranging from child labor to the environment, social change has begun at the local and state levels. State experiments demonstrate solutions at a smaller scale, but invariably differ from one another. By creating a patchwork of differing state requirements, state action increases pressure on industry to support federal standards for the sake of consistency and predictability.

This is happening -- leading companies are beginning to take independent action on climate change. Hundreds voluntarily measure and report their emissions of green house gases (GHGs). Most of America's largest companies ranging from Alcoa to Wal-Mart, are voluntarily reducing their emissions. Many companies now seek to become leaders in low carbon technologies, identifying climate constraints as drivers of tomorrow's markets, and building strategies around products that will help their customers reduce greenhouse gas emissions.

One illustration is General Electric. A year and a half ago GE said it would grow its sales of

"Ecomagination" products from $10 billion to $20 billion in five years. Ecomagination products include everything from the highly-efficient compact fluorescent light bulbs being sold by Wal-Mart to the GEnx engines that power Boeing?s newest and most fuel efficient aircraft. GE reports that orders for Ecomagination products already exceed $20 billion.

Another area where business is taking the lead is in the investment world. Citigroup and WRI cooperated on research examining how companies are responding to the risks and opportunities that climate change presents for businesses. Citigroup published the findings and recommended twelve leading companies to their high net worth clients. As Deep Throat told Bob Woodward, "follow the money." Corporate leaders have begun to speak out to endorse mandatory federal legislation. What would have been unthinkable six or seven years ago, and surprising even two or three years ago, is now commonplace as companies seek clear rules so that they can make informed investment decisions.

When Senators Domenici and Bingaman held a hearing on climate legislation last summer, seven companies -- all but one of those that testified -- said it was time for national legislation. You will see much more of that in the coming year as companies see action as necessary and inevitable and speak out for predictability and coherence in the requirements they have to respond to.

Even the early jockeying among possible presidential candidates signals change. Take a look at their websites. Most say climate action is needed, and several -- both Republican and Democrat -- proudly point to what they?ve already done. Energy and climate will play in 2008, and presidential candidates will want to make sure they aren?t left behind. Finally, the most obvious contributor to the increased likelihood of federal legislation is the change in leadership in the Congress.

Democrats take Senate				
110th Senate: D-49 R-49 I-2				
Committee	Current D Chair	LCV Score	Ranking Member (Minority Party)	LCV Score
Leader	Harry Reid (NV)	75	Mitch McConnell (KY)	7
EPW	Barbara Boxer (CA)	89	James Inhofe (OK)	5
ENR	Jeff Bingaman (NM)	68	Pete Domenici (NM)	13
Commerce	Daniel Inouye (HI)	52	Ted Stevens (AK)	13
Agriculture	Tom Harkin (IA)	82	Saxby Chambliss (GA)	4
Finance	Max Baucus (MT)	66	Charles Grassley (IA)	22
	avg: 72		avg: 11	

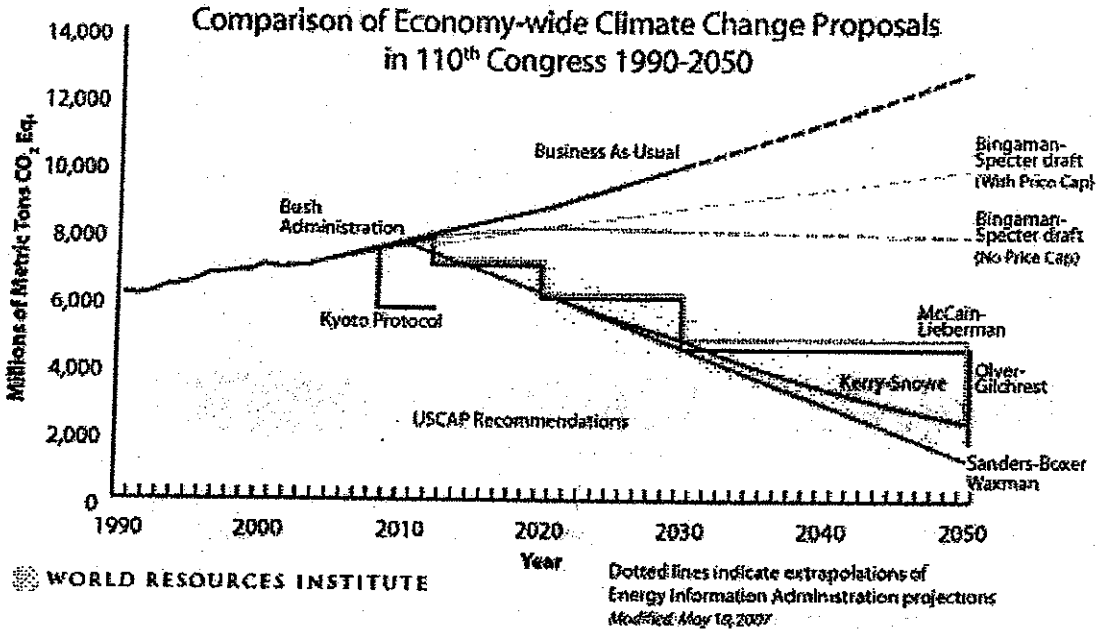
Democrats take House				
110th House: D-233 R-202				
Committee	Current D Chair	LCV Score	Ranking Member (Minority Party)	LCV Score
Leader	Nancy Pelosi (CA)	92	John Boehner (OH)	2
Energy & Commerce	John Dingell (MI)	71	Joe Barton (TX)	7
Nat. Resources	Nick Rahall (WV)	65	Don Young (AK)	9
Transport & Infra	James Oberstar (MN)	72	John Mica (FL)	8
Science	Bart Gordon (TN)	63	Ralph Hall (TX)	15
Govt. Reform	Henry Waxman (CA)	90	Thomas Davis (VA)	40
Agriculture	Collin Peterson (MN)	39	Bob Goodlatte (VA)	10
Ways & Means	Charles Rangel (NY)	80	Jim McCrery (LA)	7
	avg: 72		avg: 12	

The two tables above represent the 110th Congressional chairpersons and ranking members' LCV (League of Conservation Voters) ratings. The ratings are a cumulative measurement of a congressional member?s stance on environmental legislation and voting history on environmental issues as determined by LCV. The ratings are done on a 1-100 scale, with a higher score representing a more environmentally friendly stance.

Will Congress take serious action on climate change? That?s very much my hope. Serious action means stopping the rapid growth in U.S. GHG emissions and putting the nation on a path of steady reductions.

We have charted the reductions claimed by bills offered during the last Congress. You can see there are real differences. Red is the path we are on now -- "business as usual". Blue is what the Bush Administration claims for its voluntary programs. Some of the proposals would, at best, stabilize emissions (and we think that claim is questionable), while others would in fact require significant and on-going reductions over time. The names attached to the most aggressive bills are worth noting. Congressman Waxman of California and Senator Boxer of California introduced bills to achieve on a national level something like what California has already committed to do on a state level. Both are in positions of leadership in the upcoming Congress, again demonstrating that

California's action is having a real effect on this election of bills being introduced.



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I ask you to think about this graph from two points of view. First, imagine that you are the CEO of a company trying to decide whether to make an investment in a carbon-intensive technology -- a new power plant for example. How do you decide whether it will be more profitable to build a high emissions coal fired plant, or a zero emission solar installation if you don?t know whether GHG emissions will be cheap -- as they would be under the weakest bills -- or expensive?

Then, try thinking about this spread from the point of view of the environment. The weakest bills (appropriate colors), which have price caps, are likely to be strongly opposed by environmental advocates because they won't achieve real reductions. They may, however, be supported by those who seek to avoid strong action and prefer legislation that creates a comforting false of action without the reality -- Potemkin legislation, a dangerous illusion.

The U.S. politics of climate legislation are largely about cars, coal, and competition. About 28 percent of U.S. emissions come from the transportation sector and about another 29 percent come from burning coal for energy. These are old technologies. Even recent power plants use 40-year old technology. The internal combustion engines that power our cars and trucks are variations on a century old technology.

In order to make significant reductions, these technologies have to change. To force a change on that scale, to two of the core technologies that quite literally drive our world, will require a serious legislative signal. That's the difference between the bills that show continuing declines in emissions and the bills that stabilize. Those that just stabilize won't provide significant enough pressure to move us away from these technologies.

Opponents used the fear of global competition, and of China in particular, as the club to beat the

Kyoto Protocol to death in the Senate. President Clinton never submitted the Protocol for ratification and President Bush walked away from it. The argument was that if the U.S. ratified the Kyoto Protocol and agreed to reduce GHG emissions while China did not, U.S. companies would be unable to compete. A crucial question in the coming debate will be whether GHG reductions are seen as merely a premium we pay to protect the environment, or as a driver of technological innovations that will allow the U.S. to remain competitive in the global market in a climate constrained future.

One last observation on legislation: I pointed out early on that the connection between global climate change and energy security is politically powerful. Polls show large majorities of Democrats and Republicans support action that would both address climate change and energy security. That's a political comfort zone, to be advocating security and environment. There are big overlaps between measures which would reduce emissions of greenhouse gases and reduce importation of oil and gas from countries whose stability or intentions we?re unsure of. But the overlap isn't complete, and there are some measures that might be taken to promote energy independence that would be bad ideas for climate change.

An illustration is the liquefaction of coal to create motor fuel. Coal liquefaction significantly increases greenhouse gas emissions in the production fuel and does nothing to reduce emissions from the use of the fuel. It might reduce oil imports, but at a very high environmental cost ***unless it included technology to capture and store the CO2.***

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