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U.S. House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

February 12, 2008

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The Honorable Condoleezza Rice
The Secretary of State
U.S. Department of State
2201 C Street, NW
Washington, DC 20520

Dear Madam Secretary:

We are writing to express our serious concern about potential U.S. Export-Import Bank financial support for the Sakhalin II energy project. As you know, Sakhalin II is now majority owned by Gazprom, an energy company controlled by the Russian government. In recent years, the Russian government has, in this and other cases, established a pattern of using questionable legal tactics in order to exercise control of private entities in the energy sector.

The Russian government's actions in Sakhalin II raise serious questions about non-economic motives. The project was majority owned by Shell throughout much of its construction. Last year, the Russian government used the pretense of environmental concerns to acquire majority ownership for Gazprom. While we believe environmental failures have been a problem throughout the project and continue to the present, we note that the Russian government's environmental concerns disappeared immediately after Gazprom's takeover.

Sakhalin II, which Ex-Im Bank describes as an "extraordinarily large" project, will contribute directly to the Russian government's consolidation of power in the domestic energy sector and to the government's growing influence in global energy markets. Due to the importance of the Sakhalin II project and the questionable tactics used by the Russian government, we believe the use of U.S. taxpayer dollars to support the project would be inappropriate.

We note that the State Department has the ability to prohibit Ex-Im Bank financing through the issuance of a "Chaffee" letter, and we urge you to give serious consideration to the facts of this case as you consider such a letter. We also note that the last issuance of a Chaffee letter was in the Tyumen Oil case in 1999, which also related to rule of law concerns about Russia. We do not believe those concerns have been mitigated in the intervening years, and indeed, are even greater today.

The Financial Services Committee's Subcommittee on Domestic and International Monetary Policy, Trade, and Technology addressed these issues last year in a hearing on the Yukos affair. It was clear to us from the evidence presented in that hearing that the Russian government has sought to extend its reach into the energy sector as a means of extending its authority, both

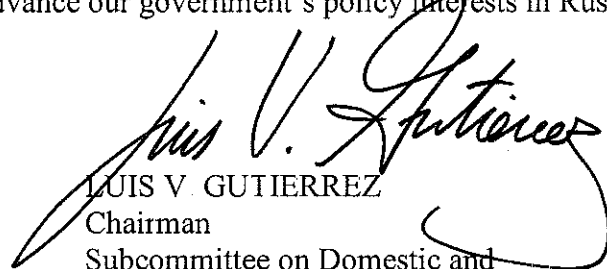
The Honorable Condoleezza Rice
Page 2

domestically and globally. U.S. investors were harmed by the Russian government's actions in the Yukos case and remain uncompensated for their losses in that case.

For the reasons outlined above, we believe that the denial of Ex-Im Bank support for Sakhalin II would be in the national interest and would advance our government's policy interests in Russia.



BARNEY FRANK
Chairman



LUIS V. GUTIERREZ
Chairman
Subcommittee on Domestic and
International Monetary Policy

Cc: The Honorable James H. Lambright