



December 8, 2008

Dear Leader Reid, Speaker Pelosi, Minority Leader McConnell and Minority Leader Boehner,

As long-term investors, and as members of the Investor Network on Climate Risk (INCR), which represents over \$7 trillion in assets, we believe it is critical that any federal financial support afforded the American automobile industry should incorporate conditions that will promote the long-term viability of the three American auto companies and their suppliers, the entire U.S. auto industry, and the economy as a whole. The goal of any assistance package must be to not only enable the automakers to survive today's current crisis, but to rapidly retool in order to realize a major change in business strategy. It is time for American automakers to move away from short-term thinking and develop a long-term strategy for success. This shift in strategy must extend far beyond current green marketing efforts and constitute a sea change in the way American automakers do business

Specifically, the aid package should require firm commitments to dramatically and continuously improve the overall fuel economy of the fleet of cars and light trucks they produce, and adapt to the large scale production of cars using advanced technologies. The package should insist that auto companies **meet performance standards at least comparable to California's greenhouse gas emission standards, which are equivalent to about a four percent fleet wide increase in fuel economy every year.** Further, it should provide **performance-based incentives to stimulate the development and deployment of new technologies, as well as penalties for non-compliance with the performance standards.** If the money is to come from the \$25 billion in loans reserved for retooling purposes under the Energy Independence and Security Act of 2007, we would urge that such funds be replenished in a timely manner. We firmly believe that this is the only avenue to ensure the long-term viability of these companies.

In light of volatile oil prices, the need to reduce dependence on foreign oil and promote U.S. energy independence, the parallel need to address climate change, and greater competition from foreign automakers, it is essential that American auto companies significantly change their business models to produce the energy efficient vehicles that consumers want, and that will be necessary in a carbon-constrained world. If American auto companies cannot accelerate their capacity to design and produce vehicles with significantly greater fuel economy as well as advanced vehicles using low carbon fuels (such as electricity from low- or no-carbon sources, biofuel from cellulosic ethanol, and hydrogen from renewables), it is clear that they will never be able to compete successfully in the 21st century. In addition to the U.S. market, other sectors



that are extremely important to the future financial viability of American car companies are the international markets, especially emerging markets, which are increasingly focused on more energy efficient cars.

It is in the interest of business and society that any aid granted will promote the development of a robust auto industry that will provide jobs and vehicles for the 21st century, and thrive in the new carbon constrained economy, rather than allowing these companies to repeat their mistakes of the past. We strongly urge you to take advantage of this opportunity to ensure the future of the American auto industry.

Sincerely,

California State Teachers' Retirement System

State of Connecticut Treasurer's Office

State of Vermont Treasurer's Office

Calvert Asset Management Company, Inc.

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