



Union of Concerned Scientists

Citizens and Scientists for Environmental Solutions

October 31, 2006

Mr. C. John Wilder
Chairman and Chief Executive Officer
TXU Corporation
TXU Headquarters
Energy Plaza
1601 Bryan Street
Dallas, TX 75201

Dear Mr. Wilder,

We write to express our strongest opposition to TXU's decision to launch an aggressive campaign to build 11 new conventional coal plants and greatly increase the company's global warming emissions. We add our voice to those of others urging you to abandon these construction plans.

The scientific consensus on the threat of global warming is so strong that last year the National Academy of Sciences took the unprecedented step of issuing a statement, in conjunction with the science academies of ten other nations, publicly urging world leaders to take immediate action to reduce global warming emissions. Policymakers around the world and here in the US are responding with a host of new policies to reduce greenhouse gases. The pollution from TXU's planned coal plants would put us all at risk by directly undermining these vitally important global efforts and making it significantly harder to make the pollution cuts we need to avoid triggering dangerous climate changes.

Your construction plans also put TXU and its shareholders at financial risk. The U.S. Senate has formally resolved to adopt limits on greenhouse gas emissions, and these limits will inevitably place substantial new costs on coal plants. In our recent report, "Gambling with Coal: How Future Climate Laws Will Make New Coal Power Plants More Expensive," (enclosed) we discuss the tremendous momentum now behind emerging climate laws, and calculate their likely financial impact on coal plants.

Voluntary restraints on greenhouse gas emissions are clearly failing, and nothing illustrates this more clearly than TXU's planned pollution increase. David Crane, the CEO of NRG Energy, recently condemned the "blazing cynicism" of the power industry's position of favoring nothing more than voluntary greenhouse gas restraints while planning huge new investments in coal generation. Construction plans like TXU's certainly seem to reflect that cynicism, and will only increase the already strong demand for mandatory federal greenhouse gas limits. If you will not abandon your construction plans, we urge you to publicly state that you do not expect -- and will not accept -- any economic windfall under future climate laws from this planned increase in global warming pollution.

It is widely rumored that TXU's decision to ignore this looming regulatory cost is based on its confidence that TXU will be freely allocated enough allowances under future climate laws to cover the new plants. If that is indeed your view, it stands in stark contrast to the one recently articulated by David Crane in New York City this September:

My final point on carbon today is that it has been suggested to me in some investor meetings that there may be a carbon windfall for NRG embedded in favorable allocations, et cetera. I believe that people who really believe that the power industry is in line for a carbon windfall severely underestimate the intelligence and objectives of America's environmental regulators.

Having said that, you want to understand that it's not too difficult for me to say that we at NRG hereby renounce any such windfall. We don't want it. We don't expect to be rewarded economically for emitting carbon...

UCS agrees that a carbon windfall for new coal plants is highly unlikely. Fierce political opposition will prevent any climate law that financially rewards companies who knowingly endanger us all by greatly increasing pollution levels when it is now so clear that pollution cuts are vitally needed. However, it does appear from TXU's construction plans that it is counting on a law that will reward, or at least not punish, such pollution increases.

We therefore call on TXU to publicly state its position on whether it expects to receive pollution allowance allocations under future climate laws for the global warming emissions of its 11 proposed coal plants. Indeed, we urge TXU to follow NRG's lead and publicly renounce any such allowances. If TXU is not counting on such allowances, it could by renouncing them dispel the rumors that it is increasing pollution levels in the cynical hope of gaining an economic windfall under future climate laws.

If, on the other hand, TXU truly is making this massive investment in coal based on the assumption that future laws will financially reward rather than punish such a dangerous increase in pollution, it is something that the American people, our policymakers, and your own shareholders need to know.

Sincerely,

A handwritten signature in black ink that reads "Kevin Knobloch". The signature is written in a cursive, flowing style with a long horizontal flourish at the end.

Kevin Knobloch
President