

GOOGLE, INCORPORATED

**Moderator: Jacqueline Fuller
November 27, 2007
11:00 a.m. CT**

Operator: Good day and welcome everyone to the Google, Inc. Conference Call. This call is being recorded.

At this time, I would like to turn the call over to Ms. Jacqueline Fuller; please go ahead.

Jacqueline Fuller: Thank you. Good morning everyone and welcome to today's conference call. We have a very exciting announcement to make about renewable energy.

With me today are Larry Page, one of Google's Co-founders and President of Products; as well as Sergey Brin, Co-founder and President of Technology. We also have Dr. Larry Brilliant, Executive Director of Google.org; and Bill Weihl, Google's green energy czar.

Larry Page is going to start the call with an overview of today's news, and then, that will be followed by further detail and context by Larry Brilliant and Bill Weihl. Then, we're going to close the session with a Q-and-A period. We ask that you keep your questions focused on this effort and the work of Google.org and Google, more broadly, on green initiatives.

Before Larry starts, I want to remind you that today's discussion may include predictions, estimates or judgments that may be considered forward-looking. These forward-looking

statements are subject to risks and uncertainties that could cause actual results to differ materially from these statements. Each forward-looking statement speaks as of today, and you should not rely on them as representing our views in the future, and we undertake no obligation to update these statements after this call.

With that, it's my pleasure to turn it over to Larry Page.

Larry Page: Well, thank you, Jacqueline. It's my great pleasure to be here; I'm very excited. And I want to thank all of you for joining us today and spending time with us.

We announced today our initiative to develop electricity from renewable energy sources cheaper than coal and this is going to be known as RE<C, I know it's a bit geeky but it seems like a very good description. And we're going to initially focus on a number of areas including advanced solar thermal power, wind power technologies, and enhanced geothermal systems, and other potential breakthrough technologies.

We're really looking at hiring a lot of people, engineers and energy experts, to lead this work and we're also expecting to really start with a core of significant effort around solar thermal technology internally. We're also expecting to spend tens of millions of dollars on the R&D. I would probably say I'd like to spend more but it's mainly an effort of, you know, finding really great people and getting them organized and enthused about this. And we expect to see some investments we can make in relatively near-term, where we can see profitable returns for sort hundreds of millions of dollars kinds of investments that will yield profitable returns in reasonably a short timeframes. So, we look to make those investments as we see of those opportunities.

Now, why are we doing this? Why is Google doing this? We have gained great expertise on designing and building large-scale data centers and -- both in making them efficient and making them in scale, and we're excited about using some of that knowledge and creativity also in energy

area, and also to help generate that we use. But just for ((inaudible)) is not really enough ((inaudible)), we really want to provide energy that's cheap enough that it can replace significant amounts of the energy that are used today. And that, you know, that, unfortunately, is really coal and not other sources. That's over 40 percent of the electricity as generated from coal.

Now, there's ((inaudible)) even tremendous work ((inaudible)) spent on renewable energy, and we're very thankful for that, and all the people who have worked hard on that. And that's actually why we're so excited about this is that we've seen technologies that we think can really mature into very capable industries that can really generate electricity cheaper than coal. And we don't see people talking about that as much as we'd like. And we'd really like for that to be the goal.

Now, I wanted to talk specifically about solar, thermal a little bit more. We really believe that that is a plausible path to providing renewable energy cheaper than coal. And, you know, there are many people working hard on that and that's certainly an ambitious goal. But it's also one that we'd like to get started on right now and not waste to develop technologies that, while economically viable, really can't compete with coal. So, part of the reason for doing this today is to really get people enthused and pushing for that ambitious goal.

Now, we expect a lot of partners and a lot of great people and some significant investments I've talked about; we really want to rapidly push forward. And our goal is to really produce a gigawatt of renewable energy capacity that's cheaper than coal economically, and we're optimistic that this can be done in years, not decades that are usually recorded. You know, a gigawatt is quite a bit; it can power San Francisco, for example. So we feel like if we can do it that scale, we could at a scale that would be very significant for the world.

So with that, let me turn it over to Larry Brilliant, and he'll say a few words and then we'll answer questions.

Larry Brilliant: Thank you, Larry. I'm very excited about this announcement today, and thank you all for joining us. Google.org is the philanthropic arm of Google. We generally work in areas of global health, poverty and climate change. But in fact, the rapidly increasing rate of climate change negatively impacts everything we do in global health; makes it harder for people in the developing world to escape from poverty.

So, Google.org is focused now in trying to slow down the rate of climate change. And one of the things that we are doing is funding renewable energy investments that reduce the burning of coal and oil. Therefore, investments for the renewable energy effort we just announced will be funded by Google.org, and we will focus specifically on the high-risk but highly promising renewable energy technologies that we believe can produce electricity cheaper than coal.

This initiative is a good example of the how the business side of Google and the philanthropic side work well together. As Google grows, we don't want our core business to become part of the problem; we want Google to be part of the solution. It's a good business decision to create low-cost alternatives to coal as resource of our own power needs. But it's an even greater social benefit if we can simultaneously help create a technology pathway that allows everyone in the developed and developing worlds to power that does not contribute to climate change. And, to do that, the solution requires electricity from renewables that cost lower than electricity from coal.

And now, I'm going to turn this over to Bill Wehl, our green energy czar -- Bill?

Bill Wehl: Thank you, Larry. I'm really excited to be here and to be a part of our work on sustainability.

This initiative is just one part, though I think it would be a very large part of our continuing effort to help create a clean energy future.

To just give you some context, earlier this year, we announced that we would be carbon-neutral for 2007 and beyond, and we're on track to meet that goal by the end of this year. We also

installed a 1.6-megawatt solar ((inaudible)) array, one of the largest in the nation. And, in fact, I've heard of many other companies that are now working on similar, equally large or larger, solar installations, which I think is great.

We've been working on plug-in hybrid cars and have converted a number of hybrid cars like the Prius and Ford Escape to be plug-in cars that can draw some of their power from the electrical grid, not just from gasoline, as part of our Recharge-It Initiative. And as Larry mentioned, we've been working for a number of years on making our servers and our data centers extremely energy-efficient. And, in fact, we're now working with many other companies on the Climate Savers Computing Initiative, which is working to make all computers equally efficient.

So as part of that, we, as Larry said, also want to then make our energy sources much cleaner, and to do that for us and for the world, we need to make them much cheaper than they are today. So with that, let me turn it over now to Sergey Brin.

Sergey Brin: Thanks. I'm very excited to talk to you today about this announcement. I want to highlight that this -- climate change is a very important reason for this announcement, but it's not the only reason. And there are many places in the world, including in the developed world, where there's just not cheap, affordable energy in certain sizes and scales that either industries or small cities and individuals need, at sort of price points that many of us are used to, from dirty energy technologies, in areas where that is available.

So for economic development to be possible in many of these areas, and for new industries to be spurred along, I think we want to develop cheap alternatives that are clean and widely available. In fact, this also creates a possibility of, perhaps, this energy could be significantly cheaper than existing dirty alternatives over time, and that could create vast new opportunities. So, I don't think that this is just about solving a problem; it creates a gigantic opportunity.

Secondarily, of course, there are also a number of health effects of the dirty technologies that are substantially negative, and having these cheap energy sources will improve not just the global climate but the local climate and local health conditions in many areas. So, I'm very excited about this project and I hope to talk to you more about it.

Jacqueline Fuller: Great. Thanks, Sergey. As a reminder, you can find more information, including background and frequently asked questions, at the Website www.google.com/renewableenergy.

We'd now like to begin the Q-and-A with today's participants. I'd just like to remind everyone to please specify who you would like to answer your question so that we can make sure the right person is doing so.

Operator, could you please pass along the questions.

Operator: Thank you. The question-and-answer session will be conducted electronically today. If you would like to ask a question, you may do so by pressing the star key followed by the digit one on your touch-tone telephone. If you're using a speakerphone, please make sure your mute button is turned off to allow your signal to reach our equipment. Once again, that is star one for questions. And we'll pause for just a moment to assemble the roster.

And we'll take our first question from Ari Levy from Bloomberg News.

Ari Levy: Yes. Could you just tell me what kinds of products we may see come out of this? Is there anything concrete that you're envisioning from this in the next couple of years?

Larry Page: Thank you. This is Larry; thanks for your question. I think, I mean, the main products, I guess, we'd like to announce is, you know, that our goal of making a gigawatt of renewable energy cheaper than coal. And if we could do that, it's going to be a tremendous product.

There'll be a lot of demands for it, a virtually infinite demand. So, I think that, you know, I don't usually -- you don't think of a power plant or something as a product, but that would probably be the product.

Operator: And are you ready for your next question?

Larry Page: Yes.

Operator: And we'll take our next question from Jonathan Shieber from Dow Jones.

Jonathan Shieber: Gentlemen, thank you very much for taking the time today. Key questions -- I was hoping that you could discuss a little bit the scope of this effort; whether you're going to be concentrating investment initially within the United States, or development, initially, within the United States, or whether this is sort of already a global initiative?

And then secondly, I was hoping you might be able to talk a little bit more about whether Google will be developing these plans themselves or whether Google will be focusing on developing the power plant, the technology that will then be built into these renewable energy power plants or facilities.

Sergey Brin: Yes. This is Sergey. With regard to location, we're certainly looking in the United States but we're also looking in Europe and many other countries for technologies and teams, and so forth. I think that we are looking at a range of alternatives about exactly how to structure this. We already have made some investments in other companies; we don't feel like we have to own every piece, we just want this problem solved. But we will also be doing our own internal research.

And in addition to that, as you point out, one big comp is once a company in the space has a promising technology, you still don't know if it really works at that price point and if it's reliable or whatnot until you build -- typically, it requires a significant chunk to kind of figure out the pricing and for the scale to work.

So, I think we'll be in a position, given our consumption of power, for example, of data centers and whatnot, to invest in, you know, fairly good-sized chunks of this power and to take more risks than other energy users would be willing to make.

Larry Page: Our next question?

Operator: And we'll take our next question from Mike Lesky, from Associated Press.

Mike Lesky: Hi. Yes. I was hoping you could clarify -- I'm a little confused, is this, totally, is this Google.org or is Google, Inc. putting the tens of millions of dollars -- where's the tens of millions of dollars coming from and all the investment?

And also, could you give a little more color about the number of people you expect to hire -- just like a whole different arm of Google? How would it operate? How that works?

Larry Brilliant: Hi. This is Larry Brilliant. There are two parts to your question, I think. One is the investment in companies that have innovative technologies, and Google.org will be making those investments and participating in the equity upside of those companies. We think it's a good way to do well and do good at the same time.

Mike Lesky: How much money does Google.org have now? I know you started with, like, \$90 million or something.

Larry Brilliant: Well, we've announced that Google.org started with three million shares of Google stock.

Mike Lesky: That's what you have, though?

Larry Brilliant: We have a little less than that. We've spent some of it; we still have quite a bit. The other part of your question was about the R&D and the number of engineers, and I'm going to turn that over to Bill Wehl, who's our green energy czar.

Bill Wehl: Thanks, Larry. So we want to hire, really, as many smart and creative people as we can. I think that it will probably be on the order of 20 to 30 people, maybe a little more, over the next year or two. So, the amount of money involved there is not that large.

As we get further along, and as we see technologies that are ready to be built at very large scale, then, I think, as Larry mentioned earlier, we will probably do much larger investments in actual projects. But also, we expect we'll be partnering with many companies and others working in this space to develop the technology.

Mike Lesky: So, that's like a new division of Google or how -- or is it part of the overall arm, the department? How's that?

Larry Page: Yes, Mike. I think a good way of thinking about it, I mean, I think we have ((inaudible)) position we announced for a director of other -- which handles some of the things that are a little bit further away from the normal search and ads, and so on. And it probably will be structured on the ((inaudible)) time. So, we have ways of -- but I think -- that's the way I think about it, I do think -- I hope we can hire even more people than that, into that division. But it does take time to hire great people, and I also expect, you know, we have hundreds of people who work on our data centers and are very experienced with substations and energy transmission, and utilities, and

things like that. And I expect those people will be involved, and as we make significant investments in deployments, as Sergey mentioned. That will be a really important part of this.

Sergey Brin: You know, if I may add just one more thing, this is Sergey, the reason that we're, you know, having this whole call today and being very public and forthcoming about this is, well, first, we really believe in this cause and we really want to encourage others to seek this same goal. But, also, we want to hire the best people in these fields for this new group and we just want to let them know that we have this goal and we are going to staff this and grow this within Google.

Mike Lesky: Thanks.

Jacqueline Fuller: Next question, please.

Operator: And we'll go next to Martin Lamonica from CNET News.com.

Martin Lamonica: I was hoping to get a more concrete feeling for what's going to come out of the -- on the, you know, solar thermal, which you say is cost-effective versus coal. Now is Google going to build, you know, develop and productize solar thermal technologies or will you develop technologies that you'll license or -- how does it come to market, I guess, is what I'm trying to get a feel for. Larry Page?

Larry Page: Yes. That's a great question. I think the -- we have, as Sergey mentioned, we have, I think, a really nice ((inaudible)), which is we buy a lot of energy for our data centers. So for us, you know, these things can even be co-located; we can build energy generation and consumption on the same spot, which has certain advantages. You can also re-use, potentially, some of the heat for cooling and other things. So actually, having that combined energy use and being ((inaudible)) the customer means that it's a little bit easier, I think, for us to deploy some of these things.

So, I expect the first things that we do, when we mentioned the gigawatt goal, certainly, our own consumption is likely to be a big part of that and, you know, our goal is to basically build that on site, and we would probably, I mean, I'm sure we'll be working with other people to do that, there's a lot of construction and other things that get done, but I expect, you know, we feel comfortable that we have something that works really well. We'd love to productize this and offer it to other people and make money from that.

Martin Lamonica: So, you'd be the first customer of these things, sort of an on-site power generation, but then, down the road, you could save, you know, you're not going to consume a whole gigawatt, I'm assuming that it would kind of make its way to the market for other customers?

Larry Page: Yes. Yes, that's right. And I think, you know, some of these things largely would be likely to be ((inaudible)) and so on. But, you know, we're excited about that and I think, yes, we're excited about getting other people excited about that. So, I think the main crux of this is that we believe you can do it cheaper than coal and I think -- and that's really our goal and we're going to try to make that happen now. And I think that's -- most people who are doing this now are trying to do it less expensive than the people before, but they're not really trying for that goal, which will make it have significant effect on the world.

Jacqueline Fuller: OK. Next question, please.

Operator: And we'll go next to Jeff Graham from USA Today.

Jeff Graham: Hi. This is for Larry and Sergey. Thanks for talking to us this morning. Every interview I've done with Google is always about organizing the world's information, so how does this fit into that goal or has the goal now expanded as a company, to do a lot more than organize the world's information?

Sergey Brin: Yes. This is Sergey. You know, we internally kind of divide up our efforts into what I call the 70-20-10 rule, which means 70 percent of our efforts go onto our core, which is basically search and advertising, 20 percent go to -- and apps now, as you mentioned, 20 percent go to adjacent areas, and 10 percent, you know, is kind of up for grabs.

Now, in this case, this is I would ((inaudible)) the 10 percent of effort -- but in fact, it is critical for us developing the services that we do that are very compute-intensive and power-intensive. At the same time, you know, we do like to take advantage of our noted kind of reputational position to try to motivate the world to do things that are good for the world. And this is one area where we feel we can lend a voice that will be of help. And certainly, there are lots of great people developing fantastic technologies to produce cheaper, clean power. We want to give them enough of backing comfort to take the bigger risk of making it really cheap on a scale that will take over the whole world.

Jeff Graham: OK. Then, can you just give us a little color on how this all came about? What was happening, what you guys were talking about that you guys came to the conclusion, "Let's do this"?

Sergey Brin: Yes. Sure. So in short, there was several ((inaudible)) within Google who came to this conclusion at the same time. First, obviously, Google.org was concerned with both climate change as well as global health and for that matter, as well as poverty, and all those things could be helped a lot by having a cheap renewable energy.

But we also have our data center teams that are all the time trying to get more power available to our data centers and, you know, and as we have looked at our options, it's very hard for us to find places to locate that aren't, say, coal-based or other dirty technologies, and, you know, really -- we don't feel good about being in that situation as a company; we feel hypocritical. And so, we

want to make the investments happen so that there will be alternatives for us to use down the road.

Jeff Graham: OK. Thanks a lot.

Sergey Brin: Thank you.

Jacqueline Fuller: Next question, please.

Operator: And we'll take our next question from Kevin Delaney, from The Wall Street Journal.

Kevin Delaney: Hi. Good morning. I have a few quick questions. Can you ((inaudible)) telling us how much Google's own energy consumption is so we have a sense of how it compares to the gigawatt?

And then, two other questions, when you're talking about productizing this, is this Google becoming a large-scale energy producer or would you sell the design or the technology for other people to produce power?

And then, the last question is, I know, Sergey, you talked about this falling into the 10 percent bucket, but I think -- I assume some investors who see Google getting into the power business might feel that you're straying from your core, and how would you respond to their concerns?

Bill Weihl: This is Bill Weihl. Let me take the first question, about how much power, that's a really key aspect of our operations that we don't generally discuss. We can't disclose the amount of power that we consume.

Sergey Brin: And your second part was about...?

Kevin Delaney: When you productize it, do you become a large-scale energy producer or you're just selling the technology?

Sergey Brin: I believe that when we, you know, assuming we can develop this, which is, you know, a big goal, like an ambitious goal, I believe we'd want to deploy it as broadly as possible, which means we would put it ourselves in places and we would license it to as many people as possible ((inaudible)).

And in terms of whether this is straying from our core, yes, as I explained, I mean, I think this does, you know, this doesn't count as search or advertising, except powering the computers that do those things, but we do want to give ourselves, our business, some latitude, to look into new areas, especially when they're strategic, as long as the sort of total amount of effort to resource ((inaudible)) toward those are reasonable percentage of our overall company, which I think this falls ((inaudible)).

Larry Brilliant: And Kevin, hi. This is Larry Brilliant. It's not straying from the core of Google.org, which we've already announced and talked about. In fact, it's hard to imagine how we could really make significant progress in areas of global health and in helping poor people arise from poverty if we don't solve climate change. So, it's very ((inaudible)) what we're doing and it fits in exactly what we're doing, which is having the benefit of having a very large customer to begin with.

Jacqueline Fuller: Next question, please.

Operator: And we'll go next to Eric Auchard, from Reuters.

Eric Auchard: Yes. Just a repeat of an earlier question. You know, if you can't disclose how much energy you use, could you just put it in terms of how it might compare to other companies in

Silicon Valley or other energy users? Just give us kind of an order of magnitude of what it is that Google consumes either in, you know, Silicon Valley or, you know, around the world, if there's a meaningful and not too complicated way of explaining that.

Larry Page: I think we've already commented that we won't answer that question. Our next question, please.

Operator: Are you ready for your next question?

Larry Page: Yes, please.

Operator: And we'll go next to Wendy Tanaka from Forbes.com.

Wendy Tanaka: Hi. Two questions, are you planning to acquire companies and, also, please explain how much less expensive solar is than coal.

Larry Page: So, the first part of the question, I mean, we at Google acquire ((inaudible)) companies and we're really looking for companies to acquire and to partner, and to invest, and all those things, so, we expect to have, with this effort, we'll use all the ((inaudible)) that we normally use to technological development and so on.

Wendy Tanaka: Should we expect any announcements by the end of the year?

Larry Page: We don't -- we don't pre-announce anything, so, I don't have anything to say about that. But, I think, in terms of your second question, which was...

Wendy Tanaka: Oh, the cost.

Larry Page: If solar is cheaper than the coal, yes, some of it is not ((inaudible)) cheaper than coal. I mean that's the whole point of this effort, just to get it there. It's currently -- it's currently substantially more expensive than coal depending on the type that you have. But we see a lot of evidence from all the people who have been working hard on this that they can -- the cost can come down quite a bit, and it's an ambitious goal to get it cheaper than coal but it seems obtainable. And certainly, if we can, then we'll have a huge impact. But it's currently not the case, you can't currently go out and buy -- do a lot of energy generation cheaper than coal, if so, people will be doing it. Our next question?

Operator: And we'll go next to Rebecca Smith, from The Wall Street Journal.

Rebecca Smith: Good morning. Could you give us a little more clarity on what price it is that you're thinking is -- would make it cheaper than coal? I mean I could find coal plants producing power for a penny a kilowatt/hour and I could probably find some at \$.05 to \$.10, so, there's a tremendous range depending on whether it's an old plant, a new plant, located in the U.S., China, and et cetera. So, what do you think of in terms of cents per kilo -- I mean, the price per kilowatt/hour or megawatt/hour?

Bill Weihl: Hi. This is Bill. You're absolutely right that there is a wide range of prices you'll find from coal. For a new plant in the U.S., a coal plant will probably result in a cost of around \$.04 a kilowatt/hour, maybe slightly more. In China, it's probably less than that. If it's fully depreciated, you'll probably find a cost of around \$.02, \$.02 1/2 per kilowatt/hour. There may be places where people can sell it for less than that. So, we think we need to get in the range of \$.01 to \$.03 per kilowatt/ hour for solar or other renewables to be really competitive with coal.

Rebecca Smith: May I ask one other question? Hydro would already be a category that's cheaper than coal, are you not looking at hydro?

Larry Page: I think, this is Larry, I think the issue of hydro is, I mean, it's very difficult to build significant new capacity and, you know, we have data centers that use hydro but, also, somebody else could be using that capacity too. So, I think it's difficult -- I think it's difficult to get the scale of energy that the world needs only from hydro. So, you know, it's also been pretty well developed already.

Rebecca Smith: Do you folks have a view on nuclear?

Larry Page: I have a view, which is I think it would be fine to have anyone do privately financed nuclear plants but I don't see those happening.

Jacqueline Fuller: Next question, please.

Operator: And we'll go next to Jenny Mandel from ((inaudible)).

Jenny Mandel: Hi. Thanks for taking my question. First, what's the balance chart about in in-house R&D funding and other research and investment, so, what balance do you see sort of percentage-wise in terms of ((inaudible)) on that?

And a related question, we talked about R&D that gets the technological barriers investments and companies could be market ((inaudible)), so, which of those do you see as more significant for the areas that you called out, solar thermal, wind, geothermal?

Larry Page: I mean, I think we'll make investments when we see good ones, so, you know, we'll hire, if we can hire a lot of great people, I hope some of those interests will generate those people. We'll hire as many as we can, we'll invest in as many things as we think will generate really great returns. And I think, you know, there aren't -- I mean there are a lot of people working in these areas but there aren't that many that are aggressively targeting to make these kind of very low

cost solutions. So, we're, you know, there's a relatively small number of those things that we've seen. We'd love to see more of those things.

Jacqueline Fuller: I just want to remind everyone that there's going to be material posted at www.google.com/renewableenergy if you need follow-up materials. Next question, please.

Operator: And as a reminder if you'd like to ask a question today, it is star one and we'll go next to Emmanuel Paquette from ((inaudible)).

Emmanuel Paquette: Yes. Hi. Just a question about -- two questions, one about the investment, you told me that you have three million shares of Google, so it represents \$2 billion of investment, is it correct?

And my other question is, normally, Sergey and Larry Page are already -- the right to have a jet in order ((inaudible)) you know, ((inaudible)), so, do you think it's possible to have, on one hand, renewable project, and on the other hand, to use a jet in order to travel worldwide?

Larry Brilliant: Hi. This is Larry Brilliant. Yes, Google.org started off with three million shares of Google stock. Some of those shares, about 10 percent of them, were put into the Google Foundation; the rest resides still, nominally, in Google.org. So, your numbers are right; your calculations are right by in order of magnitude.

On your other question -- Sergey...

Sergey Brin: Yes. This is Sergey. This certainly raised a general issue ((inaudible)) mentioning specific airplanes. It's certainly an issue I've wrestled with, in fact, you know, to make our lives and business efficient, we do use a lot of things, such as airplanes and whatnot, that generate a lot of carbon emissions.

Now in our case, in particular, we've actually bought carbon offsets to offset the carbon from that airplane usage. But frankly, I'm not satisfied with that because, you know, sometimes it's not clear if these sorts of offsets can be gained, but, more importantly, you know, just grabbing up the low-hanging fruit as offsets isn't adequate to deal with climate change.

To deal with climate change, you really have to tackle the big problems, which are in electricity generation that we're talking about today and transportation fuels, which is not part of our work here, but I think there is a lot of really interesting work going on.

For example, I've heard of experiments with bio-diesel ((inaudible)) of jets and whatnot. So, I think we really need to tackle these big problems. I think it's unrealistic to expect that everyone's going to stop traveling all of a sudden or stop using electricity. Technology is what I think is the big answer.

Jacqueline Fuller: Next question, please.

Operator: We'll go next to Steve Gelsi from MarketWatch.com.

Steve Gelsi: Hey. Hello. Can you hear me? Hello?

Jacqueline Fuller: We hear you.

Steve Gelsi: OK. Hey, Sergey, this is Steve Gelsi. Yes, I remember you told me once one of the first things you bought was a Prius, back in the day. Can you sort of explain a little bit of your -- how long you've been kind of a green proponent and, you know, and how that came about and, also, if you could just sort of -- anybody else what to ask the question about the investments in eSolar

and Makani, is that a -- are you guys actually, you know, taking equity stakes in those two companies?

Sergey Brin: Yes. Well, the first one is about how I got a Prius?

Steve Gelsi: No. Not how you got a Prius but how you've sort of become a, you know, aware of these types of green issues because the last time I interviewed you in person, about five years ago, you mentioned you bought a Prius -- sounds like five years ago.

Sergey Brin: Yes. I actually, you know, the Prius, I think, is an example of what I'm talking about. I actually got a Prius because I think it's a great car. It's also -- it's also happens to be an efficient car and a relatively green car. But it's also a very good car and, you know, if you ever parallel park in San Francisco on a steep hill, it sure helps to have a nice electric motor there that you can very precisely control.

I think, as we develop these green technologies, in general, we have the opportunity to improve the quality of human life and solve climate change at the same time, and the Prius is just one small example. With, obviously, the plug-in hybrids ((inaudible)) we have here, we've announced ((inaudible)) initiative here at Google and further with the electric vehicles that we work with also, there's the further convenience of not having to ever go to gas stations, though, you do have to plug it at home from time to time. I don't know if people find it more burdensome.

Steve Gelsi: But then ((inaudible)) way before it got trendy, I mean, way back in, like, you know, early 2000 or even before that, I guess. Right?

Sergey Brin: I think that's a good observation and I think there is a risk to the term trendiness that, you know, sometimes these sort of things backfire and it appears as a fad or whatnot. But climate change is a really -- it's not something that, you know, is like bellbottoms or something like that.

The effects are going to last hundreds of years -- but I guess, perhaps bellbottoms have too -- but then, in a much more substantial way. And that's why I think it takes a concentrated, thoughtful effort rather than kind of the dynamic swinging of the pendulum in kind of the public media and whatnot.

Steve Gelsi: And the investments in eSolar and Makani, are those actually equity stakes or is that just an alliance or...?

Sergey Brin: Larry is going to talk about those.

Steve Gelsi: OK.

Larry Page: Yes. We're really excited about both those companies; we're working with both those companies -- eSolar has very exciting solar thermal-based technologies and, you know, they're really excited about pushing the cost down very aggressively there, and Makani has, you know, has very interesting work that they're doing on high-altitude wind, are innovative enough in capturing that. And the nice thing about both those companies is that they have potential to provide a large percentage of the world's needs, if they're successful. High altitude wind is a tremendous amount energy and wind power is already competitive with coal on a price basis if you take out the variability, which, of course, is the main issue, of that high altitude wind is less variable than low-altitude wind, so, there's a big benefit there. And actually, I feel that even current wind technologies could be pretty competitive if we had better transmission, which is also something we'll probably have work on.

Steve Gelsi: But in terms of those two companies, are you taking a stake in them or did you give them some venture capital money, or can you disclose ((inaudible)) on that?

Larry Page: We're not free to disclose any details, that's what we put on our ((inaudible)), but we're working very closely with both those companies.

Steve Gelsi: OK.

Larry Page: Our next question?

Operator: And we'll go next to Peter Barlas from Investor's Business Daily.

Pete Barlas: Hi. Thank you very much for giving us the presentation today. There's just one thing that I haven't heard yet, somebody mentioned, and I wish I could remember who it was, but sort of the - - this program would produce initiatives that you would license to other people or other countries around the world, or other companies -- by licensing, do you mean that this would be a revenue stream that Google would get or somehow plow into the company or into Google.org, or what's the situation with that?

Sergey Brin: Yes. This is Sergey. I talked a little bit about that. If we are able to develop such technology, we want it to get it adopted as broadly as possible. Now, that could mean any number of things. First, it could be mean that we just -- we build some of it ourselves, but we probably license it in some form to other places.

Now in terms of how we would monetize that, I think it depend on the situation. I mean, in cases, for example, where it's been created as a result of an investment in a renewable energy company, it will be somewhat up to them, though I think we would encourage them to license it on fairly favorable terms to get it widely out there and, perhaps, at somewhat lower margins as a consequence.

But, I imagine, yes, it will be some sort of a license fee or it could be also just sending people to build these things and taking a profit on building the infrastructure, it could be getting a percentage of the power cost. I think any number of structures is possible. But, once again, the goal is not to have, you know, huge margins here, the goal is to really replace the dirty energy that's out there.

Pete Barlas: But there is a possibility of a revenue stream coming back to Google from this?

Sergey Brin: Oh, yes, very much so. Either directly back to Google or via the via the success of the investments we make, we would have appreciation on those investments.

Larry Page: I do think capitalism works pretty well to drive investments. I mean, you could do this, like, completely open and so on. But I think that we're going to try to optimize to generate the fastest deployment that we can. And I think, if we do that, we'll also be able to make some margin, and, you know, obviously, energy is a very big market. So, I think you could still make a significant -- significant amounts of money and generate really fast deployments together. And that's probably the quickest way to really avert the climate issues that we face, is to have a profit-driven, healthy business ecosystem that drives a lot of investments. Energy is going to require a large capital investment and, so, those returns need to come from somewhere and investors will be motivated by those returns, and the will happen more quickly.

Pete Barlas: Very good. Thank you.

Jacqueline Fuller: OK. We've got time for just a couple more questions. Next question, please.

Operator: And we'll go to Carrie ((inaudible)), from ABC News.

Carrie McGourty: I have a question for both of the founders. What type of support have you had from the government and private sectors for your efforts to make renewable cheaper than coal?

And also, what are your thoughts on carbon capture?

Sergey Brin: Yes. This is Sergey. So, this is a relatively new initiative that we're just announcing today. While we've had some chance to talk to some government officials, it's not -- we've not had a lot of time to discuss.

That said, with our existing climate change efforts, I think we've had a tremendous amount of interaction and help, and I think some of the other team members can talk more to that. What was your second question?

Carrie McGourty: Do you have any thoughts on carbon capture?

Sergey Brin: Oh, carbon capture, I think that we're open to any promising technology, but it's just kind of - it's a little bit hard to see how would carbon capture could actually get cheaper than the dirty technology by itself, you know, without paying the extra price for carbon capture. So, since our goal is to actually be cheaper, I'm not sure that's going to be a very easy way to achieve that.

Larry Page: I was just going to comment, we once had a, you know, again, we're just announcing this today, so, one of the ((inaudible)) interactions, we have had already a lot of work through Google.org working on policies that really encourage renewable energy development and deployment, such as the U.S. Renewable Energy Standards, which we've had a lot of involvement in and I think those kinds of policy issues are very, very important for these things.

Jacqueline Fuller: Next question, please.

Operator: And we'll go next to Carrie ((inaudible)).

Jacqueline Fuller: Hello? Next question?

Operator: I'm sorry. We'll go next to David Ehrlich from ((inaudible)).

David Ehrlich: Yes. Hi. I have some questions about the -- how you're going to invest the hundreds of millions dollars you're talking about, I know you have the plug-in hybrid initiative, are we going to see more like that, where you're going to announce these requests for proposals for various industries, and what's the timeline on that?

Larry Page: Hi, David. I think the hundred million dollars -- hundreds of millions of dollars that we're talking about on the release, there's really -- we see investments that would pay back money on reasonable -- reasonable timescales that we can make now for our own data center use and to put on the grid and so on. And so, we just -- but again, people were heads-up, they were prepared and we see some good investments to make in the hundreds of millions of dollars kind of range other companies are prepared to deliver on now.

And so, you know, ((inaudible)) but that would be for energy generation. I'm sure we'll do more efforts like we did with the plug-in hybrids, supposing that was \$10 million, those will be probably smaller kinds of efforts because we don't know where to put the hundreds of millions of dollars. And ((inaudible)) can have a little bit.

Sergey Brin: You know, we were really pleasantly surprised by the response to the plug-in hybrid initiative. We made a small announcement of it, \$10 million dollar ((inaudible)), and I think we thought we'd get 20 or 30 responses; we got over 300. And some of them are quite innovative. And I think it speaks to the, really, the dearth of capital for some of these innovative ideas. And

we've seen a lot of business plans and batteries, smart grid technology; we're really encouraged by that process. So, we may see more of those.

Jacqueline Fuller: I'd like to call for last question, please. And then, we'll close with brief comments from our founders.

Operator: And we'll take our final question from Jessica Resnick-Ault from Dow Jones News Wire.

Jessica Resnick-Ault: Hello. Can you hear me? Hello?

Jacqueline Fuller: We can; go ahead.

Jessica Resnick-Ault: OK. I'm an energy reporter, and I guess, coming to this, what's really interesting to me is that it seems like Google is taking a very different approach from companies like Wal-Mart, who has tried to simply cut energy costs by controlling things like temperature or electricity, light use in their stores. Google seems to really be positioning itself practically as its own energy company by taking a position in these ventures and by trying to produce its own energy. Going forward, can we expect to see Google getting in to other areas beyond energy, first of all?

And secondly, why isn't Google simply cutting back cost the way other companies are -- why is Google positioning itself as an energy producer?

Larry Page: Well, first of all, I wouldn't ((inaudible)) those companies, I think conservation is a huge part of the issue around climate change. And there are lots of really easy gains to have there.

For instance, we just -- we do this in all our buildings too, and we just -- a lot of our buildings ((inaudible)) five degrees ((inaudible)) outside temperature, so, when it's really hot outside, it's hotter inside and, you know, you ((inaudible)) for the outside anyway, and a number of complaints

about ((inaudible)) at all since we did that, and we save a ton of energy. So, there's a huge amount and probably half our energy can go away through simple things like that. We should do those things, that's quickest way to reduce our carbon emissions.

And the U.S., certainly, has huge emissions per person compared to other places. I think, you know, we hope to do many different kinds of investments. Maybe Sergey can take the second part.

Sergey Brin: Yes. I think that we, as I've said before, we want to spend the majority of, the overwhelming majority of our focus on continuing core business, I mentioned search and advertising, some of the adjacent are -- already we're starting to get into ((inaudible)) the apps. But we don't want to preclude us using some of our resources to be more speculative in new areas, especially when they touch us in the business way in terms of energy cost and kind of a policy way, with respect to climate change. And this is certainly such an issue, and it's also one that really has the capability to change the world. And that's where, I think, when we start to look at other fields, we would really want to look at ((inaudible)) to really change the world for the better in the biggest possible way.

Bill Weihl: And this is Bill Weihl. Just a comment about your point about Wal-Mart and what they've done versus us, first of all, I think the work they're doing on energy efficiency is really amazing and a great thing. And as Larry said, there's a lot of low-hanging fruit. We built our buildings in this country and around the world very inefficiently and we operate many things very inefficiently. So, that's a huge part of dealing with the energy we consume and the pollution that it produces; just simply consuming less.

We've had engineers here for years working on making our servers and our data centers as energy-efficient as possible. So, that has been job number one from the beginning, I think, and should be in any attempt to make your energy use have less of an impact. We've also put up

solar panels here, and Wal-Mart's made announcements about some very hard solar installations that they plan; lots of companies are doing that. That's great, but that alone, given the current price of renewables, will not really solve the climate problem. We really need to accelerate the pace of technology development to drive the cost down much faster, to make it competitive with coal.

Larry Page: We ((inaudible)), too, that having ((inaudible)) but having a little cost energy that's green and potentially cheaper than the energy we have now -- ((inaudible)) important is for developing countries -- and if we have more energy, we could do more stuff, you know, we have better transportation and we'd have more swimming pools that are hot and, I mean, there's just a lot of things that use energy that people like having.

And I think it's important not to miss the gains that, for example, the U.S. has had due to a lot of energy available. And many, many places in the world don't have that, and for those places to develop in ways that they'd like to, they're going to have to have a lot more energy, and if it was less expensive, they would have a lot more. And so, I think energy can really drive economies and people's quality of life and all those things. So, it's important not to miss that, either.

Jacqueline Fuller: OK. And we're just going to conclude our call today, is there any last comment?

Sergey Brin: Yes. Just -- this is Sergey, I want to highlight that, you know, this is one announcement by Google but, obviously, there are plenty of other companies and organizations doing lots and lots of important work on climate change, many of them we partnered with, or worked with in various ways. And I just want to underscore that that's, you know, we're just one piece, and their work needs to continue. And even as you mentioned issues like conservation and policy, I don't ((inaudible)) just because we've set this ambitious goal, that people should all of a sudden say, like, "Oh, that's not important." You know, conservation is very important, and policy is very important. And I don't think, as much as I'm optimistic, about getting cheap, clean energy, that

we should just ((inaudible)) the world on it. So if you take one thing from this, just remember that this is one piece of the puzzle that we hope really pans out. And it really relies on participation of the broader community to make it happen.

Larry Page: I just wanted to conclude and then to thank all of you for spending so much time with us today on an interesting topic. We look forward to hearing from all of you in the future. Thank you.

Jacqueline Fuller: And I just want to remind everyone that, just before the call, we put out a press release over the wire. If anyone needs a copy of that, please email press@google.com, or if you would like follow-up interviews with Dr. Larry Brilliant or Bill Weihl.

And a recording of today's call is going to be available for replay beginning at 11:30 Pacific Time, and that number is 888-203-1112 in the U.S. or 719-457-0820 for calls outside the U.S., and the confirmation code is 220-5214. Those numbers are on the press release, as well.

That concludes our call. Thank you, again, for joining us.

Operator: And this concludes today's conference. We thank you for your participation. You may now disconnect.

END