ClearPath Written Statement

U.S. International Development FinanceCorporation (DFC)

June 5, 2024 Public Hearing

ClearPath appreciates the opportunity to provide comments to the U.S. International Development Finance Corporation's (DFC) June 5, 2024 Public Hearing. Our mission is to develop and advance policies that accelerate innovations to reduce and remove global energy emissions. To advance that mission, we develop cutting-edge policy solutions on clean energy and industrial innovation. An entrepreneurial, strategic nonprofit, ClearPath (501(c)(3)) collaborates with public and private sector stakeholders on innovations in nuclear energy, carbon capture, hydropower, natural gas, geothermal, energy storage, and heavy industry to enable private-sector deployment of critical technologies.

America's development financing can demonstrate global energy leadership by providing pragmatic solutions to counter often predatory energy infrastructure lending from our competitors and adversaries for substandard projects. By prioritizing high-quality and fiscally responsible energy investments, the U.S. can set a high bar for development that promotes long-term stability and economic growth in partner nations. American leadership ensures that infrastructure and energy projects are not only economically viable but also environmentally prudent and socially beneficial. The DFC is a key player in addressing global development, climate and energy security imperatives, extending American influence through the alleviation of energy poverty.

The world needs more energy, and emissions know no borders. According to the U.S. Energy Information Administration (EIA), global energy consumption is expected to increase roughly 34% by 2050 over the 2022 baseline. In addition, the International Energy Agency (IEA) states that around 760 million people worldwide lack access to electricity, representing an enormous impediment to all other development goals, be it education, malnutrition, or social mobility. To meet that growing demand, the U.S. needs to enhance impactful foreign policy levers to enable U.S.-led energy technology deployment and cost-effective emissions reduction in allied and partner countries.

The most effective way to tackle these priorities is to support a wide array of energy technologies for a pragmatic, all-of-the-above approach to clean and reliable power generation, transmission, and distribution. There is no one-size-fits-all option. The DFC's role in financing diverse energy projects is crucial for meeting the unique energy needs of different regions, recognizing that a multifaceted approach is essential for achieving both energy security and environmental goals.

In addition to renewables, the world will need new nuclear, carbon capture, geothermal, long-duration energy storage, and more. For instance, carbon capture and storage (CCS) capacity needs to increase by over 100 times current levels by 2050 to meet climate targets, according to the Global CCS Institute, and the U.S. along with over 20 other partner nations have pledged to triple nuclear energy capacity by 2050. These are bold and critically needed investments, which require significant investment from both the private and public sectors. We commend the DFC for building a fairly robust portfolio of energy projects to-date, and encourage continued efforts to expand energy access around the world using all available technology solutions (see Annex Figure 1). By investing in a broad spectrum of energy technologies, the DFC can ensure resilient and adaptable energy infrastructure that can withstand future challenges.

While the DFC can help bridge the gap for these technology deployments, we also recognize that statutory and bureaucratic constraints are preventing it from being fully optimized. DFC's reauthorization presents an opportunity for Congress and the DFC to improve its efficiency and impact. Streamlining processes and removing unnecessary hurdles can empower the DFC to act more swiftly and effectively in deploying capital where it is needed most.

By enhancing the operational framework of the DFC, Congress can enable the corporation to better fulfill its mission on a global scale, while ensuring fiscal responsibility and maximizing the return on investment for American taxpayers. In fact, unlike most Federal agencies, DFC typically generates a financial return for taxpayer dollars. In FY2023 DFC returned a net positive income of $340 million to the U.S. Treasury from projects it invested in abroad.

Below are six improvements that could significantly expand DFC capabilities to promote U.S. national and economic security through energy investments, while retaining its core developmental mandate:

1. **Expand Expertise and Personnel** – The DFC could have a greater impact with more geographical and domain-specific expertise. One way to do this could be to

grant the Chief Executive Officer of the DFC authority to hire candidates directly when there is a substantial need for technical expertise;

2. **Increase the maximum contingent liability (MCL) from $60 billion to at least $100 billion** to allow for continued investment opportunities as the DFC could reach its cap in 2025 (see Annex Figure 2). Also including an automatic inflation adjustment mechanism would remove the need to keep revisiting this issue;
3. **Create a more rational mechanism for the budgetary treatment of equity investment**s to unlock this powerful tool, as Congress originally intended;
4. **Incentivize DFC's authority to undertake risk management transactions for foreign currency lending;**
5. **Remove the need for a waiver to work outside low-income or lower-middle income countries.** Expanding the DFC's country eligibility would allow for high-impact investments in Southeast Asia, South America and parts of Africa, all aligned with strategic goals (see Annex Figure 3);
6. Raise **the Congressional notification limit on transactions from $10 million to $100 million**. This could save significant staff time that is better spent on DFC's core mission and programs.

By leveraging innovative technologies and strategic investments, America can facilitate global access to affordable and efficient energy solutions, contributing to climate change mitigation while fostering economic development. These priorities align with broader U.S. foreign policy objectives, ensuring that U.S. energy solutions support geopolitical stability and international cooperation.

No nation will use a single clean power technology, every country will need to find the right mix given its national circumstances, geography, resource endowments, and pre-existing industry. International competitors are bringing enormous resources to bear in an effort to dominate these markets, which requires the United States to be more agile and strategic in order to advance long-term goals. But with the right policies in place, and in coordinated action with partners around the world, the energy and climate future will be bright, at home and abroad.

Thank you for the opportunity to speak today. ClearPath is eager to assist in developing innovative policy solutions to ensure U.S. leadership in international clean energy financing.

Sincerely,

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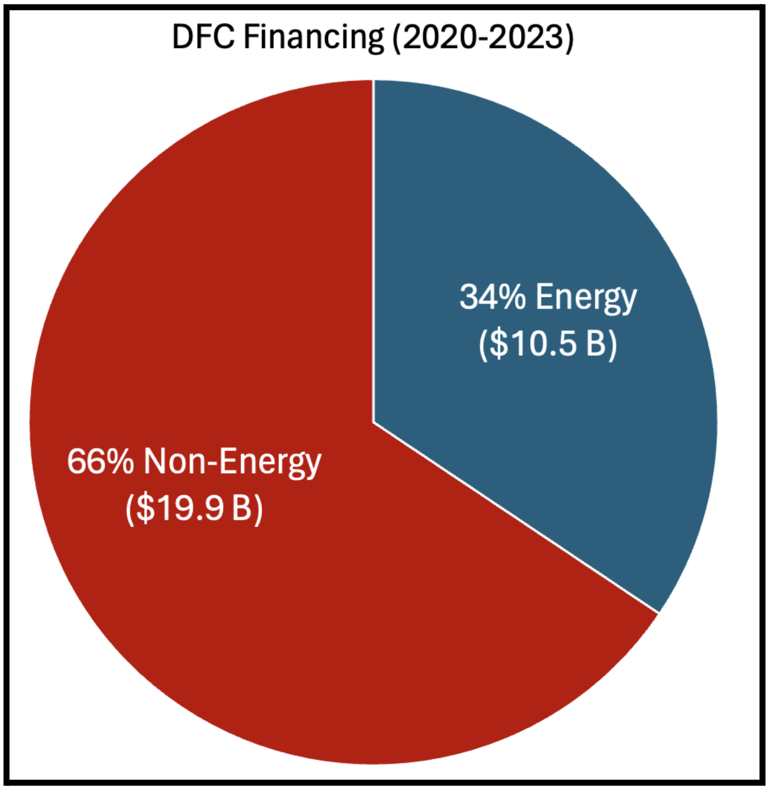
Annex

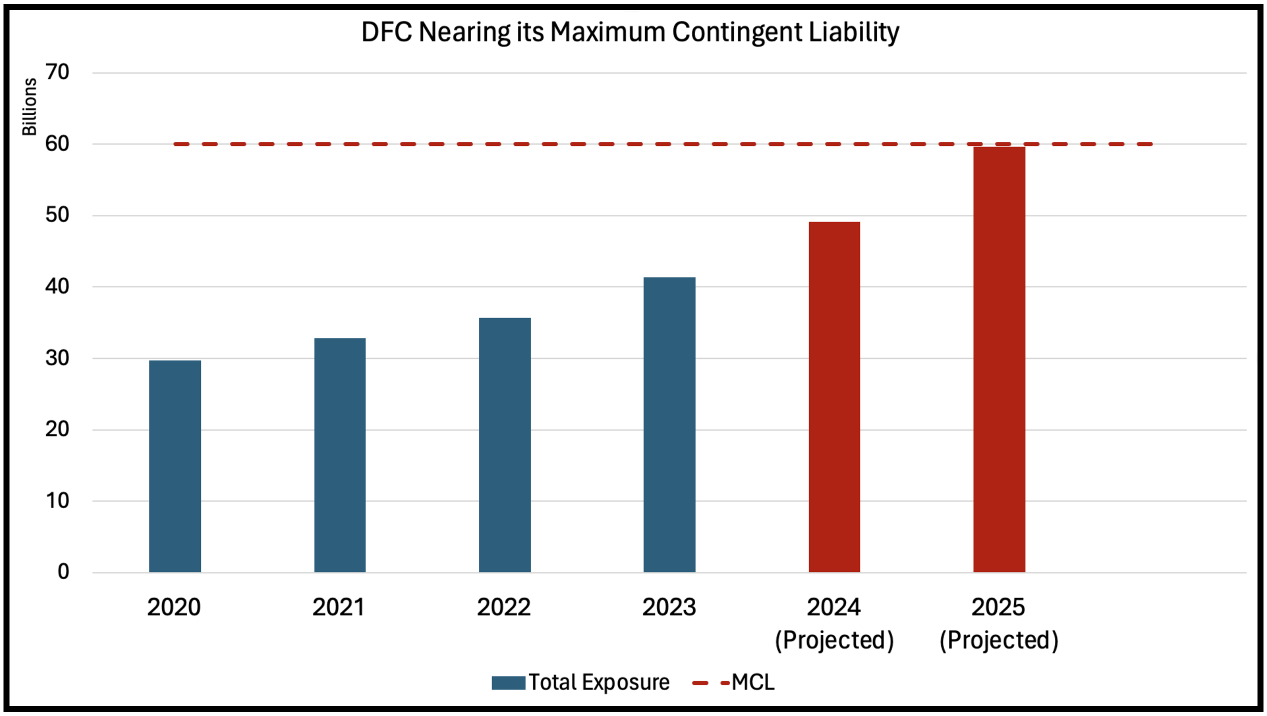
Figure 1



Source: DFC Annual Reports with ClearPath analysis

Since its inception, the DFC has allocated over one-third of its budget to energy-related projects, a commendable effort that underscores its initiative to bolster energy security worldwide. Furthermore, the DFC continues to commit financing towards impactful energy projects such as a $126 million commitment for a geothermal project in Indonesia and has signaled an intent to support Polish and Romanian nuclear projects, indicating that the DFC is moving in the right direction with its investments in the energy sector.

Figure 2



Source: DFC Annual Management Reports with ClearPath analysis

According to DFC's annual management reports, total exposure as of the end of FY 2023 (September 30, 2023) stands at $41.4 billion against a $60 billion limit. Projections indicate that if DFC continues to expand commitments at the historic rate the DFC's exposure will nearly reach $60 billion by its 2025 reauthorization, accounting for roll-offs. To meet growing ambitions and allow the DFC to operate through its next authorization – at least until 2032 – the Maximum Contingent Limit would need to be increased.

Figure 3

Country	Energy Project Eligibility	Energy Financing[1]	Population[2]	Global Emissions Ranking[3]
India	Eligible	$1.6 B	1,409,128,296	3
EU	Eligible	$1.6 B	452,815,312	4
Brazil	Eligible with waiver	$322 M	220,051,512	6
Indonesia	Eligible with waiver	$600 k	281,562,465	7
Mexico	Eligible with waiver	$241 M	130,739,927	10
Turkey	Eligible with waiver	$550 M	84,119,531	16
South Africa	Eligible with waiver	$535 M	60,442,647	19
Thailand	Ineligible	$0	69,920,998	21
Argentina	Eligible with waiver	$0	46,994,384	28
Iraq	Eligible with waiver	$251 M	42,083,436	30

Sources: 1) DFC Annual Reports with ClearPath analysis 2) CIA 3) European Commission- Emissions Database for Global Atmospheric Research

Currently, the DFC is restricted from working in countries classified as high–income (aside from those covered by the European Energy Security and Diversification Act) and requires waivers when working in upper-middle-income countries. This includes nearly 1 billion people who live in countries which still have significant development needs and experience regular energy insecurity. DFC financing of energy projects in high-emitting countries like Brazil, Indonesia, Mexico, and South Africa can have strong climate and developmental impacts by supporting clean, affordable and reliable energy systems that power large, growing economies. Removing barriers is necessary for the DFC to expand its full impact to other strategically significant countries.