



June 5, 2024

Scott Nathan, Chief Executive Officer
Board of Directors
U.S. International Development Finance Corporation (DFC)
1100 New York Ave NW
Washington, DC 20527

Third Way Written Statement for the DFC June 5, 2024 Public Hearing

Dear Mr. Nathan and Esteemed Members of the Board:

Third Way greatly appreciates this opportunity to raise critical issues facing our nation before the leadership of the U.S. International Development Finance Corporation (DFC). Third Way is a national think tank that champions modern center-left ideas and policies, and one of the main goals of Third Way's Climate and Energy Program is to enable the United States, and the world, to effectively meet ambitious targets for clean energy deployment and decarbonization by midcentury.

One of the fundamental beliefs of the Climate and Energy Program is that we will need all available clean energy technologies at our disposal, including nuclear energy, to meet our climate change goals. Furthermore, given the planetary scale of the climate challenge, it is not sufficient that clean energy solutions are deployed domestically, but we must ensure that these technologies are available to our global partners and allies so that they can meet their economic and development aims in a manner consistent with sustainability principles and the world's climate change objectives.

It is in this context that DFC must play an increasingly crucial role in facilitating global access to and competitive export of U.S. clean energy technologies.

Beyond climate change, the ability of the United States to assume global leadership in a burgeoning international clean energy market has serious implications for a multitude of core national interests, including national security and our geopolitical competition with authoritarian states. The nuclear sector is particularly illustrative in this regard: in recognition of the essential contribution from carbon-free nuclear energy to meeting climate goals, over twenty countries pledged to triple global nuclear capacity by 2050 at COP28.¹ Both Russia and China are aggressively courting overseas nuclear markets² as a means to expand their respective spheres of geopolitical influence given the multi-decadal timescales associated with typical nuclear new build projects. Accordingly, the United States' commercial presence and competitiveness in international nuclear markets is critical to both stemming the growing

¹ U.S. Department of Energy (DOE), "At COP28, Countries Launch Declaration to Triple Nuclear Energy Capacity by 2050, Recognizing the Key Role of Nuclear Energy in Reaching Net Zero," December 1, 2023, <https://www.energy.gov/articles/cop28-countries-launch-declaration-triple-nuclear-energy-capacity-2050-recognizing-key>, last accessed May 31, 2024.

² Alan Ahn et al., "2023 Map: The World Wants Nuclear Energy. China and Russia are Racing Ahead." Third Way, May 23, 2023, <https://www.thirdway.org/memo/2023-map-the-world-wants-nuclear-energy-china-and-russia-are-racing-ahead>, last accessed May 31, 2024.

challenge from our authoritarian rivals and ensuring that the U.S. can continue upholding the highest global standards in nuclear safety, security, and nonproliferation.

One of the key advantages that Russia, China, and other state-owned competitors enjoy in the international market is the ability to bring state-backed, comprehensive financing packages at generous terms.³ In many cases, these entities will bring equity financing to nuclear project deals, giving them a distinct advantage over U.S. suppliers—thus, DFC’s equity tools can be *enormously helpful in leveling the playing field* for U.S. industry.

In consideration of the enormous stakes involved, Third Way would like to highlight the following issues and recommendations before DFC:

- **Continued Practical Implementation of DFC’s Nuclear Energy Policy Modernization:** In July 2020,⁴ DFC modernized its nuclear energy policy, removing a legacy prohibition on the support of nuclear energy projects. DFC is strongly encouraged to continue actions pursuant to this policy change, and explore both near-term and long-term avenues in enhancing support for U.S. civil nuclear exports. One urgently needed action: general steps to increase nuclear subject matter expertise within the agency, including more extensively relying upon experts in other parts of the interagency.⁵
- **Examining Pathways to Support Advanced Nuclear Commercialization and Deployment:** Innovative U.S. advanced nuclear reactor technologies⁶ represent both a potential competitive advantage in the global nuclear market for decades to come and a paradigm shift on how nuclear energy is used and deployed. The characteristics of these reactor technologies have considerable impact on DFC’s missions on both global economic development and European energy security. The smaller sizes and enhanced passive safety profiles of these designs lower the entry barriers for nuclear newcomer countries, making it more feasible for developing countries and regions to deploy nuclear in support of their economic goals. Additionally, following the Russian invasion of Ukraine, our European allies have been keenly interested in U.S. nuclear technologies in order to strengthen energy security and mitigate reliance on Russian oil and gas.⁷ More specifically, both Romania and Poland have expressed interest in U.S. small modular reactor (SMR) designs for industrial heat, power generation, etc. DFC must play a central role in ensuring that international interest in U.S. advanced nuclear results in overseas deployment.

³ Matt Bowen and Alec Apostoaei, “Comparing Government Financing of Reactor Exports: Considerations for US Policy Makers,” Columbia University Center for Global Energy Policy, August 25, 2022, <https://www.energypolicy.columbia.edu/publications/comparing-government-financing-reactor-exports-considerations-us-policy-makers/>, last accessed May 31, 2024.

⁴ U.S. International Development Finance Corporation, “DFC Modernizes Nuclear Energy Policy,” July 23, 2020, <https://www.dfc.gov/media/press-releases/dfc-modernizes-nuclear-energy-policy>, last accessed May 31, 2024.

⁵ Alan Ahn, Lindsey Walter, et al., “Nuclear Export Financing Today and Tomorrow,” Third Way, October 26, 2023, <https://www.thirdway.org/report/nuclear-export-financing-today-and-tomorrow>, last accessed May 31, 2024.

⁶ 20x35, “Advanced Nuclear Technologies,” <https://www.20x35.org/advanced-nuclear-energy>, last accessed May 31, 2024.

⁷ Josh Freed, “To Beat Putin, Europe Needs America’s Clean Energy,” *Politico*, March 15, 2022, <https://www.politico.com/news/magazine/2022/03/15/russia-america-arsenal-clean-energy-00016998>, last accessed May 31, 2024.

- **Highlighting Additional Authorities to Fulfill Mandates:** DFC is further encouraged to highlight areas where additional authorities may be needed to enable DFC to more effectively carry out its statutory mandates under the BUILD Act, such as amending how DFC's equity investments are scored. Currently, DFC is constrained in the use of its equity investment tool given that it is counted as a *total loss* under present accounting rules. In addition to resolving the equity scoring issue, other practical steps (e.g., increasing DFC's maximum contingent liability from \$60 billion to \$100 billion) may be taken as part of DFC's upcoming reauthorization to enable the agency to better support overseas clean energy and infrastructure projects.

Again, we express our deepest appreciation for this opportunity to address DFC's executives and Board of Directors on these urgent and pressing matters. Third Way would like to offer its support to DFC as it continues to work towards addressing the aforementioned issues, as well as affirmation of DFC's pivotal role in supporting U.S. commercial, development, climate, geopolitical, foreign policy, and national security interests.

Sincerely,

Lindsey Walter
Director of International Policy
Climate and Energy Program
Third Way

Alan Ahn
Deputy Director for Nuclear
Climate and Energy Program
Third Way