ClearPath Written Statement

U.S. International Development FinanceCorporation (DFC)

December 4, 2024 Public Hearing

ClearPath appreciates the opportunity to provide comments to the U.S. International Development Finance Corporation's (DFC) December 4, 2024 Public Hearing. Our mission is to accelerate American innovation to reduce global energy emissions. To advance that mission, we develop cutting-edge policy solutions on clean energy and clean manufacturing 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 clean manufacturing to enable private-sector deployment of critical technologies.

Established during the first Trump Administration and carried forward with bipartisan support, the DFC has become a cornerstone of America's energy diplomacy as it nears its fifth operating year. The DFC, alongside its partner agencies and the private sector, can demonstrate U.S. global energy leadership with project financing solutions that offer much-needed alternatives to America's competitors and adversaries. By addressing energy poverty and strengthening energy security, the DFC is expanding American influence in significant ways. The current reauthorization process for the DFC is an opportune time to cut bureaucratic red tape and make meaningful changes, empowering the DFC to be an even more impactful player in America's clean energy strategy around the world.

The world's growing energy needs present a critical opportunity for U.S. leadership in shaping the clean power systems of the future. Global energy consumption is expected to rise 34% by 2050, yet roughly 750 million people still lack access to electricity – a fundamental barrier to progress in all measures of human development. Ensuring energy access is not only vital for global development but also directly serves America's interests by fostering stability, economic growth, and stronger partnerships in key regions.

Meeting this challenge requires a practical, all-of-the-above strategy that leverages diverse energy technologies to address the unique needs of different regions. The DFC has proven to be an essential tool for advancing these goals, whether by supporting Europe's diversification away from Russian gas, embracing a nuclear energy resurgence, or financing innovative geothermal projects. Strengthening energy infrastructure worldwide isn't just a global priority – it's a strategic investment in America's security, influence, and economic prosperity.

Furthermore, these efforts require a whole-of-government approach to drive a robust pipeline of energy projects. Solidifying interagency coordination and collaboration moving forward will help ensure that U.S.-led efforts span the entire project lifecycle, from technical assistance and front-end engineering and design (FEED) studies to the financial and technical tools needed to bring projects to completion.

Meeting global energy demands will require not only renewable sources but also significant expansion in technologies like nuclear power, carbon capture, geothermal energy, and long-duration energy storage. For example, carbon capture and storage (CCS) must scale up more than 100-fold by 2050 to align with climate objectives, according to the Global CCS Institute. Additionally, the U.S. and over 30 partner nations have committed to tripling nuclear capacity within the same timeframe. These ambitious but essential goals demand substantial contributions from both private and public sectors. By diversifying its investments, the DFC can help build energy infrastructure that is both resilient and adaptable to future challenges.

However, existing statutory and bureaucratic challenges currently limit the DFC's ability to maximize its impact, and reauthorization offers a critical opportunity for improvement. Streamlining processes and removing barriers can enhance the DFC's efficiency, enabling faster deployment of capital where it is most needed. With a refined operational framework, the DFC can better achieve its global mission while maintaining fiscal responsibility and delivering strong returns for American taxpayers – evidenced by its $241 million net income in FY2024, a rare achievement among federal agencies.

Below are seven improvements that would build on the Trump administration's first-term efforts by significantly expanding the DFC's capabilities to promote U.S. national and economic security through energy investments, while retaining its core developmental mandate:

1. **Expand Expertise and Personnel –** Enhancing geographical and domain-specific expertise would significantly increase the DFC's impact. Granting the CEO greater authority to directly hire candidates with critical technical skills could help address pressing needs efficiently.
2. **Increase the Maximum Contingent Liability (MCL)** – Raising the MCL from $60 billion to $120 billion is necessary to support continued investments, as the current cap may be reached in 2025 (see Annex Figure 2). Adding an automatic inflation adjustment mechanism would eliminate the need for repeated legislative revisions.
3. **Enhance Equity Investment Tools** – Establish a more rational budgetary framework for equity investments or create an equity fund to fully realize this capability as originally intended by Congress.
4. **Enable Foreign Currency Risk Management** – Strengthen the DFC's authority to conduct risk management transactions for foreign currency lending, reducing exposure to currency fluctuations.
5. **Expand Country Eligibility** – Remove the waiver requirement for operations outside low- and lower-middle-income countries. Simplifying eligibility criteria would enable high-impact investments in strategically significant regions like Southeast Asia, South America, and parts of Africa (see Annex Figure 3).
6. **Raise the Congressional Notification Threshold** – Increase the transaction notification limit from $10 million to $100 million, allowing staff to focus more on core mission priorities instead of administrative tasks.

7. **Coordinate Government Investments in Energy Security** – Develop a platform to integrate existing tools from the DFC, USTDA, EXIM, MCC, and others, aligning efforts for greater efficiency. This streamlined approach reflects the Trump administration's emphasis on effective government operations.

By leveraging innovative technologies and strategic investments, the United States can expand access to affordable, reliable, and efficient energy worldwide, fostering economic growth and enhancing geopolitical stability. Each nation will need to develop an energy mix tailored to its unique circumstances, including geography, resources, and industrial base. Meanwhile, global competitors are deploying significant resources to dominate energy markets, making it imperative for the U.S. to act decisively and strategically to maintain its leadership. With the right policies and strong partnerships, America can shape a secure and prosperous energy future 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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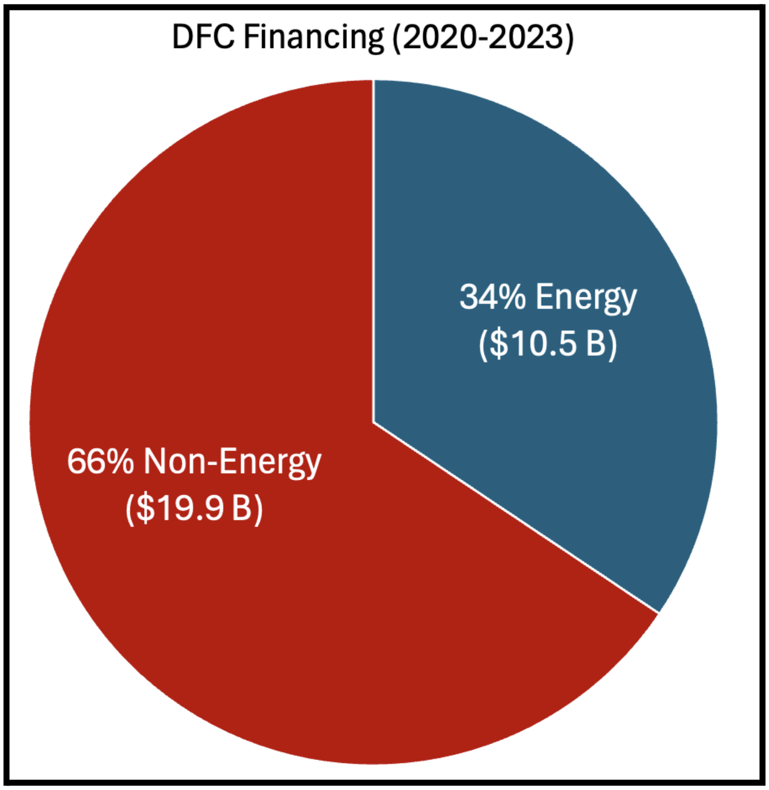
Annex

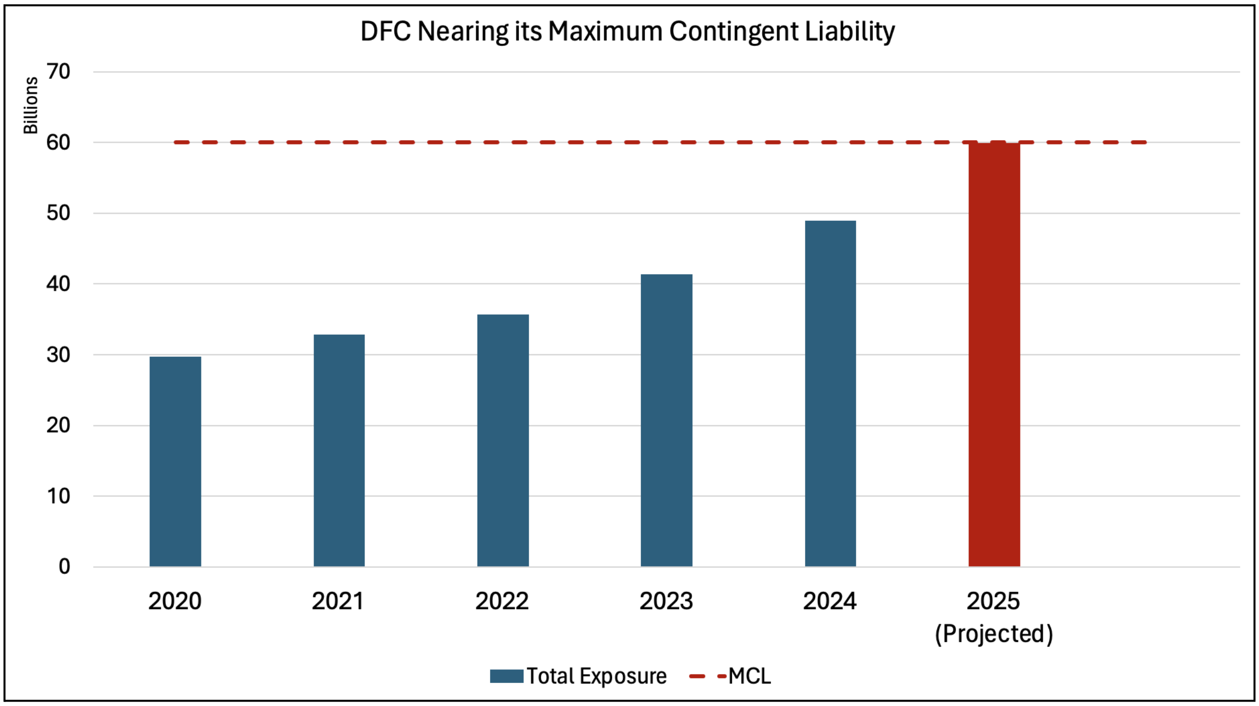
Figure 1



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 $350 million commitment for a wind project in Türkiye 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 the DFC's annual management reports, total exposure as of the end of FY 2024 (September 30, 2024) stands at $48.9 billion against a $60 billion limit. Projections indicate that if the 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		$1.6 B	1,409,128,296	3
EU		$1.6 B	451,815,312	4
Brazil		$322 M	220,051,512	6
Indonesia		$600 K	281,562,465	7
Mexico		$241 M	130,739,927	10
Turkey		$550 M	84,119,531	16
South Africa		$535 M	60,442,647	19
Thailand		$0	69,920,998	21
Argentina		$0	46,994,384	28
Iraq		$251 M	42,083,436	30

Eligible   Eligible with a waiver   Ineligible

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. The 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.