

Renewable Energy and Energy Efficiency Advisory Committee, *Charter IV*, Recommendation Fact Sheets

Recommendations #1 (Approved, March 22, 2017):

U.S. Competitiveness in World Markets Depends on a Fully-Functioning Export Import Bank of the United States (Ex-Im Bank), Overseas Private Investment Corporation (OPIC) and US Trade and Development Agency (USTDA).

We recommend that the Secretary work with the Administration and Congress to support:

1. The nomination and confirmation of a new Ex-Im Bank chairman and director(s) as necessary to ensure long-term board quorum, and the long-term extension of Ex-Im Bank's charter.
2. Continued funding and reauthorization of OPIC, and the nomination and confirmation of a new agency CEO.
3. Continued funding of USTDA, and the nomination and confirmation of a new USTDA Director

Sub-Committee: Finance

Background Information:

Ex-Im Bank, OPIC, and USTDA allow U.S. exporters, project owners, and operators to compete effectively in global markets. The inability of these agencies to function at full strength would further disadvantage U.S. RE&EE exporters already facing global competitors benefiting from greater financial support from foreign export credit agencies.

These three agencies are also partners of the U.S. Department of Commerce in promoting U.S. exports as members of the Trade Promotion Coordinating Committee Working Group on RE&EE (TPCC-REEE). The Secretary of Commerce serves as an *ex officio* director of Ex-Im Bank and a member of the Department of Commerce senior leadership serves as a director of OPIC.

Ex-Im Bank's operations have been severely curtailed; without board quorum, its lending authority is capped at \$10 million. OPIC and USTDA were designated for defunding and cessation of operations in the White House budget proposal released on March 16.

REEEAC firmly believes that Ex-Im Bank, OPIC, and USTDA allow U.S. exporters, project owners, and operators to compete effectively in global markets, and that conversely the agencies' inability to function would significantly disadvantage U.S. businesses, reducing U.S. exports, and threatening hundreds of thousands of jobs.

In addition, Ex-Im Bank and OPIC serve deficit-reducing roles and USTDA indirectly covers the cost of its grants through a high export multiplier. Ex-Im and OPIC return more cash in fees and net interest income to the U.S. Treasury than they absorb for operating costs. In FY 2016, Ex-Im Bank returned \$284 million to the U.S. Treasury, despite operating without a full board, and over the last two decades has returned over \$7 billion. Similarly, OPIC returned a surplus of \$358 million to the Treasury in 2015, and has been consistently profitable for 37 years. USTDA's economic value to the U.S. is very significant as well: each project preparation grant dollar USTDA provides results on average in \$85 of exports.

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Ex-Im Bank and OPIC financing enhances, rather than crowds out, the private finance sector. The agencies have implemented rigorous mechanisms to ensure additionality and cooperation with US commercial banks and insurers. Most Ex-Im Bank and OPIC financings represent public-private collaborations where the agencies mobilize private-sector financing that would otherwise not have materialized. Often the agencies fund first-of-a-kind deals in a given geography or sector, creating precedent that allows private lenders to then pick up future business.

The global market for RE&EE goods and services was \$796 billion in 2015, including \$125 billion in manufactured goods, where the U.S. holds a 12% market share. To assure fair access to this significant market for US exporters, we must not only seek to reduce our trading partners' tariff and nontariff barriers but also to maintain and expand U.S. export and development financing.

The three agencies play important and complementary roles:

1. Ex-Im Bank is the official U.S. export credit agency (ECA) that helps RE&EE exporters close incremental sales with foreign buyers who otherwise do not have access to commercial financing on acceptable terms. Ex-Im is also extremely important as a counterbalance (at least a partial one given the greater resources of foreign ECAs) to the aggressive financing terms offered by the export credit agencies of China, as well as Germany, Japan, Korea and other countries. For example, the two Chinese export credit agencies provide nearly ten times the annual medium and long-term export credit support of Ex-Im Bank—\$51 billion for China Ex-Im Bank and Sinosure compared to \$5.1 billion for Ex-Im.
2. OPIC provides financing and political risk insurance for developmental projects in developing countries, requiring a U.S. nexus for each project it supports— either through U.S. ownership and/or long-term contracts in the project. As a result, OPIC not only helps U.S. RE&EE businesses sell goods and services in countries where financing is largely unavailable, but it also promotes U.S. foreign policy objectives, notably private sector-led development in Africa, Latin America, and Asia. This in turn creates long-term opportunities for U.S. businesses.
3. USTDA provides project preparation grants to foreign buyers to pay for project feasibility studies performed by U.S. contractors, technical assistance to foreign buyers, and opportunities for U.S. businesses to interact with buyers through reverse trade missions that bring international companies to the U.S. The agency targets projects with a high probability of generating significant U.S. exports. USTDA's activities are synergistic with those of Ex-Im Bank, OPIC, and other TPCC-REEE agencies, as these agencies can finance the bankable studies that USTDA supports.

The three agencies are not perfect; the Committee is developing specific recommendations for improving their policies and operations and ensuring they have the tools to compete more effectively with the agencies of other countries, based on our members' real-world experience. However, our immediate and fundamental recommendation is clear: the agencies should be maintained and restored to full strength. They do what our Government should do: address market gaps in a cost-effective manner and add value to the U.S. economy. Their support is especially important for small and medium-sized U.S. RE&EE companies. REEEAC's members can offer many examples of successful export transactions and resultant job creation, which would not have been possible without the assistance of Ex-Im, OPIC and USTDA. The REEEAC is willing and able to provide further information for the Secretary and his staff if requested.

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Expected Impact on Export Competitiveness:

Increase RE&EE exports through: OPIC financing of U.S.-led developmental projects, Ex-Im Bank export financing, and project preparation grants from USTDA.

Specific Agencies Responsible for Implementation:

Ex-Im Bank, OPIC, USTDA

Metric to Track Success:

1. Increased RE&EE transaction volume through Ex-Im Bank, OPIC, and USTDA.
2. Ex-Im Bank and OPIC surpluses returned annually to the U.S. Treasury.