April 30, 2018

The Honorable Wilbur Ross
Secretary
U.S. Department of Commerce
1401 Constitution Ave., N.W.
Washington, DC 20230

Re: Long Term Project Financing for Power & Infrastructure Projects

Dear Secretary Ross:

The Environmental Technologies Trade Advisory Committee (ETTAC) is a federally-established committee whose purpose is to advise on the policies and procedures of the U.S. Government that affect environmental technology exports. In this capacity, ETTAC is asking for your support in addressing current financing gaps in offerings by Export-Import Bank of the United States (EXIM), OPIC, USAID's Development Credit Authority and the Multilateral Banks for coal- and waste-fired power plants, equipment, and services. The global market for coal-fired plants is currently valued at approximately $125 billion, and the entire environmental technologies market at $1.05 trillion. Both markets are currently being ceded to our foreign competitors that receive financing from their government agencies.

Under the Obama administration, EXIM was generally prevented from financing projects in the environmental and power generation fields that were related to coal. We are pleased that this restriction has been removed by your Administration. However, this lifting of the Obama ban is not sufficient to address the competitive disadvantage faced by U.S. firms. Currently, EXIM financing is limited to $10 million per transaction since they do not have an operating quorum, while our international competitors are not limited. Many of these international projects require financing of more than $1.0 billion. As a result, China, Korea, and Japan continue to be leaders in financing coal-fired power generation plants in developing countries. Their suppliers of pollution control equipment thereby enjoy an economic advantage over U.S. based companies, since pollution control is often purchased at the same time as the primary boilers and other basic equipment.

If the U.S. is to compete in these large scale international power and environmental projects, U.S. companies require access to long-term project finance or a system of loan guarantees. Attached to this letter are references to banks in China, Korea, and Japan financing coal-fired projects using their technologies and companies to implement the projects. China has provided more trade-related investment support than the rest of the world combined. Together, Brazil, Russia, India, China and South Africa provided a combined total of more than $51 billion in medium- and long-term export credit in 2016—nearly half of the total official export credit provided worldwide. More than 90 other countries operate similar and, in several cases, much more substantial export credit agencies to help their manufacturers export successfully around the world.

Over the past thirty years, U.S.-based companies have developed some of the world's best air pollution controls, waste management, and power generating equipment and services. These technologies, if deployed to developing countries, could have a significant impact on the reduction of air pollutants and reduced power generation cost. As previously noted, in most projects, air pollution equipment is purchased in the same package with the boilers or steam generators. U.S. companies can offer the power generation combustion/boiler technologies that are best suited for countries with expanding needs for power generation; however, their product is not on an equal footing with products from countries willing to provide financing. ETTAC strongly supports EXIM's mission to support U.S. jobs through exports and views the Bank as one of the most important tools the U.S. government has to help grow U.S. exports and jobs, but additional financing tools are needed. According to information from the U.S. Department of Commerce, every $1 billion in exports creates or supports 5,796 jobs.

The World Bank has a similar "no coal" policy. We would also request that the Administration encourage the use of the Department of the Treasury Executive Order 13783 to help countries access and use fossil fuels more cleanly and efficiently and help deploy renewable and other clean energy sources at the World Bank.

Thank you for your consideration of this important issue that will help U.S. companies to export our technologies and services to the world markets. We can provide additional information as needed and would be pleased to meet with your staff.

Sincerely,

Ron Swinko
Chair, ETTAC

Attachment

Attachment

China funds coal away from home

Source:
Vietnam Investment Review (VIR) Dec. 27, 2017

While many developed nations and international organizations have drastically stepped down or stopped coal power financing for Vietnam, China is boosting this type of funding, seemingly to pave the way for Chinese companies to secure contracts in Vietnam's coal-fired power projects.

Nguy Thi Khanh, executive director and founder of the Green Innovation and Development Centre (Green ID), a Vietnamese non-profit promoting sustainable energy sector development, told VIR that China is playing a very substantial role in coal finance in Vietnam via its commercial banks - Industrial and Commercial Bank of China, Bank of China, and China Construction Bank.

"China is the biggest investor in coal-fired power plants in Vietnam, accounting for 50 per cent of Vietnam's total foreign coal finance funded by nations, followed by Japan (23 per cent) and South Korea (18 per cent)," Khanh said. "While most developed nations and international organizations have stopped coal finance for Vietnam, and with the country in critical need of capital for developing energy -

including coal-fired power - China stands ready to increase its coal finance to Vietnam. So Chinese investment capital is very necessary for the country."

A Green ID report on coal finance in Vietnam released this month showed that China has invested $8.6 billion into implementing coal-fired projects in Vietnam.

Total foreign investment into these projects in Vietnam stands at around $20.5 billion to date, including $4.5 billion from individual foreign investors, and $16 billion from 23 international financial and multilateral organizations (see chart).

Chinese engineering, procurement, and construction (EPC) firms have, through these bank loans, built 15 operating coal-fired thermal power plants - An Khanh 1, Cao Ngan, Cam Pha 1 and 2, Duyen Hai 1 and 3, Haiphong 1 and 2, Mao Khe, Quang Ninh 1 and 2, Son Dong, the Uong Bi extension, Vinh Tan 2, and Vung Ang 1.

At present, Chinese firms are partaking in the construction of other six plants - Hai Duong, Duyen Hai 2 and 3, Thai Binh 2, Thang Long, and Vinh Tan 1. They are also planning to join the construction of Vinh Tan 3 and Vung Ang 3.

The 1,200-megawatt Hai Duong Thermal Power Plant, located in the northern province of Hai Duong, is being built by China's Southwest Electric Power Design Institute and China Power Engineering Consulting Group International Engineering Co., Ltd. The build-operate-transfer project is China's biggest private investment of this type in Vietnam.

Currently, China's Sunshine Kaidi New Energy Group is working with Vietnam's Ministry of Industry and Trade and several localities on plans to build thermal power plants in the country.

Kaidi, China's Huarong Asset Management Co., Ltd., and a Vietnamese firm have established an international investment fund with a capital volume of $15 billion dedicated to building projects in Vietnam.

Tran Van Quang, a senior energy expert from one of the largest foreign fund management groups in Vietnam, told VIR that international institutions like the World Bank, IFC, European Investment Bank, and KfW currently refuse to provide coal finance to the country due to concerns about environmental pollution.

"China often provides loans for Vietnam to develop coal-fired power plants via bilateral agreements, and via providing loans for Chinese investors to implement these projects in Vietnam," Quang said. "I think China's loans have many purposes, including financial

investment, expansion of overseas markets for Chinese state-owned companies, and export of used technologies and equipment to those markets."

According to Green ID, as part of years-long effort to shift to cleaner fuel, China recently postponed the domestic construction of 30 large-scale coal-fired power plants, with a total capacity of 17 gigawatts. A further 30 projects have been cancelled outright, following a national roadmap to reduce coal dependency.

While reducing coal power at home, Chinese state-owned companies and banks are expanding coal investment in developing countries, especially in Asia, Green ID said.

According to the recent report, "Slowing the growth of coal power outside China: The role of Chinese finance" by San Francisco-based Climate Policy Initiative, most Chinese coal power financing has been going towards South Asia and Southeast Asia, with three countries - India, Indonesia, and Vietnam - representing around 60 per cent of the total.

China's engagement in the overseas coal power sector has helped Chinese companies alleviate domestic industrial overcapacity; find markets and opportunities for Chinese products, services, and investments; and generate additional profits. For the Chinese government, promoting overseas coal power development also helps it to strengthen strategic political ties and increase its sphere of influence.

"Because of these benefits, China has continued to support overseas coal power through debt finance and, increasingly, through equity investments," the report concludes.

By Thanh Dat

Chinese firms to build Bangladesh clean coal plant

12/27/2017 Power Engineering

By Tildy Bayar

A consortium of Chinese companies is building a clean coal power plant in Bangladesh. The $1.6bn project is underway at the port city of Payra in the Patuakhali district, around 200 km south of Dhaka.

An EPC contract was signed in March between China Energy Engineering Group Northeast No.1 Electric Power Construction Co (NPEC), China National Energy Engineering & Construction Co (CECC) and Bangladesh-China Power Co (BCPC), which is a joint venture between China National Machinery Import and Export Corp (CMC) and Bangladesh's North-West Power Generation Co (NWPGC).

In its first phase, the 1320 MW project is planned to include two supercritical units which are expected to be commissioned in April and October 2019. Around 30 per cent of the work has been completed so far at the almost 400-ha site.

Bangladesh's power minister, Nasrul Hamid, said the project is being financed by his and the Chinese governments along with funding from the China Ex-Im bank.

Hamid said he believes the plant will be "cost-effective". The consortium reportedly intends to develop a second 1320 MW plant in Bangladesh using the same technology, in addition to 100 MW of solar PV and 50 MW of wind power.

The country aims to get 40 GW of its power from coal-fired plants by 2030.