

Testimony of Jake Levine

Chief Climate Officer, U.S. International Development Finance Corporation

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“U.S. Efforts to Support European Energy Security”

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Chairman Keating, Ranking Member Fitzpatrick, and distinguished Members of the Committee: Thank you for inviting me to testify today on the U.S. International Development Finance Corporation’s (DFC) role in the critical issue of Europe’s energy security.

In line with DFC’s authorities under the European Energy Security and Diversification Act (EESDA)—and DFC’s BUILD Act mandate to invest in transactions that advance development and the strategic interests of the United States—this is a topic of critical importance to DFC. Since the start of Russia’s recent, unprovoked attack against Ukraine, DFC has made several visits to the region and hosted senior delegations from nearly every Eastern European country in Washington. Next week, DFC will lead the senior U.S. delegation to the Three Seas Summit in Riga, Latvia, to reinforce DFC’s readiness to provide much-needed investment for the region.

These productive engagements are helping expand a portfolio of projects that can accelerate Europe’s pathway toward energy security—and, in the case of Ukraine itself, can serve as a bulwark against further Russian aggression. DFC has a current investment portfolio in Ukraine of approximately \$800 million across more than a dozen projects, including in renewable energy and nuclear fuel. We have offered flexibilities to existing project sponsors there to make sure their projects can weather this war. We continue to evaluate new opportunities in Ukraine. When it comes time to rebuild, DFC will be there.

Russia’s unjustified war in Ukraine has permanently changed the energy landscape in Europe in a manner that no doubt creates major challenges, particularly with respect to the near-term delivery of hydrocarbons necessary for heating and industrial energy. At the same time, it has opened a critical window of opportunity to *accelerate* Europe’s pathway to energy independence, and a global transition toward more secure sources of energy. Russia’s weaponization of its energy resources has united Europe and the United States in a common effort to diversify European supplies of energy. And it is a wakeup call. There can be no louder signal to underscore the need and the opportunity the moment offers to reduce dependence on the oil and gas resources that have allowed Russia to coerce its neighbors and finance its war machine.

President Biden has outlined a strategy that accelerates European energy security through a two-pronged approach: first, diversifying Europe’s energy resources away from Russian providers; and second, supporting Europe’s commitment to move away from fossil fuel dependence

altogether. The United States is working to unleash an arsenal of energy resources in service of both pursuits—and DFC can play a key role in several ways to support that.

First, we are working to help Europe to pivot as quickly as possible away from Russian sources of energy. Europe is determined to pivot *without* locking in new fossil fuel infrastructure for decades by utilizing existing infrastructure, purchasing energy, implementing short-term energy efficiency measures, and designing infrastructure that can facilitate the use of zero carbon sources of energy, such as hydrogen, in the long-term.

We are actively advancing discussions along these lines: We are in talks to provide insurance for gas replacement contracts that can help small countries—both particularly dependent on Russian gas but also particularly nimble in their ability to move toward entirely new sources—completely phase out the import of Russian gas; we are in discussions to finance a gas pricing strategy that will stabilize purchases of U.S. LNG; and we are actively engaged in looking for opportunities to provide support to friendly Eastern European nations in need of flexibility during the transition off Russian gas.

Second, we are accelerating our work to help Europe deploy the massive amounts of clean energy required to fully move away from the existing hydrocarbon-based system, and to enhance energy efficiency, which can help reduce demand for fossil fuels. Reducing demand for fossil fuels is one critical way to help ease high prices in the energy markets, which continue to pad Russia’s war chest. As part of this support, we are also exploring ways we can engage in civil-nuclear cooperation, as more European countries look to nuclear as a clean alternative to coal, and many with existing nuclear infrastructure seek to ensure it is sufficiently independent of reliance on Russian technology and fuel.

One of the advantages of this plan is speed to deployment. In line with Europe’s strategy, we are working to identify investment opportunities in solar, wind, and battery storage that can materially mitigate the need for gas-fired electricity generation in a matter of months and years, not decades. And we are focused on developing opportunities to support basic efficiency and electrification efforts, which have outsized benefits in terms of gas demand reduction. One area we see as poised to take off, for example, is the manufacture and deployment of heat pumps—a market that is expected to more than double to \$13 billion in cold European climates in the next decade.

Third, we believe Ukraine and Eastern Europe are not merely places in need of strategic investment *from* the West, but can in fact become hubs for energy security *for* the West. To that end, we are identifying opportunities for East-West cohesion that can connect places like Ukraine, Bulgaria, and Romania, to Poland, the Western Balkans, and points West of these countries. The fact that Ukraine and the Baltic States have taken major steps in recent months to synchronize their grids with the EU will enable this work to continue faster. And the developmental benefit of better European cohesion, integrating the poorest parts of Europe with the EU, is well-aligned with DFC’s core mandate.

We have identified several opportunities inside Ukraine to deliver non-Russian, secure, and carbon-free electricity to the rest of Europe and intend to explore whether we can support such efforts.

The European energy security challenge is complex, and the investment trajectories are long. Europe will invest more than \$200 billion between now and 2027 to phase out Russian fossil fuel imports. The EU intends to fill this investment need by using existing funds available under the Recovery and Resilience Facility, but private investment will also be one component.

That is where DFC can come in with critical financing and de-risking mechanisms to help crowd in private finance and help Europe secure the investment it needs. One of our recently committed transactions is illustrative of this effort—a \$7.5 million guaranty of the Kosovo Credit Guarantee Fund designed ultimately to unlock roughly four times that amount of lending for energy transactions. When I was in Bulgaria a few weeks ago, we learned of several additional projects that would seek to use DFC financing to catalyze multiples more of private finance to build energy efficient heating, electricity production, transmission, storage, and industrial projects.

There is no more urgent challenge in energy security, and we are proud to take on this work with our friends, partners, and allies in the region. This is a remarkable time of unity and partnership among European allies. The resolve to do whatever it takes to defend principles of sovereignty and democracy is stronger than at any time in recent memory, and DFC will capitalize on this moment to set a trajectory for energy independence and peace.

Thank you again, and I look forward to your questions.