

**Written Testimony of  
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United States Department of State  
Before the House Foreign Affairs Committee  
“Assessing U.S. Efforts to Counter China’s Coercive Belt and Road Diplomacy”  
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Chairman McCaul, Ranking Member Meeks, and members of the committee, thank you for the opportunity to discuss the Administration’s efforts to strengthen global energy security and counter the PRC’s attempts to create economic dependencies and to coerce others through its “Belt and Road” and similar initiatives. Prevailing in our strategic competition with China and ensuring that the United States remains the partner of choice on issues of energy security and energy transition has been a priority for me in the Bureau of Energy Resources, or ENR, from day one. As I meet with governments around the world, I often hear that the PRC was not their preferred partner for energy projects; it simply was the only option available – for energy infrastructure, for mining projects, or for energy finance.

Secretary Blinken framed our economic relationship with the PRC in three words: invest, align, and compete. By investing at home, since 2022 we have stimulated record levels of investment in American infrastructure, workers, and our innovative capacity. The International Energy Agency estimates that U.S. battery manufacturing could grow 30 percent annually through 2030, solar by 22 percent, and electrolyzers by 30 percent. And by strategically unlocking public and private capital for quality infrastructure investments abroad, we are providing a credible alternative financing option to governments through the Partnership for Global Infrastructure and Investment (PGII), the Administration and G7’s flagship global infrastructure initiative.

National Security Advisor Jake Sullivan said our goal with the PRC is to de-risk, not decouple. He noted that building our domestic capacity is the starting point. The Inflation Reduction Act has been and will be a critical contribution to reducing overreliance on any one country, including the PRC for critical portions of our clean energy supply chains. And the effort extends beyond our borders, and

includes working with our likeminded partners to advance our collective, techno-industrial base. For the United States and like-minded countries, the clean energy transition underpins true energy security. The PRC's current dominance of energy supply chains – from the raw materials needed for energy technologies to manufacturing and through to deployment –undermines our collective energy security. We will continue to work with our allies and partners to expand, diversify, and make more sustainable our clean energy supply chains.

Xi Jinping announced in 2021 at the UN General Assembly that China would increase support for green and low-carbon energy in developing countries, and that it would not build any new coal-fired power projects overseas. While many coal projects have been cancelled since, largely due to host countries' urging, we know the PRC keeps building. I saw first-hand during my visit to Pakistan in March that the PRC has been the driving factor in Pakistan's ongoing reliance on coal-fired power generation. Since 2015, the China-Pakistan Economic Corridor has invested approximately \$7.2 billion in 4,950 megawatts of coal-fired power for the national grid—and a majority of this coal power relies on imports, deepening Pakistan's financial difficulties. While USAID and DFC investments in Pakistan have helped unlock more than \$1.7 billion in U.S. private investment in wind energy, Prime Minister Sharif urged more U.S. engagement in clean energy, such as solar, wind, and green hydrogen, to support Pakistan's next energy transformation. These clean energy sources could support increased power generation from domestic sources.

The PRC's energy investment strategy is evolving. In the past, PRC investments abroad were mainly by major PRC state-owned enterprises (SOEs). We recognize that some of the larger investments in new technology, especially in energy supply chains, are being led by ostensibly private companies with nominal ties to the PRC. For example, in August 2022, PRC manufacturer CATL announced plans to invest over \$7 billion in a new battery gigafactory in Hungary is intended to lock in supplies for BMW and Mercedes. Once complete, it will be the largest battery factory in Europe. Now we also have the Wall Street Journal reporting that Chinese firm BYD's global electric vehicle sales outpaced even Tesla in the first quarter of 2023 and more than half of the top 23 firms that sold electric vehicles globally during the same period were from the PRC.

We all have seen what happens when malign actors weaponize their energy resources. Russia tried to do this with natural gas in Europe last year. It took a concerted effort from the United States, our allies and partners, and American energy producers to counter that effort. ENR is similarly engaged globally to expand countries' options and counter the PRC's attempts to wield similar control over the next generation of energy technologies through domination of clean energy supply chains. That means working with allies and partners to build a just energy transition that lifts working people and communities. We're not competing to win the race to the bottom, but to build inclusive growth and high-quality, high-standard work here and abroad.

The PRC's activities have shown that Beijing will secure its own interests before all others, often at the expense of local partners. PRC assistance is far from "no strings attached." Often it comes with a political quid-pro-quo, limiting countries' flexibility.

The Biden-Harris Administration is using all the tools at its disposal, such as investments, loan programs, public-private partnerships, and technical assistance for energy infrastructure and supply chain development. Institutions like EXIM and the U.S. International Development Finance Corporation are essential to our competitiveness with the PRC, and I urge Congress to ensure that these institutions are fully-funded and have the authorities they need to provide flexible solutions to countries around the world who seek the United States as a preferred partner.

ENR's congressionally-funded technical assistance is another of the Department's key tools to improve energy security and resilient supply chains for partners and allies. Our assistance programs in Africa, the Indo-Pacific, and Latin America promote the highest standards for transparency and good governance in the energy and mining industries and encourage the decarbonization of these sectors. We also promote just energy transitions that take into account the workforce and the communities affected by changes in their livelihoods.

In Latin America and the Caribbean, the United States remains the partner of choice – a message I heard repeatedly during my recent trip to Guyana and Trinidad and Tobago. As the largest trading partner in the region, the United States promotes sound, transparent policies that protect the rule of law and

provide an attractive business environment for private sector investment in energy infrastructure. U.S. firms operate according to values that produce good deals and quality work. But we also see the PRC targeting Latin America for investments in critical minerals, energy grids, and renewables.

ENR assistance in Ecuador helped the government design and conduct the country's first-ever competitive and transparent tenders for new generation capacity, including renewables. The energy ministry awarded the renewable projects transparently and competitively, after years of opaque and underperforming deals with state-backed PRC energy companies. And DFC recently announced that it will provide financing for a 200 megawatt (MW) solar power project that was awarded through this process, providing a strong example of how U.S. government tools can complement each other to counter the Chinese model.

In Europe, ENR has worked closely with our Allies to communicate clearly the security risks associated with PRC investments in critical infrastructure and promote and support U.S. and like-minded alternatives that share our commitment to high-quality and inclusive growth. Our strength lies in our innovation and technical expertise – growing U.S. civil nuclear technologies overseas is a prime example. In Romania, ENR has engaged with the government, which views the United States as its strategic partner on energy, to support refurbishment and construction of additional units at the Cernavodă Nuclear Power Plant. We are also supporting the deployment of Small Modular Reactors (SMRs), through partnerships like Romania's partnership with U.S. company NuScale and potentially the Orlen Synthos Green Energy SMR project in Poland using GE Hitachi technology. As I recently discussed with Romanian Energy Minister Popescu, the Cernavodă project remains on track and advances our climate goals. We are actively working with EXIM to level the playing field for U.S. exporters who face competition from the PRC in this reactor upgrade project. And in Poland, our governments are working hand-in-hand to support several, ambitious civil nuclear energy projects with technology that was developed and funded right here in the United States, including the introduction of clean SMR technologies to provide safe and secure energy in Europe.

In Greece, ENR has worked closely with DFC to complete investment for the Elefsina shipyard's rehabilitation by American company ONEX, which has a proven

track record of revitalizing port and shipyard infrastructure assets in Greece. Elefsina will be able to service tankers, host a large solar park, and position itself to support the Eastern Mediterranean's nascent offshore wind industry. Importantly, U.S. acquisition and management of Elefsina ensures that another strategic asset did not follow the Port of Piraeus into PRC hands.

We are also competing with the PRC model for energy investment and development in Central Asia. Central Asia plays an important role in global energy security and transition priorities. Since gaining independence from the Soviet Union more than 30 years ago, Central Asian countries have turned to the United States as a partner and source of foreign direct investment, notably in the oil and natural gas sector. Oil from Kazakhstan is transiting through Azerbaijan, where I was two weeks ago, and is contributing to Europe's energy security. We are now looking to renewables and critical minerals, but the PRC has made some headway, for instance, by locking in 75 percent of Turkmenistan's pipeline gas.

As I testified in March to the Senate Foreign Relations Committee, ENR's work includes technical assistance on methane abatement and through the Central Asia Clean Energy Fellows Project. We appreciate Congress's continued support for ENR's work to ensure the United States is the preferred partner for Central Asian countries in both energy security and energy transition.

Further east, ENR is strongly focused on U.S. government support for a free, open, and prosperous Indo-Pacific. Since taking on this role, I have traveled to Japan, the Republic of Korea, Pakistan, and India to meet with Energy and related ministries and energy companies, and as part of our strategic energy dialogues to advance our cooperation on energy security and renewables. I held an inaugural strategic energy dialogue with Japan in December and continued our important dialogue with the Republic of Korea – both countries that are key to reducing PRC dominance of clean technology supply chains. We also hosted dialogues here in Washington with Thailand, Australia, and Vietnam, enabling us to deepen longstanding alliances, counter the PRC narrative, and identify future areas of collaboration.

Through the ENR-led Clean EDGE Asia initiative, the U.S. government is harnessing the expertise and resources of 11 U.S. government agencies – including DOE's National Laboratories and the legal and regulatory expertise at the Department of

Commerce's Commercial Law Development Program – the private sector, international financial institutions, and like-minded governments to accelerate Asia's clean energy transition. ENR efforts in the Indo-Pacific seek to increase resilience against PRC economic coercion and dependencies.

This includes support for increased renewable energy deployment in Indonesia through the Japan-U.S. Clean Energy Partnership (JUCEP), energy interconnectivity through the Japan-U.S.-Mekong Power Partnership (JUMPP), energy resilience and secure energy transition in Taiwan through the U.S.-Taiwan Economic Prosperity and Partnership Dialogue (EPPD), clean energy pathways in India, and offshore wind in the Philippines.

In many countries, nuclear energy will be key to the success of our clean energy transition. U.S. civil nuclear cooperation and American companies must be expanded to give countries, including in Southeast Asia, a viable alternative to lower-standard PRC and Russian nuclear cooperation engagements. Civil nuclear partnerships are strategic, mutually beneficial, and solidify 60-100-year relationships, due to the long-term operating capacity of civil nuclear power plants. The stakes are too high for the United States to miss opportunities in this sector.

U.S. support in the Indo-Pacific and interest in providing alternate models to those offered by the PRC extends to the Pacific Islands countries and territories, following on from the U.S. Summit with Pacific Islands Leaders in September 2022. In May, for example, the State Department announced our intent to provide \$1.25 million in technical assistance and expert advisory support to support Papua New Guinea's mining sector. Secretary Blinken's visit last month further advanced this strategic relationship.

Across the globe, high-level discussions like Leaders Summits and Energy Dialogues serve to demonstrate U.S. commitment to redefine our relationships – to move forward as partners and to level up our work with private sector investors.

After December 2022's U.S.-Africa Leaders' Summit, the United States pledged to step up its energy engagement in Sub-Saharan Africa. Under Secretary for Economic Growth, Energy, and the Environment Jose W. Fernandez has been to

Africa several times to discuss critical minerals and just energy transitions. With the importance of this relationship in mind, next week I will travel to Nigeria to advance cooperation on clean energy and methane abatement and to explore future energy partnership possibilities.

The United States is also a partner to African governments through interagency initiatives like Power Africa and Prosper Africa. These efforts contribute to job creation, greater transparency, local economic development, gender equality, and improved environmental and labor standards. Since 2013, Power Africa has brought 34.6 million new connections to homes and businesses on and off the grid. In addition, since launching Prosper Africa in June 2019, the U.S. government has helped close 1,100 deals across 49 countries for a total estimated value of \$65 billion in two-way trade and investment. In Houston, I discussed with Ghana's Energy Minister our partnership on civil nuclear cooperation, supporting the goal of becoming a regional center of excellence in Africa for the deployment of SMR nuclear technologies.

Much of ENR's work in Africa is in collaboration with Power and Prosper Africa and through the inter-governmental Minerals Security Partnership. We don't have enough critical minerals to power the world's clean energy agenda. The existing supply chains for these minerals – from extraction to processing to recycling – are overwhelmingly dominated by the PRC. The PRC owns mines throughout Africa and the rest of the world and dominates the processing of the minerals and metals we need to drive the energy transition – including cobalt, lithium, nickel, and copper. Sub-Saharan Africa is not the only region where the PRC dominates critical mineral supply chains, but it is an illustrative example of the issue because of its high concentration of critical minerals and metals.

To address these concerns, in June 2022 the Department of State and likeminded partners launched the Minerals Security Partnership (MSP). The MSP's 13 partners are: Australia, Canada, Finland, France, Germany, Italy, Japan, the Republic of Korea, Norway, Sweden, the United Kingdom, the United States, and the European Commission. By sharing information and coordinating government financing and other support, the MSP aims to catalyze investment in minerals projects that secure vulnerable parts of our mineral supply chains. The MSP intends to do so in a way that benefits all parties involved, including through adherence to high standards and a focus on higher-value activities in developing

countries, such as downstream processing and recycling, in addition to extraction. This will help win local buy-in, catalyze sustainable economic growth, make our supply chains more secure. And this is in marked contrast to the PRC's approach.

The State Department has important tools to support the MSP's goals, but success in bolstering these critical supply chains will require a whole-of-government effort. We are engaging foreign governments and the private sector through our global network of embassies and consulates.

The MSP is seeking viable, bankable, and responsible projects around the world. ENR is also engaging with American mining companies, as I did last month in Alaska, to ensure that our work supports growth here at home as well.

Through ENR's technical assistance programs, we are promoting sound governance, which will make energy mineral supply chains more resilient and help end our dependence on PRC supplies, including by addressing critical midstream processing bottlenecks. However, in addition to diplomatic engagement, we will need financing to bolster these supply chains, and that is why ENR's partnership with EXIM, DFC, and our colleagues working on PGII will be crucial to the success of these critical mineral efforts. We need to increase their ability to assist, both by providing the necessary authorities and resources to support these major initiatives and reforming rules that unnecessarily restrict their abilities to support key mineral and energy projects.

When it comes to the PRC, we have not been competing on a level playing field. But giving our financing agencies the flexibility and funding to act quickly and take on greater risk – in service to national economic and security objectives – will improve our odds. Time and again we have seen how the PRC's ability to deploy financing rapidly and without accountability has consolidated its dominance in critical minerals supply chains and now in electric vehicles as well. The United States has seen a boom in investment in the full value chain leading up to the production of electric vehicles, but it is clear that we will need to work with international partners to increase the supply of critical minerals available.

The MSP offers a distinct value proposition based on high standards and cutting-edge private-sector innovation. But this is only meaningful if we can make quick decisions based on long-term economic and security imperatives. Congress must

fully equip EXIM and DFC with the resources and authorities they need to support U.S. economic interests abroad effectively and on an expedited basis. We cannot let an aversion to the possibility of short-term losses prevent us from securing long-term success. The fact that financial markets view minerals projects as very risky has not deterred the PRC from acting in this space, and we cannot let it deter us if we hope to succeed in the clean energy transition. We should, for a start, temporarily raise the default rate cap that currently limits EXIM's exposure to default risk from two percent to four percent, as requested in the President's FY 2024 budget. In the case of DFC, we encourage support for the creation of a new \$2 billion revolving equity fund to expand equity investments at DFC, also requested in the FY 2024 Budget.

To conclude, ENR is collaborating across the government and with private sector partners to create robust alternatives to PRC economic initiatives around the world. Our approach is transparent, based on realistic business decisions, and focused on partnership with the private sector, leading to sound policy and tangible results that benefit everyone involved.

ENR is both investing and facilitating investment, in cooperation with our allies and partners, to compete with the PRC and prevail in the competition to lead the global energy transition, just as American companies led the world through the fossil fuels era. In sum, we will work with the PRC in areas of mutual interest, but we will compete relentlessly with them economically, a contest where the State Department, and our Embassies abroad, are critically important tools.

Thank you. I look forward to addressing your questions.