Subject: Interim International Energy Engagement Guidance

1. (U) **This is an action request, please see paragraphs 14 - 16.**

2. (SBU) **Summary**: In support of Administration decarbonization goals, the U.S. government has adopted interim guidance for international energy engagements that promotes "ending international financing of carbon-intensive fossil-fuel based energy" and "intensifying international collaborations to drive innovation and deployment of clean energy technologies" as called for in E.O. 14008. This cable summarizes the interim guidance, a copy of which is attached. The goal of the policy described below is to ensure that the vast majority of U.S. international energy engagements promote clean energy, advance innovative technologies, boost U.S. cleantech competitiveness, and support net-zero transitions, except in rare cases where there are compelling national security, geostrategic, or development/energy access benefits and no viable lower carbon alternatives accomplish the same goals. Effective immediately, posts should use this guidance to calibrate international energy engagement posture. This cable outlines the process posts should implement when assessing whether new carbon-intensive energy engagements or assistance (paragraph 8) should proceed.

3. (SBU) The guidance rules out any U.S. government engagement related to unabated or partially abated coal generation. Other proposed engagements that advance infrastructure directly related to the production, transportation, or use of fossil fuels, including oil and natural gas, are considered "carbon-intensive international energy engagements," as defined in paragraph 11. Departments and agencies should not pursue new engagements related to unabated or partially abated fossil fuels, except in limited and clearly defined circumstances as outlined in this guidance. The Administration has identified two limited exemption pathways as detailed in paragraphs 17-19 for carbon-intensive energy engagement to proceed: 1) the engagement significantly advances national security or is deemed imperative from a geostrategic perspective, or 2) the engagement is essential to support energy access or energy for development in particularly vulnerable areas.

areas.

4. (SBU) Proposed new carbon-intensive energy engagement that involves USG expenditures exceeding $250,000 or directly enables new infrastructure that would not otherwise be built must formally seek an exemption via one or both pathways, described in more detail below. For State Department exemption requests, post should e-mail exemption justifications and process questions to Energy_Adjudication@state.gov for adjudication. For all commercial engagement led by the Foreign Commercial Service, posts should e-mail exemption justifications and process questions to energyadjudication@trade.gov. Formal commercial advocacy will be adjudicated by the Department of Commerce's Advocacy Center, which will make a national interest determination taking this guidance into account. Departments and agencies are to report to the NSC all approved exemptions on an annual basis. Finally, the interagency guidance also requires departments and agencies to develop "transition plans" that demonstrate an urgent sunsetting trajectory for carbon-intensive energy engagement and a ramp up in clean energy engagement. **End Summary**

Administration Goals for International Energy Engagement

5. (U) The Executive Order (E.O.) on Tackling the Climate Crisis at Home and Abroad (E.O. 14008), released on January 27, 2021, lays out the Administration's vision for addressing climate change. Supporting our allies and partners in achieving net-zero global emissions by 2050, while also advancing U.S. competitive interests and commercial and diplomatic influence, will drive our international energy policy.

6. (U) The Interim International Energy Engagement Guidance ("Guidance") is intended to calibrate USG energy engagement (including bilateral and multilateral diplomatic engagement, energy-related investment, and technical assistance) to align with the Administration's climate and energy priorities. "International energy engagements" include investments in energy-related infrastructure, energy-related international technical assistance, energy technology collaboration, commercial engagement, and other modes of energy infrastructure support. Our international energy engagement will center

infrastructure support. Our international energy engagement will center on promoting clean energy, advancing innovative technologies, boosting U.S. cleantech competitiveness, and providing financing and technical assistance to support net-zero transitions around the world.

ENR Support for Climate Goals

7. (U) The Bureau of Energy Resources (ENR) leads the U.S. government on international energy policy and diplomacy, working with like-minded donors, governments, international organizations, think-tanks, and the private sector to advance resilient energy systems, competitive and transparent energy markets, clean energy technologies, and decarbonization goals. ENR will work with posts to implement the Guidance and with the Special Presidential Envoy for Climate (SPEC) and bureaus to develop the Department's process for adjudicating exemptions and transition plan.

Ending Financing of Carbon-Intensive International Energy Engagements

8. (U) In general, we rely on posts to use their best judgement in prioritizing clean energy engagement. Posts must seek an exemption before proceeding with new diplomatic support, technical assistance, or direct financial support to carbon-intensive physical energy infrastructure if that engagement meets either of the two following criteria: A) The engagement involves an expenditure of more than $250,000 in USG funds (salaries and staff time are not part of this assessment); or B) The engagement directly enables new infrastructure that would not otherwise be built. Activities are considered to directly enable new infrastructure if they involve a dedicated effort to promote a specific project that is not part of a competitive tender or process to displace a competitor, and thus would not occur without U.S. government involvement.

9. (U) The Guidance precludes any U.S. government financing of overseas unabated or partially abated coal generation projects. Engagements related to coal generation must be related to full abatement of emissions and/or accelerated phase out.

10. (U) For new carbon-intensive engagements, the Guidance lays out

10. (U) For new carbon-intensive engagements, the Guidance lays out an interim process in paragraphs 17-19 of this ALDAC that posts may use (until agency self-adjudication plans are finalized) to provide information for a determination on whether such activities qualify for limited exemptions.

Defining “Carbon-Intensive” Technologies

11. (U) “Carbon-intensive” international energy engagements are those that advance infrastructure directly related and dedicated to the production, transportation, or consumption of emissions-intensive fuels that would lead to additional greenhouse gas emissions with an emissions intensity above a threshold life cycle value of 250g CO_2 / kWh (see table below for reference values). Carbon-intensive fossil fuels includes coal, oil, and natural gas.

Lifecycle Emissions of Selected Energy Technologies	
Technology	***Emissions (gCO_2eq/kWh)***
Coal — pulverized coal	1062
Oil fired power plant	1020
Biomass — co-firing	740
Gas — combined cycle	450
Jet Fuel – conventional	320
Engagement Threshold	250
Coal — pulverized – carbon capture and sequestration	220
Coal — integrated gasification combined cycle – carbon capture and sequestration	200
Ethanol (E100)	193
Natural gas — combined cycle - carbon capture and sequestration	170
Coal — oxyfuel - carbon capture and sequestration	160
Sustainable jet fuel	160
Biodiesel (soy BD100)	126
Renewable diesel (Soy RD100)	78

Renewable diesel (Soy RD100)	7[illegible]
Biomass — dedicated generation (100% biomass)	67
Solar PV — utility	64
Solar PV — rooftop	41
Geothermal	38
Concentrated solar power	27
Hydropower	24
Ocean – wave and tidal	17
Nuclear	12
Wind Offshore	12
Wind Onshore	7
Sources: Argonne National Laboratory, GREET model 2020, IPCC 2014	

Exclusions for Methane Reduction, Partial Abatement, Technology-Neutral Engagement, and Transmission/Distribution

12. (U) This guidance provides exclusions for certain activities related to fossil fuels that support the Administration's near-term emission reduction goals while advancing U.S. competitive interests and supporting allies and partners decarbonization efforts through uptake and introduction of low-emissions technologies. These activities may proceed and do not require exemption requests.

- Reducing greenhouse gas emissions through enhanced monitoring and mitigation efforts to reduce fugitive methane emissions in the natural gas supply chain is an Administration priority. Projects dedicated solely to advancing methane abatement through leak detection and repair, vapor recovery systems, or other viable abatement solutions are considered net-negative emission projects and do not necessitate an exemption.

- Certain partially abated projects related to fossil fuel infrastructure may not meet the guidance emissions threshold but will fall below the threshold over the project lifetime because of phased integration of increasing abatement capabilities. These engagements will not be considered carbon-intensive if post or the proposing agency can demonstrate with confidence that there is a binding and enforceable guarantee -- such as contractual obligations and financial covenants -- that the average lifecycle emissions intensity over the total lifespan of the project (i.e., the lifetime total expected emissions divided by the lifetime total expected energy) will be below the established threshold. Such engagements must have appreciable abatement included at the onset of any new infrastructure.

- Technology-neutral technical assistance intended to build or improve the institutional capacity of power sector entities (e.g. systems operations, public and private utilities, independent regulators and/or other partner country entities that govern, regulate, or operate power sector systems), including the transmission and distribution neutral infrastructure for electric power, and trade or export finance, financing the sale of certain U.S.-made goods (e.g. transportation equipment, etc.) is not considered carbon-intensive energy engagement and does not require exemptions.

- Support for improvement or expansion of infrastructure related to the transmission and distribution of generated electric power may proceed, unless such transmission infrastructure is directly related to, and required by, the planned expansion or construction of new power-plants that will utilize carbon intensive fuels.

Commercial Engagement

13. (U) Commercial engagement (advocacy, export promotion, commercial diplomacy and foreign direct investment promotion) may proceed across the energy sector, but departments and agencies are instructed to take into account factors including climate objectives, energy security, geostrategic imperative, development goals, and economic impact and/or comparative advantage in assessing whether to proceed with such an engagement. As with other types of energy engagement, posts must seek an exemption before proceeding with new commercial engagements that meet either of the two following criteria: A) The engagement involves an expenditure of more than $250,000 in USG funds (salaries and staff time are not part of this assessment); or B) The engagement directly enables new

infrastructure that would not otherwise be built. Activities are considered to directly enable new infrastructure if they involve a dedicated effort to promote a specific project that is not part of a competitive tender or process to displace a competitor, and thus would not occur without U.S. government involvement. Departments and agencies engaged in commercial advocacy are subject to the same requirements to develop transition plans towards net-zero systems as outlined in the Guidance.

Interim International Energy Engagement Guidance for Posts

14. (U) **Action Request:** Effective immediately, posts should use the Guidance to calibrate international energy engagement posture. Post must review all new energy engagements for compliance with this policy. Posts should not pursue engagements related to either unabated or partially abated coal generation. For all other new carbon-intensive engagement, posts should review the guidance below and calibrate engagements accordingly. Departments and agencies have been tasked with developing and refining self-adjudication procedures for determining exempted engagement and with developing analysis protocols for assessing lower-carbon alternatives. More guidance will follow as that process proceeds and self-adjudication and credible alternative analysis procedures are finalized.

15. (U) In the interim, posts are requested to work with ENR or (for non-State) their respective agencies to develop exemption documentation for any new carbon-intensive engagements exceeding $250,000 in USG funds or which enables new carbon-intensive infrastructure that would not otherwise be built. Engagement exemptions can be sought on a project basis; separate exemptions are not required for each individual interaction related to a project. Exemption documentation must include answers to the exemption pathway questions (paragraphs 17-19) as well as questions in Annex 1, including any relevant supporting materials. Documentation is to be reviewed by the OMB and shared with the National Security Council.

16. (U) For State Department exemption requests, posts should e-mail exemption justifications as outlined below to ENR at Energy_Adjudication@state.gov for adjudication. For all commercial

engagements led by the Foreign Commercial Service, posts should e-mail exemption justifications and process questions to energyadjudication@trade.gov. Formal commercial advocacy will be reviewed by the Department of Commerce's Advocacy Center, which will make a national interest determination taking this policy into account. If the involvement of multiple agencies in a project at a post makes it unclear which agency should receive the exemption request, that post's Country Team should decide. Posts will submit to their respective agencies reports enumerating all exemptions approved through Department and Agency self-adjudication processes each calendar year, starting in 2021, for submission to the NSC. ENR will perform this tracking and submission process for State Department exemptions. Posts may use talking points included in paragraph 21 in discussion with host country officials and private sector contacts. **End Action Request**

New Carbon-intensive Engagement Determination Three-Step Test

17. (U) **Step One:** For any ***new*** emissions-intensive engagement under consideration*:* Does the engagement meet the definition of a carbon-intensive international energy engagement laid out in paragraph 11? **If no**, the engagement may proceed. **If yes**, advance to step two.

18. (U) **Step Two:** Does the engagement involve a USG expenditure of more than $250,000 or directly enable new carbon intensive infrastructure projects that would not otherwise be built? **If no**, the engagement may proceed, provided that nearly all new activity is supporting low-emission energy, the engagement is not supporting emissions-intensive work where low-emissions alternatives could feasibly achieve the same goals, and the engagement works to minimize the emissions of the project to the maximum extent feasible. **If yes**, advance to step three.

19. (U) **Step Three**: The engagement should not proceed unless it qualifies for one of two exemption pathways, to be used in limited circumstances:

- **Pathway A** is related to geostrategic importance of the country or region where the engagement is located and whether the project will advance U.S. national security. Specific questions that must be answered affirmatively for the engagement to qualify for an exemption are:

- *Is the project located in a country of high geostrategic importance, and how is this defined?*
- *And, will this project advance U.S. national security interests in a concrete, demonstrable and significant manner?*

- **Pathway B** is related to the engagements' significant positive impact on energy access or development in the country or region. In particular, whether the engagement increases energy access to a substantial portion of a country's population or promotes development. Specific questions that must be answered affirmatively for the engagement to qualify for an exemption are:
  - *Does the project support development in International Development Association (IDA) eligible or IDA-blend countries, fragile and conflicted states, or small island developing states and have a significant positive impact on energy access.*
  - *And, does the project not delay the transition to clean energy or otherwise inhibit achievement of net-zero global emissions by 2050, the country's decarbonization goals, or objectives of the country's Paris Agreement commitments?*

20. (U) Recognizing that the goal of advancing decarbonization and achieving net-zero emissions by 2050 requires a systems approach -- rather than only a project-by-project approach -- this Guidance does not preclude future reviews of international energy engagement posture. For example, if departments and agencies employing credible alternatives analyses repeatedly demonstrate that limited life extensions of existing fossil fuel assets are the most viable option for reaching net-zero emissions, integrating higher levels of clean energy into reliable systems than otherwise possible, and avoiding the build-out of new and long-lived carbon-intensive infrastructure, then this evidence will be a valuable input into a future review for the Guidance's iterative development.

21. **(U) Talking Points:** Posts may use talking points below in discussions with host country officials and private sector contacts. Post may leave the points as a white paper or share electronically.

Begin Talking Points:

- President Biden is committed to tackling the climate crisis at home and abroad. He has taken significant steps to ensure that the United States is on the path to achieve net-zero emissions by 2050 and a net-zero power sector by 2035.
- The Biden Administration has elevated climate change as a core tenant of its foreign policy. Accelerating the global transition to a low-carbon future is a key part of that work. We are committed to doing so in a way that safeguards U.S. energy security and geostrategic interests, while also accounting for rising energy demand around the world.
- On the margins of COP26 earlier this month, the U.S. joined 40 other countries and five financial institutions in pledging to end new international finance for unabated fossil fuel energy by the end of 2022, except in limited and clearly defined circumstances. This commitment, which is consistent with the President's January 27 executive order on tackling the climate crisis, and the commitment the U.S. made in June along with other G7 countries to end public financing of unabated coal generation by the end of 2021, will reorient tens of billions of dollars of public finance and trillions of private finance towards low carbon priorities.
- In line with this effort, the United States released new implementation guidance for official international energy engagements which steers U.S government investment toward clean energy projects that will power the future and maintain our foreign policy interests. Official international energy engagement will focus on promoting clean energy, advancing innovative technologies, and providing financing and technical assistance that supports countries' emissions-reduction goals.
- The U.S. will not finance or otherwise support unabated coal generation, consistent with the commitment the United States made in June along with other G7 countries to end public financing of unabated coal generation by the end of 2021 and align international financing with deep emissions reductions in this decade.
- The United States is taking a whole-of-government approach to leverage the full suite of its technical assistance, project finance,

and diplomatic tools to deploy clean energy solutions, transform energy systems, and promote clean energy innovation and competitiveness.
- The clean energy transition is imperative to our ability to address the climate crisis, but we also know that it will not happen overnight. In some cases, engagement on a carbon-intensive energy project may still be necessary to protect national security or advance development goals, and no viable low-carbon alternative exists.
- As we face the issues today, the Administration is also committed to long term benefits of supporting the energy transition as a meaningful economic development and jobs growth opportunity globally. Renewable companies are outperforming counterparts in international equity markets and the International Renewable Energy Agency estimates that globally renewable energy industries directly and indirectly support 12 million jobs.
- The Biden Administration is committed to meeting this moment responsibly and helping to build the safer, healthier, and more prosperous future.

IF RAISED (not to be included in leave-behind documents):
- As long as there is demand for fossil energy products, technologies, and services in global markets, the U.S. government will not stand in the way of U.S. companies that are ready and able to meet those needs.
- Moving forward, we encourage U.S. oil and gas companies to decarbonize their operations and do even more to step up as leaders in addressing the global climate crisis including accelerating the clean energy transition.
- The U.S. government will continue to help U.S. energy companies, especially small- and medium-sized businesses, achieve their commercial objectives without compromising global climate ambitions.

End Talking Points
Page Break
ANNEX 1

Guiding Questions for Exemption Justification Documents:

1 *What is the current energy mix of the country pursuing the engagement? Which part(s) of the energy mix does this engagement advance?*

2 *Considering the broader country or regional context, describe whether and how this engagement: (a) supports resilient energy sector infrastructure, (b) helps de-risk a low-carbon technology, or (c) contributes to advancing sustainable development and a green recovery?*

3 *How does the engagement fit with our existing U.S. government energy footprint in the country or region? Identify other known U.S. energy engagements that supplement this activity.*

4 *If this engagement is above the emissions threshold, is there a more appropriate or cost-effective low-carbon emission alternative for this engagement?*

5 *What is the life cycle of this U.S. government investment? How long does this engagement lock-in a specific energy sector emissions profile? Does this engagement lengthen the lifespan of a fossil fuel technology?*

6 *Why is this engagement the best way to advance our foreign policy and national security objectives in this country or region?*

7 *If this engagement is above the emissions threshold, why is it the best choice to advance economic development objectives in the country?*

8 *Does this engagement support improved governance in the energy sector without lengthening the lifespan of a fossil fuel technology. If so, describe how?*

9 *Does the investment in an existing carbon-intensive plant or distribution infrastructure substantially hasten the transition toward carbon-free fuels? If so, what is the estimated timeline, and how does this significantly accelerate the transition to zero-*

emissions?