February 25, 2013

The Honorable Osvaldo L. Gratacos
Inspector General
Export-Import Bank of the United States
811 Vermont Avenue N.W.
Washington, D.C. 20571

Dear Mr. Gratacos:

Earlier this month, the Government Accountability Office added climate change to its High Risk List. GAO found that climate change “presents a significant financial risk to the federal government.” According to GAO, “[t]he federal government is not well organized to address the fiscal exposure presented by climate change.” As the co-chairs of the Bicameral Task Force on Climate Change, we are seeking your help in assessing whether the Export-Import Bank of the United States is doing everything it can to confront this growing threat.

There are existing requirements that federal agencies carry out policies to address climate change. In 2007, Congress enacted the Energy Independence and Security Act, which requires federal agencies to reduce the energy intensity of federal buildings 30% by 2015, to achieve even greater reductions when renovating existing buildings or constructing new ones, and to designate an energy manager to conduct evaluations and commissioning processes. In 2009, the President issued Executive Order 13514, which directs federal agencies to establish a greenhouse gas emission reduction target for 2020, to reduce vehicle fleet petroleum use by 30% by 2020, and to ensure that 95% of applicable contracts meet sustainability requirements. The order also required the agencies to “evaluate agency climate-change risks and vulnerabilities to manage the effects of climate change on the agency’s operations and mission in both the short and long term.” In 2010, the President announced that the federal government will reduce its greenhouse gas pollution by 28% by 2020 as a result of targets submitted under Executive Order 13514.

Additionally, the President issued a memorandum requiring agencies to enhance their building energy efficiency through performance-based contracts totaling a minimum of $2 billion across the federal government. Federal agencies also recently released their latest Strategic Sustainability Performance plans, which for the first time include their plans “to reduce the vulnerability of Federal programs, assets, and investments to the impacts of climate change, such as sea level rise or more frequent or severe extreme weather.”

As the first part of our request, we ask that you (1) identify the existing requirements in legislation, regulation, executive order, and other directives that apply to the government entity you oversee, (2) assess whether it is meeting these requirements, and (3) if it is not fully meeting the requirements, make recommendations for improving its performance.
In his State of the Union address, the President recognized that additional action by federal agencies is needed to combat climate change. The President called upon federal agencies to “identify additional executive actions from across the administration to help reduce pollution, prepare our cities and nation for the worsening effects of climate change, and accelerate the transition to more sustainable sources of energy.” This call to action presents an opportunity and obligation for agencies to develop strategies to meet the challenge of preventing and responding to climate change.

As the second part of our request, we seek your assessment of (1) the authorities the government entity you oversee has to reduce emissions of heat-trapping pollution, (2) its authorities to make the nation more resilient to the effects of climate change, and (3) the most effective additional steps it could take to reduce emissions or strengthen resiliency.

Because this is now a timely matter before both the executive and legislative branches, we ask that you provide answers to these questions as expeditiously as possible, ideally no later than March 29, 2013. If you have any questions, you can contact Kiren Gopal of Rep. Waxman’s House Energy and Commerce Committee staff at Kiren.Gopal@mail.house.gov or Emily Enderle of Sen. Whitehouse’s staff at Emily_Enderle@whitehouse.senate.gov.

Thank you for your assistance.

Sincerely,

Henry A. Waxman
Co-Chair
Bicameral Task Force on Climate Change
Ranking Member
Committee on Energy & Commerce

Sheldon Whitehouse
Co-Chair
Bicameral Task Force on Climate Change
Chairman
Subcommittee on Oversight, Senate
Committee on Environment and Public Works

Edward J. Markey
Co-Chair
Bicameral Task Force on Climate Change
Ranking Member
Committee on Natural Resources

Benjamin L. Cardin
Co-Chair
Bicameral Task Force on Climate Change
Chairman
Subcommittee on Water and Wildlife, Senate
Committee on Environment and Public Works
March 27, 2013

Dear Co-Chairs of the Bicameral Task Force on Climate Change,

This letter responds to your February 25, 2013, request that the Office of Inspector General assess whether the Export-Import Bank of the United States (Ex-Im Bank or the Bank) is doing everything it can to confront the growing threat of climate change.

Specifically, you asked that we (1) identify the existing requirements in legislation, regulation, executive order, or other directives that apply to Ex-Im Bank; (2) assess whether Ex-Im Bank is meeting these requirements; (3) make recommendations for improving its performance if it is not meeting requirements; (4) assess the authorities Ex-Im Bank has to reduce emissions of heat-trapping pollution; (5) assess Ex-Im Bank’s authorities to make the nation more resilient to the effects of climate change; and (6) assess the most effective additional steps Ex-Im Bank could take to reduce emissions or strengthen resiliency.

To address your questions, we reviewed and have summarized below the relevant information related to Ex-Im Bank’s efforts to improve energy efficiency in its business.
operations as well as its financing of renewable energy and other environmentally beneficial exports.

Ex-Im Bank Efforts to Improve Energy Efficiency in Its Business Operations

With respect to its business operations, Ex-Im Bank is taking steps to address requirements for improving energy efficiency. For example, Ex-Im Bank leases its Washington, DC headquarters, the Lafayette Building, from the General Services Administration (GSA) and is engaged with GSA in a multi-year modernization of the building. Funded through the American Recovery and Reinvestment Act, the project is being designed to meet LEED Gold certification and includes a total refurbishment of the exterior façade and windows and upgrade of all building mechanical systems. The project is estimated to save 14.8 percent in annual energy costs (beginning in 2015) and will increase Ex-Im Bank’s use of renewable energy through the installation of rooftop solar panels, which will provide at least 30 percent of the hot water usage for the building.

Also, in accordance with Office of Federal Procurement Policy direction, the following requirements that promote green purchasing of products and services apply to Ex-Im Bank:

- Section 6002 of the Resource Conservation and Recovery Act;
- Section 9002 of the Farm Security and Rural Investment Act of 2002;
- Executive Order 13514, “Federal Leadership in Environmental, Energy, and Economic Performance;” and

In its fiscal year (FY) 2012 Greenhouse Gas Inventory Management Plan submission – prepared in accordance with Executive Order 13514 – Ex-Im Bank reported progress toward ensuring that 95 percent of its new contract actions that require the supply or use of a product are sustainable acquisitions. Examples include the purchasing of Energy Star products, recycled paper, and recycled toner cartridges, and the replacement of the Bank’s outdated copier equipment with machines that are 1.25 percent more efficient on average.

Finally, Ex-Im Bank maintains only two government vehicles and has implemented efforts to promote efficiency in travel to include both mission-related travel and employee commuting. However, given the significant increase in the Bank’s authorizations and the need for international air travel to support the Bank’s mission of expanding U.S. exports
and developing new foreign buyers of U.S. goods and services, management’s efforts to reduce greenhouse gas related to air travel and other business-related activities will continue to be a challenge.

**Ex-Im Bank Financing of Renewable Energy and Other Environmentally Beneficial Exports**

Ex-Im Bank’s financing of environmentally beneficial exports has been an area of long-standing congressional interest. Section 2(b)(1)(k) of Ex-Im Bank’s Charter (12 U.S.C. section 635 et seq.) states that “t]he Bank shall promote the export of goods and services related to renewable energy sources.” According to the Government Accountability Office (GAO), Congress has directed the Bank to report on its financing of these exports since 1992. In recent years, Congress directed Ex-Im Bank to allocate 10 percent of its financing to environmentally beneficial exports, and in 2009 it stated that the target be specifically for two subcategories of environmentally beneficial exports: renewable energy and energy efficient end-use technologies. After reviewing the Bank’s efforts to meet congressional directives concerning environmental exports financing, GAO reported in July 2010 that Ex-Im Bank’s financing of exports it identified as environmentally beneficial was well short of the 10 percent congressional target. As a result, GAO recommended that the Bank:

(1) develop clear definitions for its subcategories of environmentally beneficial exports – specifically energy efficient end-use exports – and report its financing in these areas, and

(2) consistently implement key strategic planning practices in this area. In March 2012, Ex-Im Bank management reported to the Appropriations Committees specific actions planned and taken to address GAO’s recommendations.

In addition, to support financing for renewable energy and other environmentally beneficial exports, Ex-Im Bank reorganized its Strategic Initiatives Division in 2009 and established the Office of Renewable Energy and Environmental Exports. Additional staff was dedicated to develop and underwrite renewable energy transactions. Also, Ex-Im Bank’s Chairman has designated renewable energy as a key industry, the Bank’s Advisory Committee has a subcommittee on renewable energy exports, and, in March 2011, Ex-Im Bank adopted “The Equator Principles,” a globally recognized benchmark for financial institutions to assess and manage the social and environmental risks of international project financing.

According to Ex-Im Bank’s 2012 Annual Report, in 1995 Ex-Im Bank became the first official export credit agency (ECA) to adopt a set of environmental procedures and guidelines. Four years later, Ex-Im Bank became the first ECA to publicly report greenhouse gas emissions associated with projects receiving its financing support. And in 2009, Ex-Im Bank became the first ECA to adopt a carbon policy that addressed climate-change concerns raised by the Bank’s export-financing activities. The policy includes

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financing incentives for very low to zero carbon dioxide-emitting renewable energy efficient exports.

Ex-Im Bank’s increased support for environmentally-beneficial U.S. exports, including those related to the production of renewable sources of energy, has shown an overall positive trend. Specifically, according to Ex-Im Bank’s 2012 Annual Report, the Bank authorized the following amounts for renewable energy transactions over the last 4 years: $355.5 million in FY 2012, $721.4 million in FY 2011, $332 million in FY 2010, and $101 million in FY 2009. Also, in FY 2012, the Bank authorized an additional $259 million in financing to support U.S. exports of environmentally beneficial goods and services. Projects receiving Ex-Im Bank support included but were not limited to those in the solar-energy, wind-energy, and biogas-reclamation sectors.

Although the total number of environmentally beneficial authorizations increased 4.9 percent to 149 in FY 2012 from 142 in FY 2011, the amount of authorizations decreased 30.9 percent to $614.5 million from $889.5 million. Additionally, when examining the portion of these authorizations represented by renewable energy projects, both the total number and amount of authorizations decreased between FY 2011 and FY 2012 by 35.6 percent and 50.7 percent, respectively. According to Ex-Im Bank, these decreases resulted from (1) a decrease in solar projects financed in Canada as local-content restrictions in the major solar market of Ontario were enacted and (2) more complex transactions that required additional time to analyze and underwrite.

Finally, we note that Ex-Im Bank has struggled to balance the need to support American jobs and energy exports, while simultaneously encouraging development of renewable energy facilities. In October 2010, after initially rejecting the transaction in light of its carbon policy, Ex-Im Bank approved a $917 million export finance guarantee to support exports of U.S. mining equipment to the Sasan Power, Ltd. coal-fired power plant in India. In exchange for receiving Ex-Im Bank support, Reliance Power, Ltd. (owner of Sasan Power) signed a memorandum of understanding indicating its commitment to build a new 250-megawatt renewable energy facility. Also, in April 2011, the Bank granted preliminary approval for a $805.6 million direct loan to South Africa’s state-owned electric power utility, Eskom, Ltd., to assist in constructing the Kusile coal-fired power plant. As stated in Ex-Im Bank’s press release on the project, “Ex-Im Bank financing supports hundreds of U.S. jobs, and also brings assurances of compliance with its environmental and social guidelines, including those for high intensity carbon projects. During its due diligence process, Ex-Im Bank met on several occasions with officials of environmental non-governmental organizations and project stakeholders to address their concerns relating to the potential environmental and social impacts of the Kusile project. Ex-Im Bank took into account all of the information and comments it received from these meetings on the project’s potential environmental and social impacts.” The project received final approval in May 2011. Currently, the Bank is awaiting environmental impact assessments in support of two other coal-fired power plants in Vietnam.
Conclusion

In sum, we determined that the Resource Conservation and Recovery Act, the Farm Security and Rural Investment Act of 2002, Executive Order 13423, Executive Order 13514, and various subparts of Federal Acquisition Regulation Part 23 apply to Ex-Im Bank. In addition, 2008-2010 appropriations language established for Ex-Im Bank 10 percent financing targets for environmentally beneficial exports, including renewable energy and energy efficient end-use technologies.\(^2\) Based on our review of information provided by Bank management, to include Ex-Im Bank’s (1) 2012 Annual Report, (2) FY 2012 Greenhouse Gas Inventory Management Plan submission, and (3) March 28, 2012, environmental exports report provided to the Senate Committee on Appropriations pursuant to P.L. 112-74,\(^3\) we determined that Ex-Im Bank is striving to meet requirements and address existing GAO recommendations for improving its performance. As a result, we are not making additional recommendations for improving Ex-Im Bank’s performance at this time. Also, we did not identify any specific authorities Ex-Im Bank has to reduce emissions of heat-trapping pollution or to make the nation more resilient to the effects of climate change. However, as described in this letter, we noted the number and scale of activities undertaken by Ex-Im Bank to reduce greenhouse gas emissions in both its business operations and as a result of the projects it finances.

We hope this information addresses your concerns. Please contact me at (202) 565-3908 if you have follow-up questions.

Sincerely,

Osvaldo L. Gratacós
Inspector General

cc: Fred Hochberg, Chairman and President, Ex-Im Bank  
    John McAdams, Senior Vice President and Chief Operating Officer, Ex-Im Bank  
    Angela Mariana Freyre, Senior Vice President and General Counsel, Ex-Im Bank  
    Michael Cushing, Senior Vice President, Resource Management, Ex-Im Bank  
    Scott Schloegel, Congressional Affairs, Ex-Im Bank

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\(^2\) P.L. 110-161; P.L. 111-8 (123 Stat. 524 at 858) ("energy efficient end-use technologies"); and P.L. 111-117 (123 Stat. 3034 at 3341) ("end-use energy efficiency technologies").

\(^3\) Division I of the Consolidated Appropriations Act of 2012, Title VI, Export and Investment Assistance of the State, Foreign Operations and Related Programs Appropriations of 2012.