INSIGHT OUT

Expert Voices on China's Energy and Environmental Challenges

Missed Opportunity?

Chinese Clean Energy Foreign Direct Investment in the United States

Wilson Center

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Insight Out is designed to tap on-the-ground expertise to understand the complex energy and environmental challenges facing China. As with much of our work, we cast an eye on opportunities for collaboration between American and Chinese researchers, business, NGOs, and governments.

Guillermo Christensen practices within the global projects/international trade group at Baker Botts, LLP, representing clients in connection with the Foreign Corrupt Practices Act, International Traffic in Arms Regulations sanctions administered by the Treasury Department's Office of Foreign Assets Control and U.S. export controls under the Export Administration Regulations. He also regularly represents and counsels buyers and sellers in securing approvals via the ExonFlorio process regulating foreign direct investment into the U.S. through the Committee on Foreign Investment in the United States.

Will Latta is the Founder and Managing Director of LP Amina. Mr. Latta has nearly 20 years of experience in power generation. Prior to founding LP Amina, Mr. Latta worked for Alstom Power, a global leader in conventional power generation equipment. In addition, Mr. Latta is Co-Chair of the Clean Coal Working Group for the U.S.-China Energy Cooperation Program (ECP), an organization established to promote commercially viable project development work in clean energy and energy efficiency, and support the sustainable development of the energy sectors in both countries.

Jeff Layman's practice at Baker Botts, LLP focuses on Chinarelated infra-structure projects. He concentrates in the areas of mergers and acquisitions, reorganizations and disposals, direct investments, project finance and private equity. Mr. Layman's experience includes representing sponsors and lend-ers in the development, construction and financing of infrastructure projects including thermal power, waste to energy, coal gasification, wind energy, desalination and waste water treatment facilities. His recent representations include advising an international investment fund on its investment in a China-focused cleantech private equity fund Japanese sponsors in negotiations with the Asian Development Bank on the financing of Datang SinoJapan (Chifeng) Renewable Power, a 50 MW wind farm in Inner Mongolia.

Eric Redman is the Co-Chairman and former CEO of Summit Power Group, LLC. Summit is developing a variety of carbon capture power projects, including the Texas Clean Energy Project (TCEP), located in Penwll Texas, an Integrated Gasification Combined Cycle (IGCC) facility that will incorporate carbon capture, utilization and storage technology. TCEP will be a 400MW power/poly-gen project that will also produce urea for the U.S. fertilizer market and capture 90 percent of the carbon from its coal feedstock–approximately 2 million tons per year, which will be used for enhanced oil recovery in the West Texas Permian Basin. n July 2014, Summit kicked off a front-end engineering and design (FEED) study update with China Huanqui Contracting & Engineering Corporation, a subsidiary of China National Petroleum Corporation, Siemens, and others. TCEP received a $450MM award in 2010 from the U.S. Department of Energy's Clean Coal Power Initiative. Among other carbon capture projects, Summit is also developing a TCEP sister project, the Caledonia Clean Energy Project, in the United Kingdom with HQC and other Chinese participants.

Eric Wong is an energy and natural resources lawyer whose practice focuses on oil and gas, LNG, power and other energy transactions. Eric has represented international oil companies, regional national oil companies, investment banks, power companies and private equity firms in connection with various energy related matters including upstream oil and gas acquisitions and disposals, joint study and farm-in/farm-out arrangements, joint venture and shareholder agreements, acquisition financing transactions, construction of power.

River Yun Lu is founder and Managing Partner of River Partners, a boutique business development firm that facilitates U.S.-China business transactions and relationships in the fields of energy, environment, and healthcare. For five years, Ms. Lu served as China Director of Duke Energy, sourcing, establishing, and managing formal, multi-million dollar partnerships between the company and China's largest energy enterprises.

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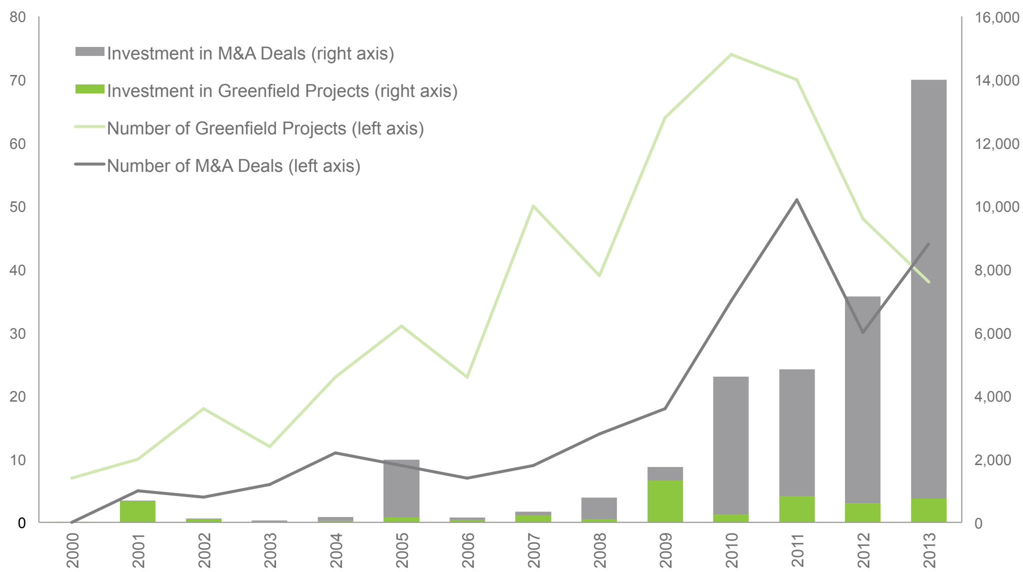
Missed Opportunity?

By Jennifer L. Turner and Melanie Hart

When foreign investors locate new energy projects in the United States, U.S. workers and consumers benefit. These investments, particularly in clean energy, help maintain and upgrade infrastructure, reduce carbon pollution, lower energy costs, and increase the nation's resilience to extreme weather events and global oil market shocks. While security issues must prevail in certain sectors of the energy economy (e.g., electricity infrastructure), bringing foreign investment into clean energy ultimately strengthens U.S. long-term competitiveness and can help close the infrastructure funding gap. Chinese investors, in particular, could play a critical role in spurring the U.S. energy economy.

Figure 1: Chinese FDI Transactions in the US: 2000-2013

Number of deals and USD million



China-to-United States FDI has increased significantly in recent years and that growth trend could continue through 2020 and beyond.

Source: Rhodium Group

RHODIUM GROUP

Some analysts expect China's overseas investments will reach $2 trillion by 2020; the energy sector in particular has a large growth potential. China is now the world's largest energy consumer and the biggest investor in clean energy technologies. Chinese energy firms have thus built up enough capacity to build manufacturing and generation facilities overseas. Specifically in the United States, these firms are becoming increasingly active in investing and acquiring interests in clean energy projects. Investment in energy is keeping pace with overall Chinese investment in the United States, which, according to the Rhodium Group, for the first time exceeded investment from the United States into China in 2014. These current clean energy investments could be the tip of a profitable iceberg.

Despite a few high-profile success cases, however, most Chinese firms view the U.S. energy market as a high-risk environment where Chinese investors are not welcome and the regulatory red tape is perceived as a nearly impossible hurdle. Many of these fears are rooted in previous experiences with the U.S. regulatory process and these negative perceptions could send Chinese investment capital elsewhere.

It is important for U.S. policymakers and business communities to understand why these concerns are so pervasive among Chinese companies and how they view the U.S. energy market in comparison with other investment destinations. Equally important is to understand exactly where the growing stock of Chinese foreign direct investment (FDI) revenue into the United States is going and whether we have the right policies in place to maximize the benefits from this new investment source. At present, the majority of the incoming foreign direct investment is moving toward fossil fuels rather than clean energy. That suggests that cities, states and businesses may be missing an opportunity to encourage investors to go where the U.S. economy needs them most.

In April 2015, Secretary of Commerce Penny Pritzker and Secretary of Energy Ernest Moniz led a business development mission to China to promote U.S. clean energy technologies and attract investors to the United States. Since 2009, clean energy has become one of the most promising areas of Sino-U.S. collaboration with the creation of the U.S.-China Clean Energy Research Center and regular bilateral forums on renewables, energy efficiency, and cleaner coal. These expanding forums on energy and climate laid the groundwork for the climate accord reached in late 2014, in which both countries committed to concrete reductions in fossil fuels. This growing collaboration should encourage investors and regulators in both countries to embrace the cooperative competitors' model in the clean energy sector for it offers mutual energy security and environmental benefits.

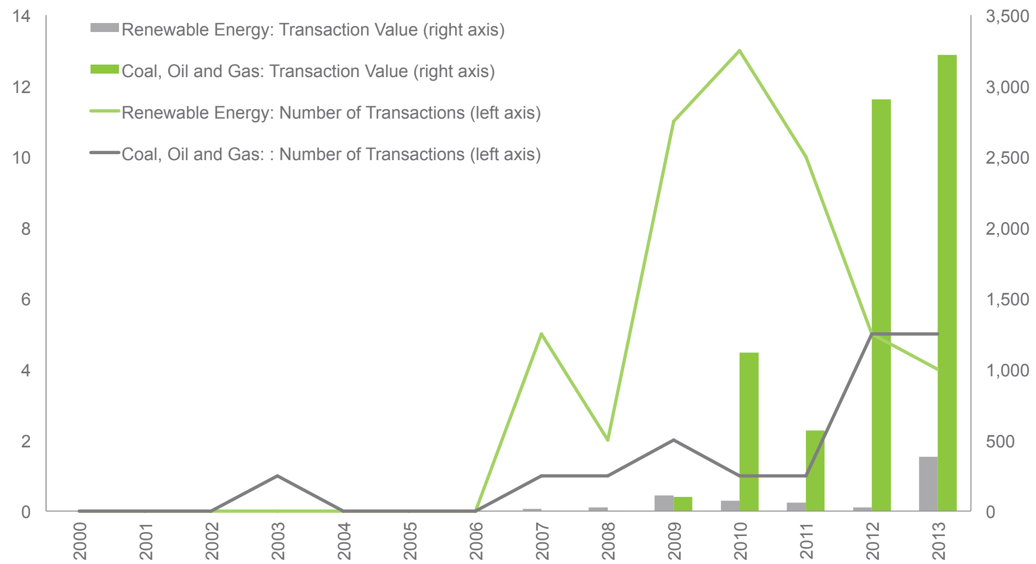
The Wilson Center's China Environment Forum (CEF) partnered with Center for American Progress to produce this *Insight Out* issue, which features voices from the business community to weigh in on the Chinese foreign direct investment challenge from four angles.

The conversation begins with Jeff Layman, Guillermo Christensen and Eric Wong (Baker Botts, LLC) examining the legal and regulatory hurdles in the United States that are hindering Chinese clean energy investment. Eric Redman (Summit Power) discusses the snags U.S. energy businesses face in conducting due diligence and finding the right Chinese partner. Drawing on his own company's cleaner coal partnerships in China, Will Latta (LP Amina) highlights the role Chinese partners play in getting new energy technologies off the ground. River Lu (River Associates and formerly with Duke Energy) discusses how the difficulties Chinese energy firms have in investing up the value chain in the United States could pose obstacles to needed capital inflows and undermine U.S. competitiveness in the global clean energy market. This publication also includes Rhodium Group infographics showing major investment trends in the United States. We are grateful to Dan Rosen—the founding partner of Rhodium group who leads the firm's work on China—for permitting their inclusion.

CEF's new *Insight Out* series is designed to tap on-the-ground expertise to understand the complex energy and environmental challenges facing China with an eye on opportunities for collaboration between American and Chinese researchers, businesses, NGOs, and governments.

Figure 2: Chinese FDI Transactions in the US Energy Sector: 2000 – 2013

Number of deals, total investment value in USD



Energy is a key growth area for China-to-United States FDI, but thus far most of the activity has been in fossil fuels rather than clean energy.

Source: Rhodium Group

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Overcoming National Security Obstacles to Increase Chinese Investments in the U.S. Clean Energy Sector

By Jeff Layman, Guillermo Christensen and Eric Wong

The pace of Chinese investment into the United States has markedly increased in recent years and now, for the first time, exceeds investment from the United States into China. Despite this rise in investment, Chinese firms, particularly in the energy and technology sectors, see the United States as a difficult place to do business due to regulatory uncertainties and a perceived anti-China bias by the Committee on Foreign Investment in the United States (CFIUS).

CFIUS is an interagency committee made up of representatives from nine federal agencies, including the Department of Defense, the Department of State, and the Department of Homeland Security, that has authority to initiate review of almost any foreign investment in a U.S. company or asset that may have an impact on national security. During the review process, CFIUS will first determine whether the foreign investment is a "covered" transaction—specifically, does the completion of the transaction result in foreign control of any person engaged in interstate commerce in the United States? If so, CFIUS will then consider whether the transaction raises potential U.S. national security or critical infrastructure implications. If CFIUS determines that the proposed investment creates security or infrastructure risks, then it may block the transaction or request the parties to take certain steps to mitigate such risk. For example, the businesses involved might restructure the transaction so as to prevent the foreign party from gaining control over certain assets or businesses that CFIUS deems sensitive.

Some Chinese companies have had difficulties in obtaining approval from CFIUS, while many others have walked away from deals once a CFIUS dimension emerged. One of the main challenges encountered by Chinese companies with respect to the review process is that it is difficult to predict what CFIUS will consider to be a national security threat. The governing regulations give CFIUS wide discretion to make that determination, which has made it difficult for some Chinese companies to predict which transactions will trigger national security concerns. CFIUS has broadened the scope of its investigations to reach into inquires about the non-U.S. activities of a foreign acquirer in countries the United States considers unfriendly and subject to sanctions by the Treasury Department, such as Syria, Iran, and Sudan. The lack of transparency in the CFIUS process further adds to the perception that the rules are stacked against Chinese companies.

CFIUS has blocked certain Chinese investments in the U.S. renewable energy sector in the past, including the proposed acquisition by Ralls (a Delaware company which is an affiliate of a Chinese wind turbine manufacturer, Sany Group) of four wind farm projects in Oregon. The parties to the acquisition did not notify CFIUS of the transaction prior to completion, which occurred in March 2012. Following completion, in June 2012, CFIUS contacted Ralls requiring it to file a notice. CFIUS conducted a review process and determined that the wind farms were located too close to a navy military site in Oregon. Consequently, CFIUS issued orders that effectively blocked Ralls from proceeding with the project. In response, Ralls attempted to challenge the CFIUS orders in the U.S. Court of Appeals for the DC Circuit. Although this challenge was unsuccessful in overturning the CFIUS orders, the court did, for the first time, require CFIUS to provide to Ralls the unclassified documents on which its decision was based so that Ralls has an opportunity to rebut the information provided in those documents. An open question is whether CFIUS may order mitigation measures during a review or whether these can only be issued once the President has made a decision or with the consent of the parties. Both of these developments will be helpful to foreign buyers, especially Chinese companies, in pushing back on CFIUS demands and negotiating better outcomes, particularly over mitigation agreements.

Note, however, that wind farm technology is unlikely to be considered critical infrastructure (unlike for example, the U.S. drilling leases under the CNOOC-Nexen transaction or the U.S. technology under the Huawei-3 Leaf transaction). The fact that wind farm technology is not critical infrastructure has reinforced the perception among many Chinese that the Ralls decision is an example of politically motivated protectionism, coming as it did during a presidential election. Adding to this is the fact that China is known to have strong experience in constructing and operating wind farms domestically. Going forward, the specific risk of failing to obtain CFIUS approval for wind farm projects in the United States can be minimized by selecting locations for wind farm and other energy projects in areas that are not near any sensitive locations, such as military bases.

More broadly, as more Chinese investments enter the U.S. market— 2013 saw Chinese buyers again top the list of deals submitted to CFIUS, as they did in 2012—we will inevitably see periods of political resistance and polarization in response. There is a danger that the national security review process under CFIUS could become further politicized and the list of issues likely to pose "national security" concerns could expand beyond what most observers would consider to be a legitimate scope. For example, opponents of the 2013 Shuanghui acquisition of the U.S. pork processor Smithfield suggested that food security should be included in the definition of U.S. national security—and at least one amendment to the CFIUS statute is floating in Congress to add more agencies to the review process. Other proposals include one to ensure that greenfield investments are also subject to CFIUS review. The United States should aim to provide more transparency and guidance to companies as they go through the CFIUS process to mitigate the risk that potential investors will view CFIUS as a cover for U.S. protectionist tendencies.

Despite the Ralls debacle, other Chinese companies have encountered success in seeking CFIUS approvals for their proposed investments in the United States, including the clearance of CNOOC's buyout of oil and gas company Nexen and Wanxiang Group's acquisition of the majority of assets of Massachusetts-based lithium-ion battery maker A123 Systems. These success cases suggest that while CFIUS review and opposition may create significant challenges and even terminate a proposed investment transaction, such risks may be manageable through careful structuring of deals and early engagement with the CFIUS process, involvement of experienced CFIUS advisors, and negotiation of appropriately crafted mitigation arrangements. At a minimum, we need to do a better job of explaining this process to potential Chinese investors, and pushing back against the narrative that it is anti-China.

Despite increasing bilateral investment flows, the current trajectory of U.S.-China relations threatens to undermine the potential benefit that increasing Chinese investment could provide in transforming the U.S. economy. Concerns over national security and cyber-espionage on both sides pose a fundamental challenge to efforts to increase bilateral trade and investment in clean energy technology between the two countries. Given the complex bilateral relationship, it is unsurprising that Chinese investments raise national security concerns in the United States, and China is increasingly taking the same view post-Snowden affair. However, the former should not be used as a cover to disguise U.S. protectionism and hostility toward Chinese investments. There is no doubt that Chinese companies are encountering various commercial, political and practical obstacles and challenges when making investments in the U.S. clean energy sector. Chinese companies have a steep learning curve to climb in investing in the U.S. and if these investors do not perceive the U.S. clean energy market as a level playing field, then they will decide to invest elsewhere.

In conclusion, overcoming resistance to increased investment in the United States by Chinese companies will require improved bilateral relations, including greater transparency in the CFIUS process, steps by Chinese companies to address U.S. national security concerns, and changing Chinese perceptions of the U.S. business climate.

Finding Good Business Partners is Hard to Do: Surmounting Cultural and Language Divides

By Eric Redman

Twenty years ago, as a lawyer, I was one of many Americans the United States hired to provide somewhat useful (and somewhat useless) economic restructuring advice to Russia. My field was Russia's electric power sector. One central question many American businesses eager to enter into Russia asked me was: "How do you know you are dealing with the right Russian?"

I could no better answer this question than other Americans, despite speaking some Russian and having a wonderful Russian interpreter. But I found something else more troubling, if not outright alarming: a significant number of Americans turning up in Moscow in pursuit of business deals were individuals I definitely would not trust myself. I shuddered to think how the Russians could answer the same question: "How do you know you are dealing with the right American?"

There were no easy answers to that either. In those rather chaotic early days, lack of reputational screening mechanisms on both sides led to a lot of bad business deals—which, I believe, contributed to the souring of our relationships with Russia in the business sector and well beyond it.

The United States and China have the opportunity to avoid repeating the mistakes the U.S. and Russia made in the immediate post-Cold War years when both countries first opened their economies to the other side. World peace, global environment, human health, and rising global standards of living all depend on China and the United States cooperating closely, despite the obvious and powerful centrifugal forces that could fling our countries into separation and conflicts. The recent bilateral climate and clean energy accord is a promising model of this.

This context makes Chinese direct investment in the United States particularly vital. China's great store of U.S. dollars provides the means—through direct investment in the U.S.—to knit

together the economies of our countries in a way that should make trust and confidence grow on both sides and make conflict unthinkable. Many observers believe that this benign vision—distinct from "buying up the U.S. economy"—propels much Chinese policy thinking on investment in the United States. The U.S. side should certainly be open to this hopeful possibility.

But having money to invest provides no guide to the Chinese for finding the right Americans—or vice versa. It is widely perceived that most Chinese investments in the United States to date have performed poorly, and provided the Chinese firms little of the information and experience they hoped to gain. Explanations for apparent losses are many, and one side's misunderstanding or lack of experience can be the actual source of sharply disappointed expectations. Still, many Chinese choose to directly blame alleged bad faith or practice on the U.S. side.

I also see in China exactly what I saw in Russia twenty years ago: Among the many Americans eager to do deals there are plenty whom most other Americans would know not to trust. But how are the Chinese to know? In China there is a tradition of significant reliance on connections—guanxi. Americans, including American hustlers, recognize that. The claimed connections by some Americans in communications with Chinese whose investment they hope to woo may be laughable to other Americans. But to the Chinese?

There are many issues that might impede Chinese direct investment in the United States: navigating the CFIUS process, securing visas for business travel and U.S.-based Chinese workers, making contracts with Chinese entities enforceable, getting Chinese state-owned enterprises aligned with the relevant Chinese authorities, assuring compliance with the Foreign Corrupt Practices Act and its Chinese counterparts, and devising mutually intelligible financial models, not to mention problems of the "lost in translation" variety and differing cultural practices. But beyond all of these issues, there are fundamental deficiencies in the basic bilateral business environment.

Few mechanisms exist to assist would-be Chinese investors in evaluating the trustworthiness of their U.S. counterparts. Chinese firms sometimes quietly ask U.S. government officials for guidance, and the latter seem to do an excellent job vouching for trust-worthy companies and opportunities. But our government is understandably more cautious about warning the Chinese away from deals and dealers. Moreover, Washington cannot possibly keep track of all the transactions being proposed.

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Much more than just business depends on getting this part of Chinese direct investment right. Just as in Russia twenty years ago, the problem and its long-term dangers seem glaringly apparent, while potential solutions are not obvious. But the Russian experience should teach us that solutions are necessary nonetheless, and searching for them should be a priority. Otherwise, as Yogi Berra said, it will be déjà vu all over again.

Chinese Funding Can Make New Technologies Possible

By Will Latta

LP Amina is a U.S. clean energy start-up focusing on a wide range of cleaner energy technologies to provide China and the world's other major energy-rich nations with an environmentally and economically sustainable means to use their resources. As the company has grown, my major concerns have included developing the right technologies and protecting them, accessing new markets in which to sell these technology solutions, and securing the funding needed for growth. Securing funding is a major undertaking, and finding the right investors at each step of the process is crucial. Given the current challenging investment climate for clean tech, I developed the company's business roadmap to navigate within and across the U.S. and China energy, economic and political landscapes. There are three key takeaways from this roadmap.

First, costs aside, the U.S. regulatory landscape is not conducive to piloting advanced fossil energy technology projects—despite the need. Given the uncertainty surrounding carbon regulation, U.S. industry players have little interest or incentives in experimentation, and previously active financial investors shy away from clean tech, especially capital-intensive clean coal projects. In contrast, politically and institutionally, China is open to and eager for new coal technologies. In fact, the Chinese government is encouraging such projects by accelerating approval processes, lowering costs, and providing stronger incentives.

Second, after a technology is proven on a small scale, in China or elsewhere, there is value in commercializing it in the United States. Even with regulatory uncertainties and larger price tags, the United States has an edge when it comes to intellectual property protection, a skilled workforce and market access.

Finally, major Chinese enterprises—including state-owned enterprises—are interested in participating as investors in projects to bring proven technologies from China to the U.S. and other markets for commercialization. They have the capital, they have the desire, and are simply looking for new markets in which to make a return.

Finding the right China investment partner can be challenging. It is important to find the most suitable partner at each stage along the business roadmap, and good partner relations that work and are successful at one level may not be suitable at another. For us, having a local-level partner to implement the pilot and prove the technology and a major state-level investor to invest in it and help take it abroad is a winning combination. Investment of time and equipment by the former is of utmost importance, while investment of capital by the latter is critical.

As a real-life example, in 2012 LP Amina established a joint venture to pilot one of its clean coal technologies in Shanxi, China, with the local partner providing the power plant and LP Amina providing the technology. As part of the piloting effort, we have involved U.S. research institutions and technology partners to provide additional expertise and validation with the goal of supporting market entry into the United States. Once proven, this technology will be ready for U.S. commercialization and can help create jobs, reduce emissions, and improve U.S. energy security.

Cultivating a technology from concept through "bench-scale" laboratory development to pilot stage and eventually commercialization cannot happen without investment. Without funding, no technology will move forward—no matter how innovative and cutting-edge it is. Therefore, the interest of Chinese investors in helping LP Amina to bring this pilot to commercial-scale in the United States is a key element in the project's success and our overall corporate development strategy.

Every step of the way, LP Amina is consciously evaluating the two countries' energy policy landscapes. We reach out to inform the key government stakeholders to ensure we are reflecting their needs where possible. Positioned this way, our pilot and its commercialization have the potential to become an example of successful business realized through U.S.-China collaboration.

At the company level, where I operate on a daily basis, I think we are doing what we should to promote clean energy technologies, stronger investment environments, and better bilateral relations between the world's two energy powerhouses. However, more needs to be done on the institutional level to ensure that potential Chinese energy investors interested in commercialization projects in the United States do not get shut out of the opportunity. In the past, there have been instances where potential investors have taken their funds elsewhere due to bias, unhealthy bilateral relations, political considerations and regulatory barriers. Recognizing its ever-greater role in the global financial system and wishing to be more involved in it, China is taking steps to further liberalize its capital accounts, moving towards full convertibility of its currency, and relaxing controls on outbound foreign direct investment. These changes will all take time, but they are already underway and will benefit not only China but also emerging global companies such as LP Amina, and more importantly, boost the spread of technologies from which we can all benefit from.

As noted, without sufficient investment, commercialization of technology advancing clean and sustainable energy will not happen, no matter how great its potential. Recent bilateral investment treaty negotiations between the United States and China seem to finally be moving in the right direction. However, these discussions cannot be viewed solely as a means to increase U.S. investor access to China (granted, such access is very important). We also need to ensure the same type of fair, equitable and secure access to U.S. market opportunities for Chinese investors, with the necessary safeguards in place. In sum, the United States needs to continue its leading role as the world's most open and free market by ensuring its business environment is conducive to foreign investment.

This bilateral strategy makes good business sense for all parties and is what is needed to address the global challenge of developing affordable and sustainable clean energy.

Benefits of Moving Chinese FDI Up the Clean Energy Value Chain

By River Luv

I once heard a high-level Chinese National Energy Administration official compare the Chinese who want to invest in the United States to rural migrant workers who attempt to buy simple stuffed steamed buns in a fancy five-star restaurant in Beijing. Chinese investing in the United States or any developed markets should begin with modest ambitions while keeping an open mind about operating in a new environment. I know he is not alone. The United States is just as complex a society as China, but in very different ways. Chinese businesses should not expect Chinese business customs to work in the United States. Meanwhile, the goodwill efforts of these Chinese businessmen deserve recognition.

> The United States should not view Chinese investors as intruders or national security threats a priori.

Additionally, the United States should not view Chinese investors as intruders or national security threats a priori. The motivation for Chinese firms to enter the United States is just the same as other investors: to go into markets that hold potential for profits. There are many opportunities for U.S. firms to work together with Chinese companies in the United States, even though the current legal landscape and review processes for FDI often discourage Chinese investors. Clarifying and simplifying these investment processes could encourage more mutually beneficial investments. Duke Energy once spent nearly two years working to develop a wind power project with one of our close and trusted Chinese partners. The project was eventually rejected by CFIUS for undisclosed reasons. That episode illustrates that greater transparency is needed. Former Secretary of Commerce Garry Locke's "Select USA" program is definitely a big step in the right direction, but much more work is needed.

U.S. companies have reaped lucrative benefits in Chinese markets for decades, so perhaps it is only fair to create a reverse open-door policy to encourage and help successful Chinese firms to invest in clean energy projects in the United States. U.S. policymakers need to realize that the United States is competing with other investment destinations, and that it stands a high chance of losing that competition if it does not do a better job and to make the U.S. market more appealing to Chinese investors.

To help bring the technology and capital benefits from Chinese clean energy FDI into the United States, Duke Energy began working with Chinese companies with an approach contrary to most other U.S. companies in China. Duke's strategy was threefold:

- to learn from China's deployment of energy-related technology at an unprecedented scale, scope and speed, and to bring the benefits of that learning to Duke Energy customers in the Americas;
- to take advantage of China's growing overseas investment trend to explore and develop new business opportunities; and,
- to gain access to new low-cost sources of capital as China's capital market goes global.

This unique strategy allowed Duke Energy to expand communications with Chinese partners about investing and doing business in the United States and helped us better understand their motivations. Responsible for implementing this strategy as Duke's former China Country Director, I have seen both successes and setbacks that illustrate the complexities of the task.

In 2009, as Chinese banks actively worked towards diversifying their income streams and cultivating a global clientele, we wanted to see if they would be interested in participating in our next credit facility. We spent two years going back and forth between Beijing, Shanghai, Hong Kong, and New York, introducing and educating senior executives of the major Chinese banks about Duke Energy, which was not well known in China back then. In August 2011, we began to work on our current $6 billion dollar bank facility. Three months later, the 5-year credit agreement was closed with 30 financial institutions, three of which came from China, collectively providing $676 million, or 11 percent of the credit agreement. This is the highest level of participation Chinese banks have ever had in a U.S. corporation. This success was unimaginable to the U.S. bankers leading this effort at the time, and further demonstrated Chinese banks' dedication to becoming global actors. When they looked at the larger context of extending credit to Duke, they were not dissuaded by the company's limited previous investment in China, but instead focused on its international portfolio and its healthy financial standing in the Americas. This indirectly reveals another truth: to capture new Chinese markets, U.S. multinationals should not overlook the benefits of supporting Chinese outward FDI.

As China becomes increasingly influential in the global economic system, other nations need not see it as a force to be controlled, but as one that can offer positive improvements to that system, to the benefit of all players. When a clean energy deal provides an unprecedented opportunity to us but fails to realize its full potential, both sides lose, and so does the planet. The 2014 climate accord on joint emission reduction targets for the United States and China opens the door to more cooperation on environmental issues; this may pave the way for clean energy investment as well, benefitting the whole world.

China Environment Forum's Role as Convener and Catalyst for Action

For 17 years the Wilson Center's China Environment Forum has carried out research and exchange projects on a broad range of energy and environmental issues in China—from U.S.-China clean energy cooperation and water-energy choke points in China to food safety and the ecological impact of China's overseas investment.

Insight Out is a new publication series that is supported by the blue moon fund, as part of CEF's Cooperative Competitors Initiative, which creates dialogues and publications for policy, business, research and NGO professionals to understand energy trends in China and explore opportunities for U.S.-China energy collaboration.

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