United States Senate
COMMITTEE ON FOREIGN RELATIONS
WASHINGTON, DC 20510–6225

October 29, 2021

The Honorable Dev Jagadesan
Acting Chief Executive Officer
Development Finance Corporation
1100 New York Avenue N.W.
Washington, D.C. 20527

Dear Mr. Jagadesan:

Thank you for briefing and providing written responses to questions I raised regarding the Development Finance Corporation's (DFC) proposed investments in the solar industry, including with respect to the following congressionally-notified projects where equipment is being sourced from China:

- **CN 21 94 (September 20, 2021):** DFC notification of intent to provide a 20-year direct loan of up to $90,000,000 to Avaada Sunrays Energy Private Limited (Avaada Sunrays) to support the development, construction, and operation of a 320 megawatt (MW) solar photovoltaic (PV) power plant in Rajasthan, India.

- **CN 21 95 (September 20, 2021):** DFC notification of intent to provide an equity investment of up to $5,000,000 to Daystar Power Group ("Daystar" or the "Company") to support the expansion of its sustainable power solution offerings for commercial and industrial customers in Nigeria and throughout West Africa.

I am lifting my informational holds on both of these projects. However, I am inclined to object to any future DFC support for solar projects involving Chinese-sourced components or equipment until the DFC makes significant progress in fulfilling the following conditions.

First, the DFC should turn its focus to boosting manufacturing for solar panels, components, and equipment outside of China, and I expect to see a pipeline of these projects. DFC staff have repeatedly assured that the agency takes human rights concerns – including the undeniable presence of forced labor in China's solar industry – seriously, and that finding viable alternatives for solar panels, components, and equipment currently sourced from China is a high priority. DFC staff has also acknowledged that sourcing solar equipment from China risks tarnishing the reputation of the DFC, and undermines U.S. government commitments to tackle the scourge of forced labor. Such sourcing also subsidizes China's monopoly of an important part of the global energy supply chain at a time when the entire U.S. government needs to reduce ours and our allies' vulnerability to China's coercive economic practices.

The fact that 18 of the DFC's 21 current solar projects source panels from China shows how great of a challenge this is, and how urgently we must address it. The United States, and specifically the DFC, must act quickly and decisively to secure supplies from elsewhere.

Second, the DFC needs a modern slavery-free supply chain. To this end, DFC leadership must present to this committee a comprehensive strategy, including accompanying policies and procedures, to ensure there is no forced labor in the supply chains of DFC-financed projects. The current policy of asking both the recipient of DFC support and its solar equipment suppliers to "ensure they are not on a U.S. sanctions list and that no WRO [Withhold Release Order] has been issued," as the DFC described in its written responses, is necessary but insufficient. I understand the DFC is working to formulate a far more thorough approach. This is encouraging, but I have yet to receive a fulsome response from the DFC on the status of those efforts, including information on any additional steps that are being considered. I expect to receive a substantive written update on these efforts – even if a full plan is not yet finished – by January 1, 2022.

Finally, I expect the DFC to make concrete, demonstrable progress in diversifying its energy investments, rather than pursuing a strategy that focuses primarily on the solar industry. Data provided indicates that 52.5% of active DFC energy projects originating in the last five years are in solar, compared to only 12.5% that were in fossil fuel power generation, including natural gas. In the Indo-Pacific, the DFC's website indicates it has financed 10 energy projects since the beginning of 2020. Of those 10, nine of them are in the solar industry in one country: India. The DFC should be looking for viable projects across the region to advance private sector-led development and provide alternatives to state-directed Chinese investment. I need to see tangible proof in the coming year that the DFC is seeking a broad array of opportunities in both renewable and nonrenewable energy.

Thank you for your attention to these important matters. I know the DFC shares my deep concern about human rights abuses and forced labor in China. I am confident that we can change how we do business to ensure our energy investments better advance U.S. interests.

Sincerely,

James E Risch

JAMES E. RISCH
Ranking Member