ENERGY FOR GROWTH HUB

US ENERGY SECURITY COMPACTS

A Fast and Lean Approach to Reasserting US Interests through Global Energy Investment

Katie Auth, Casey Dunning Davis, and Todd Moss
October 2025

Summary

Investing in the energy security of key allies directly benefits US national security and US firms. By reducing countries' energy dependence on geostrategic competitors, diversifying supply chains, bolstering economic stability, and protecting energy assets under immediate threat, international energy investments deliver a safer, stronger, more prosperous United States.

But US capacity to make such investments is hamstrung. The biggest barriers include a severe shortage of early-stage project support; too little capacity to invest in enabling infrastructure; fragmentation of tools across multiple US agencies; and a lack of prerequisite in-country reforms.

'Energy Security Compacts' match the urgency of the moment and the Trump Administration's ambitions. This administration can achieve key national security goals by directing the 'Energy Quad' – the State Department, the Millennium Challenge Corporation (MCC), the US International Development Finance Corporation (DFC), and the Department of Energy (DOE) – to align their tools in pursuit of energy security in strategic priority countries.

Implementation of Energy Security Compacts would follow a five-step process:

1. **Choose a strategically important partner country** with energy security needs that impact areas of US interest, the willingness to advance key reforms, and the resources to invest alongside the US.
2. **Conduct a joint US-Partner Country analysis** on the primary constraints to energy security, drawing on MCC's constraints-to-growth analysis.
3. **Negotiate and agree to an Energy Security Compact** of joint investments in key energy security solutions supported by tools and resources from the Energy Quad and anchored, where appropriate, by an MCC Energy Compact.
4. **Implement investments** by the Energy Quad and other relevant US agencies, overseen by agency political leadership and the White House.
5. **Report results** to the White House and Congress.

This approach does not require additional funding or new legislation and can operate under current budget scenarios. The model draws on existing appropriations and authorities and is designed to be negotiated and begin implementation within 6-12 months. We designed this approach to Energy Security Compacts to be adapted as we learn more through the first pilot investments.

Building on political momentum, we propose next steps for the White House, US federal agencies focused on international energy investments, Congress, and outside advocates.

The Opportunity

Investing in the energy security of key allies directly benefits US national security and US firms. US investment can be targeted to countries where enhanced energy security will yield mutual benefits. Examples of specific benefits include:

- **Counter an ally's dependence on geostrategic competitors.** Reliance by US allies on countries like Russia or China for their energy supply puts US national security and economic interests under threat. This applies to European reliance on imported natural gas and to the nuclear sector. Russia's state nuclear energy corporation Rosatom is building large nuclear reactors in countries including Turkey, Egypt, India, and Bangladesh; has signed agreements for supply of nuclear technology with at least 40 countries; and has agreed to provide training and technical assistance to at least another 14.[1] Such projects bind a country to Russia for the 60-100 year life of a nuclear facility and provide Russia immense geopolitical leverage. Targeted US support, investment, and commercial diplomacy can head off this dependence.

- **Make global supply chains diversified and more resilient.** Many of the mineral-rich countries upon which the US will depend to diversify strategic supply chains away from China are deeply energy insecure. Partnering with these countries to expand reliable, affordable electricity will be necessary to enable mining, minerals processing, and manufacturing.

- **Bolster global economic stability.** Energy insecurity is a primary binding constraint to economic growth around the world. As emerging economies grow, their economic stability has increased influence over global economic performance and security. In the coming decades, they will require vast increases in reliable energy to expand manufacturing and service industries and employ rapidly growing populations. US investment in expanded energy supply and enhanced reliability provides the foundation for job creation and stability.

- **Deploy US energy technology.** The economic competitiveness of US technology and energy solutions will depend heavily on demand growth in emerging markets. Partnering with key allies to build secure and diversified energy systems represents a crucial opportunity to expand global markets for US innovation and the private sector.

- **Secure energy infrastructure and supply under immediate threat.** Military conflicts threaten energy security both directly (in the country under assault) and indirectly (via follow-on price and supply effects).

And the investment model must be flexible. The US must be able to address a variety of constraints across the energy value chain (generation, transmission and distribution, market pricing, regulation, etc.) and apply across multiple energy technologies (nuclear, gas, geothermal, storage, etc.). This adaptable, targeted, and country-specific approach differentiates this effort from past US energy initiatives. The compact model aligns policy and investments, enabling efficiency gains over the disjointed status quo.

[1] Jacob Kincer, "The Russian invasion is an opening for US nuclear technology", May 2022.

What Needs to Change

US capacity to deliver transformative energy security investment is hamstrung by the lack of a dedicated, multi-agency focus on country-specific energy markets. Key obstacles include:

1. **Tools are diffused across multiple agencies without sufficient coordination.** Programs to support energy security are spread across at least nine different agencies. Deploying them efficiently and effectively without a White House mandate has been a chronic challenge because: [1] each implementing agency has its own mandate and priorities; [2] few incentives exist for collaboration; and [3] fragmentation complicates engagement with public and private partners.

Table 1. Valuable energy security tools exist across US agencies

	State	MCC	DFC	DOE	EXIM	DOD	Commerce	Treasury	USTDA
Energy Sector Planning & Analysis		✓		✓		✓			
Policy Reform & Institutional Strengthening	✓	✓		✓				✓	✓
Public Infrastructure		✓				✓			
Business Development for Private Sector	✓						✓		✓
Early-Stage Project Support		✓	✓			✓			✓
Late-Stage Project Support			✓		✓				

2. **In riskier markets, US policy is over-indexed on late-stage support to private transactions, and hasn't deployed enough early-stage project support or market-building investment to actually catalyze private capital.** The US is well-positioned to provide finance, risk mitigation, and other direct support to bankable privately-sponsored projects at advanced stages of development. But in many emerging and lower-income markets, there is no robust pipeline of mature, high-quality energy projects – leaving the US with few viable options for investment. This is already hindering DFC's energy portfolio and limiting opportunities to leverage energy investment for national security.

3. **MCC is the only US agency positioned to support the public infrastructure that makes private sector investment possible–but it's not integrated with US investment agencies.** The most challenging bottleneck to energy security is often the enabling infrastructure that allows the private sector to invest. Specifically, this includes grid networks and utilities. In most emerging markets, utilities and grid systems are *public* infrastructure, wholly or partially state-owned. But most US energy finance tools are designed to support only private sector-led investments. MCC is currently the *only* US agency equipped to provide significant support to public infrastructure. But it needs to be integrated into a more cohesive foreign policy approach that ensures its programs enable follow-on investment by DFC and others.

4. **The US needs partner countries to follow-through on tough reforms and co-investments.** In many countries, governments need to make difficult decisions and advance key reforms before private capital can be crowded in. But outside of MCC, the US has few mechanisms to incentivize reforms or to make US funding contingent.

The Proposal: Energy Security Compacts

Energy Security Compacts respond quickly, efficiently, and effectively to address the specific energy security concerns facing key allies.

Core attributes of success:

- **Efficiency.** Energy Security Compacts should make US support for global energy security more efficient in two ways: First, by maximizing the use of tools from across the US Government. And second, by focusing US resources on a targeted set of strategic markets where energy security advances a key US interest, avoiding geographic dilution of resources.

- **Simplicity.** Standing up Energy Security Compacts does not require new appropriations or new legislation, enabling rapid implementation. They are designed to be piloted under existing budget authorities and levels. In emerging markets, this would include being anchored by MCC funding.[2]

- **Flexibility to address diverse energy security needs and opportunities.** Constraints to energy security vary widely by country, and priorities will depend on what the US and its partner are jointly trying to achieve.

- **Systemic approach from public reforms to private sector deals.** Energy Security Compacts have three major components: [1] strengthening US capacity to support the critical infrastructure that makes energy delivery possible; [2] building a pipeline of projects to absorb US and private sector capital; and [3] holding partner countries accountable for key reforms. Energy Security Compacts must target earlier-stage project preparation for generation while also considering (and addressing, where appropriate) other aspects including system planning; grid networks; and the development of robust customer bases and markets to support long-term investment.

- **Scalable and replicable.** Recent US efforts to design country-specific energy investment packages (for example, in Ukraine or Zambia) are ad hoc. While this may be workable in specific, limited instances, such an approach makes it impossible to efficiently replicate the effort when a new need arises, and increases the risk of unnecessary duplication of effort.

- **Durable enough to drive real investment** Energy sector investment occurs over a relatively long time frame. A single power plant takes several years to develop – and institutional reform and regulatory design can take much longer. In order to take risks, private sector partners must have sufficient confidence in market reforms and lasting US partnership.

[2] The average MCC energy-focused compact is $375 million.

Proposed Approach

Implementing Energy Security Compacts would entail giving the Energy Quad – the State Department, MCC, DFC, and DOE – the joint mandate to design and deliver packages of energy assistance, pulling in other US agencies only as relevant.

Energy Security Compacts would follow a five-step process:

1. **Choose a partner country** with energy security vulnerabilities that impact core US interests, a willingness to focus on investments that enable sectors or outcomes of mutual interest, and a commitment to policy reform.
2. **Conduct a joint US-Partner Country analysis on the constraints to energy security**, identifying the most serious impediments to energy security, modeled on MCC's constraints-to-growth analysis.
3. **Negotiate and agree to an Energy Security Compact of investments and sequenced policy commitments**. State Department would lead negotiation of a Compact including specific commitments by both the US and its partner country to investments and reforms. Each Compact would define responsibilities and include clear objectives and measurable targets.
4. **Implement investments and policy reforms**, coordinated by a single point of contact designated by the White House who directs country-specific task forces.
5. **Report results** to the White House and Congress.

Key features:

- **The country selection process will be highly selective,** prioritizing strategic alignment, US economic returns, capacity to leverage US agency tools, and demonstrated readiness for energy-sector reform and investment.
- **Energy Security Compacts would be implemented jointly by a coalition of the Energy Quad.** Each Energy Security Compact would be anchored by State Department government-to-government engagement and a combination of MCC, DFC, and DOE investments and assistance. This could be supplemented by complementary tools from other US agencies like the Department of Defense, the Export-Import Bank, and the US Trade and Development Agency.
- **Each agency in the Energy Quad would bring its tools to a country's Energy Security Compact.** Each participating agency has relevant tools and resources, and would benefit from a simple country-based approach and objective, enabling them to coordinate deployment and complement each other's work.

Relevant Agency Tools

Constraints Analysis Objective: Assess specific energy sector challenges, needs, and investment priorities.		
Tool	**Description**	**Implementing US Agency**
Root Cause Analysis	Targeted research and analysis to identify and select specific issues to be addressed through investment and other support.	MCC
Energy Systems Analysis	Technical, market, and investment strategies to strengthen energy systems.	DOE, with the National Labs
Public Infrastructure, Policy Reform, & Institutional Strengthening Objective: Strengthen energy markets to attract investment		
Tool	**Description**	**Implementing US Agency**
Grant-based Compacts	Five-year bilateral grant-based partnerships to help individual countries address primary obstacles to economic development	MCC
Grant-based Concurrent Compacts for regional investments	Compacts to support cross-border integration and collaboration (for example: cross-border transmission or road infrastructure)	MCC
Grant-based Threshold Programs	Smaller time-limited programs, focused on policy and institutional reform	MCC
Technical assistance	Support development of strong financial sectors, sound public financial management, and market-based financial policies across five core disciplines including government debt and infrastructure finance.	Treasury
Technical assistance	Provides trainings related to clean energy technology; helps African governments conduct energy-sector planning and assess technical energy challenges	DOE
Early-Stage Project Support Objective: Build a pipeline of bankable energy investments		
Tool	**Description**	**Implementing US Agency**
Grant funding for project preparation	Grant support for feasibility studies, pilot projects	USTDA
Feasibility studies and technical assistance	Flexible funding to accelerate project identification and preparation to better attract and support private investment	DFC
US Commercial Advocacy Objective: Help US companies compete for energy projects on a level playing field		
Tool	**Description**	**Implementing US Agency**
Advocacy Center	Helps US businesses win foreign government procurements (including by arranging meetings with key decision makers, and providing support from USG officials).	Commerce
Gold Key Service	For a fee, helps US companies build relationships with potential partners in foreign markets.	Commerce
Trade Missions	Facilitate meetings, briefings and site visits for US businesses traveling to foreign markets.	Commerce
Reverse trade missions	Connect overseas project sponsors with potential US partners	USTDA
Later-Stage Project Support		

Objective: Directly support specific energy deals with financial tools		
Tool	**Description**	**Implementing US Agency**
Equity Investments	Direct equity investments alongside the private sector	DFC
Debt financing	Direct project loans and guarantees up to $1 billion for tenors as long as 25 years	DFC
Political risk insurance	Coverage up to $1 billion against losses resulting from currency inconvertibility, government interference, or political violence.	DFC
Export Credit Insurance	Protects against commercial and political nonpayment risk	EXIM
Loan Guarantees	Guarantee working capital	EXIM
Direct Loans	Provide fixed rate financing (generally for up to 12 years; up to 18 years for renewable energy projects) to creditworthy international buyers.	EXIM
Project Finance	Limited recourse or structured finance	EXIM
Loan guarantees	Guarantees for sovereign lending or project finance.	State, potentially DOD

Illustrative Types of Energy Security Compacts

The driving US interest in supporting energy security varies by country. The following list provides examples of potential types of Energy Security Compacts the US might implement, along with illustrative examples of countries that fit each category.

1. **Geopolitical & Economic Security Compact** *(Illustrative Country: Philippines)*

Priority US Interest	**Help the Philippines build a power system to drive sustained growth and lessen reliance on China.** ● Improve power reliability, particularly for industry and business ● Reduce power costs ● Accelerate private investment
Primary US Tools	**Financing and technology** ● Grants to strengthen and modernize the grid (MCC) ● Technical assistance and funding for early-stage project prep (USTDA, DFC) ● Investment in new infrastructure (DFC, EXIM)

2. **Energy for Critical Minerals Compact** *(Illustrative Country: Zambia)*

Priority US Interest	**Strengthen the country's energy system in tandem with its capacity to process minerals to diversify global supply chains.** ● Ensure sufficient energy for mining and processing operations ● Using mining facilities as anchor customers, enabling investments and improvements in the broader energy sector ● Strengthen US diplomatic ties by committing to strengthen the country's domestic energy sector alongside its capacity for minerals export
Primary US Tools	**Analytics and financial support** ● Grants to strengthen the grid and other enabling infrastructure (MCC) ● Technical assistance to strengthen mining operations and standards (State) ● Funding for early-stage project prep (USTDA, DFC) ● Investment in new infrastructure (DFC, EXIM)

3. **Rapid Response Security Compact** *(Illustrative Partner: Ukraine)*

Priority US Interest	**Secure Ukraine's physical and economic energy security** ● Secure vulnerable critical energy infrastructure ● Protect and restore critical energy services ● Build a foundation for long-term rebuild and restoration.
Primary US Tools	**Analytics and financial support** ● Critical infrastructure assessment (DOD/DOE) ● Grants to support immediate repair and recovery (MCC) ● Investment in new infrastructure (DFC, EXIM)