

**NEWSLETTER** *Published May 15, 2026 · 8 minute read*

# On the Grid: The Art of the Deal

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**ON THE GRID**



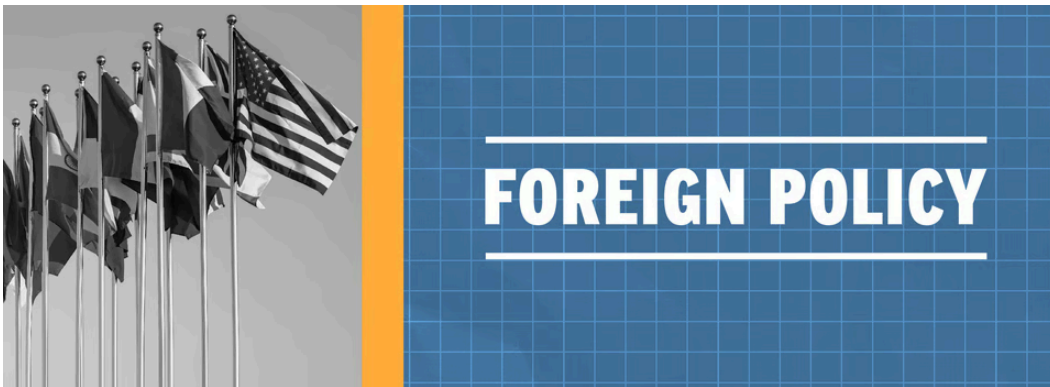
Hi Friend!

Welcome back to *On the Grid*, Third Way's bi-weekly newsletter, where we'll recap how we're working to deploy every clean energy technology as quickly and affordably as possible.

We're excited to have you join us!

P.S. This week, Third Way launched [Unmoderated News](#)—a new media brand for the middle—along with our new flagship podcast, [What It Takes with Sarah McCammon](#).

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President Trump is in Beijing this week for his first state visit to China since 2017. The agenda spans everything from trade and AI to Taiwan and the war in Iran. Running underneath those conversations is a set of energy questions that will shape the next phase of US-China competition. Here's what we're watching:

**The Strait of Hormuz:** The White House released a statement outlining that Trump and Xi have [agreed](#) that the Strait must remain open “to support the free flow of energy” and are aligned in opposition to the militarization of the Strait or efforts to charge a toll for passage. But even as the US and China project a united front, Iran has begun [allowing](#) a limited number of Chinese vessels through the Strait—a sign that Beijing may be carving out its own parallel agreement with Tehran. China has every reason to want the Strait reopened: it carries over a fifth of the world's oil, and much of it is bound for Chinese ports. But Beijing is also content to see America distracted by an unpopular war. Trump was expected to ask Xi to use his leverage to pressure Iran to open the Strait, but it's unclear whether Xi will do anything beyond pursuing China's direct interests.

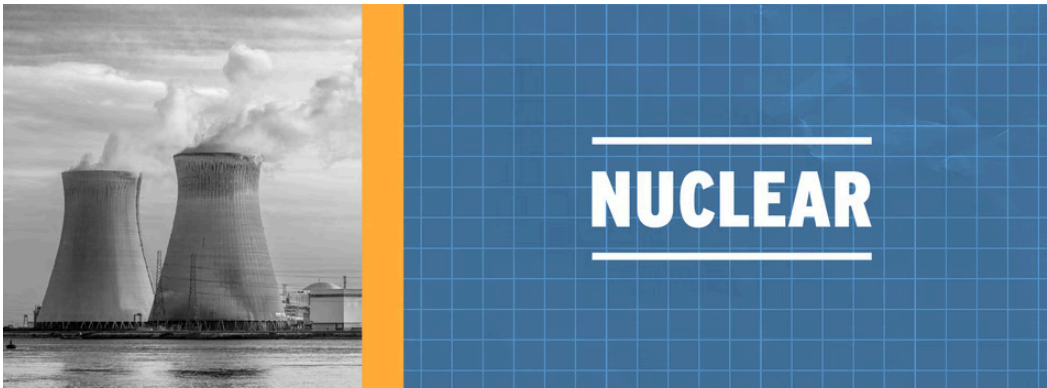
**Tech:** With Elon Musk, Jensen Huang, Tim Cook, and other prominent tech executives included in the US delegation, market access for American technology is clearly near the top

of Washington's agenda. Over the past year, US policy has vacillated between limiting chip sales and allowing sales pending additional licensing, costing companies billions. While some see opening China to US chips as a pragmatic attempt to stabilize the US-China relationship and keep US firms competitive in the Chinese market, others worry it risks accelerating China's AI capabilities while signaling that US export controls are becoming increasingly negotiable. We're watching closely as the details develop.

The summit has also revived concerns that Trump, in the pursuit of a broader deal, could open the door to Chinese electric vehicles entering the US market. As we've written before, this would effectively gut what remains of the US auto industry's competitive position in EVs. US industry groups and lawmakers have been clear that, for them, the issue is not just economic but also a question of national security.

**Critical Minerals:** China's leverage over rare earths and other critical minerals is one of the biggest forces shaping the summit. America's defense systems, energy transition, and AI infrastructure all depend on materials China overwhelmingly controls. There are few meaningful short-term substitutes and no alternative processing base at a comparable scale—and Beijing knows it. After imposing sweeping export controls last year, China temporarily suspended some of those restrictions until November of this year. A key question hanging over the summit is whether Beijing extends that pause beyond November and whether it meaningfully eases the broader controls that are still in place. We'll be watching closely for any signs that China is willing to loosen its grip.

**What We're Doing:** Trump is walking into these meetings with diminished leverage: bogged down by a war in Iran, facing mounting domestic pressure, and managing an alliance network that has frayed under his leadership. He's desperate for a quick win, and Xi Jinping knows it. Our newest polling from Third Way's Foreign Policy Project makes it clear that voters see China as a serious competitor, want to cooperate where it makes sense, and expect their government to extract maximum benefit for the US from any possible collaboration. This seems to be a more sophisticated posture than what's on display in Beijing at the moment. We're keeping an eye on conversations as they emerge and have laid out what a smarter US-China strategy could actually look like, and what Trump risks giving away this week.



As artificial intelligence causes a surge in electricity demand, countries are scrambling to secure the energy needed to power data center growth. Governments are choosing long-term partners *now* to build their grids and energy systems. And in much of the world, there is a genuine preference for working with American firms because the technology is more innovative, the standards are higher, and the partnerships—*despite recent diplomatic turbulence*—are more trusted.

The challenge is that a preference for American technology doesn't always translate into signed contracts for American companies. Chinese firms arrive at the negotiating table for projects not as companies, but as extensions of the Chinese state, backed by subsidized capital, state-directed banks, and with a strategic mandate to secure market share regardless of short-term returns. American firms struggle to compete because they lack that kind of state-backed financing.

The US's inability to match that kind of financing model is a growing vulnerability. We have tools, like the Export-Import Bank of the United States (EXIM), that were designed to close that gap. But in its current form, EXIM lacks the flexibility and scale to do so effectively for the kinds of deals the US needs to compete in.

***What's Holding EXIM Back?*** Congress has saddled EXIM with constraints that have quietly hollowed out its ability to compete in global markets. Chief among them is a 2% rate default cap—a rule that halts all new transactions entirely if defaults across its portfolio exceed 2%. This makes EXIM effectively risk-averse and pushes it away from high-capital, first-of-a-kind projects, like nuclear. On top of that sit two more structural problems: a \$135 billion total exposure cap that's too small for the portfolio this moment demands, and a China competition program that hasn't been updated in years.

***What Has To Change?*** With EXIM reauthorization teed up in the months ahead, Congress has the opportunity to make reforms that will make a meaningful difference. Our [new memo](#) lays it out, but here's the tl;dr.

1. **Fix the Default Rate Cap:** The current framework is too rigid and often penalizes transactions that never actually lose the Bank money. Even deals that are ultimately repaid in full can still count against the EXIM's default rate calculations, making the Bank more hesitant to back major projects in the first place. Congress should raise the cap and give EXIM broader authority to exempt strategically important projects that serve long-term American interests—especially when they're competing against Chinese firms—from rules that can block commercially sound and strategically valuable investments.
2. **Expand EXIM's Balance Sheet and Its Workforce:** The \$135 billion exposure cap is not built for the portfolio this moment demands. Long-cycle sectors, like nuclear, tie up capital for decades, limiting how quickly EXIM can recycle financing into new projects. Layer on the growing push to support critical minerals, LNG, advanced manufacturing, and other strategic industries, and that cap begins to look increasingly inadequate. Congress should raise the ceiling for EXIM, but expanding the balance sheet without expanding the workforce would simply create more unmanaged risk. If Congress expects the bank to take on a larger and more complex portfolio, it needs to resource the institution accordingly.
3. **Strengthen EXIM's Ability to Compete with China:** EXIM was first created to help the US compete against heavily state-backed foreign financing, but the landscape of foreign financing has changed dramatically since then. Congress took a step in the right direction in 2019, creating the China and Transformational Export Program (CTEP) to compete with Chinese state-backed competitors, but the program must evolve to match today's reality. That includes broadening EXIM's authority to cover a wider range of sectors and expanding the amount of financing EXIM can devote to direct competition with state-backed rivals like China.

***What We're Doing:*** The US is entering a new era of competition over energy and industrial capacity, and over the past several months, we've been making the case that American firms cannot compete effectively in this new arena without stronger financing tools. That means working with stakeholders across industry, NGOs, and government to build awareness of what is at stake and push for reforms that would allow US firms to compete on a more level playing field.



- [Matthew T. Huber](#), in the *New York Times*, makes the case that Democrats should stop campaigning on climate change and lead with more salient issues, like energy affordability.
  - [Matt Yglesias](#), in *Slow Boring*, critiques self-proclaimed energy abundance advocates, arguing that they aren't actually pursuing abundance, but rather, rebranding conservation and efficiency politics.
  - [Rob Meyer](#), on *Heatmap's Shift Key* podcast, chats with Jason Bordoff, director of Columbia's Center for Global Energy Policy, about the war in Iran, the impact on the global energy system, and the future of climate policy in the US.
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