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April 18, 2019

Brian Reissaus  
Staff Chairperson  
Committee on Foreign Investment in the United States  
Office of Investment Security  
Room 5012  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, DC 20220

*Sent via certified mail and email to: [CFIUS@treasury.gov](mailto:CFIUS@treasury.gov)*

**RE: Potential foreign governmental control of Northwest Innovation Works**

Dear Staff Chairperson Reissaus and CFIUS Members:

Northwest Innovation Works is a U.S. limited liability corporation that is owned by parent companies controlled by the Chinese Government. Northwest Innovation Works is currently seeking \$2 billion in financial assistance from the U.S. Government to continue its plans to construct a methanol refinery on the shores on the Columbia River that would make and ship methanol to China. Columbia Riverkeeper, a non-profit conservation organization, submits this letter to the Committee on Foreign Investment in the United States (CFIUS) seeking review, under section 721(b)(2)(E) of the Defense Production Act of 1950 (Section 721), as amended by the Foreign Investment and National Security Act of 2007 (FINSAs), of the Chinese-government parent company's acquisition of a major energy asset that may present national security considerations for our energy supply and transportation infrastructure. If CFIUS finds that the acquisition was a covered transaction under Section 721(d), the President may modify or prohibit the transaction.

Northwest Innovation Works is proposing to construct the nation's largest gas-to-methanol manufacturing and export facility at the Port of Kalama, in southwest Washington State. Relying on proprietary technology, Northwest Innovation Works would use North American natural gas as feedstock to create methanol. Northwest Innovation Works would then export methanol to China for use as fuel or petrochemicals. The proposal is similar to liquified natural gas (LNG) export.

Northwest Innovation Works may soon receive over \$2 billion of financial assistance from the United States government. Specifically, Northwest Innovation Works applied to the U.S. Department of Energy for a federal loan guarantee to finance the proposed methanol

refinery, under Title XVII of the Energy Policy Act of 2005.<sup>1</sup> The U.S. Department of Energy is currently processing the loan guarantee request.

The Chinese government may have legal or actual control over Northwest Innovation Works. Exhibit 1 (attached) is an excerpt from a third-party appraisal that Northwest Innovation Works submitted to the U.S. Department of Energy to support an application for financial assistance. Exhibit 1 shows that Northwest Innovation Works is majority or wholly owned by a U.S. company called Pan-Pacific Energy Corp. (PPE). PPE is majority or wholly owned by a Chinese company called Shanghai Bi Ke Clean Energy Technology Co. Ltd. (commonly called “CECC”). Most shares (45%) of CECC are owned by the Chinese Academy of Sciences Holdings Co. Ltd. (CASH), which is a state-owned company and the investment management arm of the Chinese Academy of Sciences, a Chinese government agency. The other significant (44%) shareholder in CECC—called Double Green Bridge Hong Kong—appears to be composed of managers of CASH.<sup>2</sup> Moreover, Exhibit 2 (attached) makes clear that the Chinese Academy of Sciences is actually responsible for Northwest Innovation Works’ proposal. Exhibit 2 describes a meeting between the Governor of Washington and senior officials of the Chinese Academy of Sciences and CASH, as well as Northwest Innovation Works employees. The document strongly suggests that the Chinese Academy of Sciences controls the methanol proposal and merely “uses the dba of Northwest Innovation Works.” These and other circumstances suggest that the Chinese government has legal or actual control over Northwest Innovation Works.

Riverkeeper brings these facts to CFIUS’s attention because the transaction(s) that brought Northwest Innovation Works under foreign control may present national security considerations, within the meaning of Section 721(f) and the applicable guidance,<sup>3</sup> as described below.

CFIUS review may be appropriate because foreign control of Northwest Innovation Works appears to have resulted from a “foreign government-controlled transaction” within the meaning of Section 721(f)(8). As explained by Section 721(a)(4), 31 C.F.R. § 800.214, and the guidance, a “foreign government-controlled transaction” occurs when a foreign government—or an entity controlled by or acting on behalf of a foreign government, including foreign government agencies and state-owned enterprises—acquires control of a U.S. business. As

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<sup>1</sup> Pacific Standard, [Taxpayers may soon be on the hook for a \\$2 billion fracked gas refinery](#) (November 7, 2018).

<sup>2</sup> E&E News Energywire, [Enormous Northwest refineries would feed China exclusively](#) (November 17, 2015) (“Originally [CASH’s] partner was the oil company BP. Earlier this year, BP has sold its part to an investor group, called Double Green Bridge, made up of managers of CASH.”).

<sup>3</sup> *Guidance Concerning the National Security Review Conducted by the Committee on Foreign Investment in the United States*, 73 Fed. Reg. 74567 (December 8, 2008).

explained above, the Chinese government, acting through the state-owned CASH (and perhaps other persons), appears to have gained control of the U.S. businesses Northwest Innovation Works. According to Section 721(b)(1)(B), if CFIUS “determines that the covered transaction is a foreign government-controlled transaction, the Committee *shall* conduct an investigation of the transaction . . . .” (emphasis added). Moreover, past practices of the foreign government at issue implicate national security considerations identified by Congress in the Foreign Investment Risk Review Modernization Act of 2018 (FIRRMA).<sup>4</sup>

CFIUS review also appears warranted because of the potential for foreign control of critical infrastructure, including a major energy asset, as well as the long-term impacts to United States sources of energy. *See* Section 721(f)(6) and (8). Methanol is a versatile, energy-dense product, similar in some ways to gasoline, but easier to distribute than LNG or natural gas. Some energy analysts even suggest transitioning away from crude-oil-derived transportation fuels and towards methanol made from natural gas and other sources. One or more large new sources of methanol could therefore legitimately be considered a “major energy asset” within the meaning of Section 721(f)(6). Additionally, Northwest Innovation Works would consume a regionally significant amount of natural gas; on a per-day basis, one third as much natural gas as the entire state of Washington—and the company has plans for several more similarly sized methanol export refineries. The natural gas consumption required for this and similar projects proposed by Northwest Innovation Works may have long-term impacts on U.S. energy resources. CFIUS has reviewed similar transactions that “involved U.S. businesses in the energy sector at various stages of the value chain: The exploitation of natural resources, the transportation of these resources (*e.g.*, by pipeline), [and] the conversion of these resources to power,” as well as transactions affecting “the nation’s transportation system, including maritime shipping and port terminal operations.”<sup>5</sup> Northwest Innovation Works’ proposal implicates all of these concerns. As such, foreign control of the project may present national security considerations within the meaning of Section 721(f)(6) and (8), justifying CFIUS review.

The following Northwest Innovation Works officials may be subject to CFIUS’s jurisdiction and possess additional information about foreign control of Northwest Innovation Works: Simon Zhang (Chief Executive Officer); Murray “Vee” Godley III (Chief Development Officer); Kent Caputo (General Counsel); and Richard DeBolt (Director of External Relations).

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<sup>4</sup> [Foreign Investment Risk Review Modernization Act of 2018](#), H.R. 5515, Section 1702(c)(1) – (3) (“It is the sense of Congress that, when considering national security risks, the Committee on Foreign Investment in the United States may consider— (1) whether a covered transaction involves a country of special concern that has a demonstrated or declared strategic goal of acquiring a type of critical technology or critical infrastructure . . . [and] (3) whether any foreign [government] engaging in a covered transaction with a United States business has a history of complying with United States laws and regulations”).

<sup>5</sup> 73 Fed. Reg. 74567, 74570.

Riverkeeper has little connection to matters of national security but, after becoming aware of the facts and law described above, presents this information to CFIUS out of an abundance of caution. Riverkeeper understands that CFIUS review is typically initiated by a voluntary disclosure, but CFIUS may request information or unilaterally initiate review of any covered transaction, even after that transaction has been concluded.<sup>6</sup> Please do not hesitate to contact me if Riverkeeper can be of further assistance.

Sincerely,



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Exhibits:

1. Jacobs Engineering Inc., *Independent Engineers Report for Kalama Methanol Plant* (January 8, 2016) (excerpt).
2. Briefing Memo to Governor Inslee, *Meeting with Representatives of the Chinese Academy of Sciences* (February 12, 2015).

Cc'd via email or U.S. mail:

- Secretary Steven Mnuchin, Department of Treasury
- Attorney General William Barr, Department of Justice
- Acting Secretary Kevin McAleenan, Department of Homeland Security
- Secretary Wilbur Ross, Department of Commerce
- Acting Secretary of Defense Patrick M. Shanahan, Department of Defense
- Secretary Mike Pompeo, Department of State
- Secretary Rick Perry, Department of Energy
- Trade Representative Robert E. Lighthizer, Office of the U.S. Trade Representative
- Director Kelvin Droegemeier, Office of Science & Technology Policy
- Director Mick Mulvaney, Office of Management & Budget
- Senator John Cornyn
- Senator David Perdue
- Senator Tim Scott
- Senator Michael Crapo
- Steven Taracevicz, Satori Partners, Inc.
- media outlets

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<sup>6</sup> Section 721(b)(1)(D)(i); *see also* 31 C.F.R. § 800.401(b), (c); *see also* 73 Fed. Reg. 74567, 74569.