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Energy Efficiency and Private Financing

*** This document is also filed in Docket No. 15-IEPR-05, TN 206562 ***

Additional submitted attachment is included below.

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Coalition for Green Capital: Energy Efficiency and Private Financing

Additional submitted attachment is included below.

Jeffrey Schub
Executive Director
Coalition for Green Capital
1875 Connecticut Avenue NW, 10th Floor
Washington, DC 20009

November 10 , 2015

Andrew McAllister, Ph. D, Commissioner
California Energy Commission
1516 Ninth Street, MS-34
Sacramento, CA 95814

Dear Commissioner McAllister,

The Coalition for Green Capital (CGC) appreciates the opportunity to comment on the 2015 Draft Integrated Energy Policy Report (Draft IEPR) developed by the Energy Commission, in collaboration with federal, state, and local agencies and other stakeholders.

CGC is a 501(c)(3) organization working in over a dozen states to create and implement green bank financing authorities to support the growth of renewable energy and energy efficiency markets. Green banks are public entities that provide affordable financing support to clean, low-carbon projects by leveraging public funds through the use of various financial mechanisms to attract private investment so that each public dollar supports multiple dollars of private investment. Green banks use limited public resources to attract and leverage private investment to accelerate the deployment of mature clean energy projects that are low-risk for investors. By using public dollars to provide financing, rather than to issue simple grants, green banks are an ideal mechanism to maximize the ability of the state to meet its climate, energy, air quality, and other environmental goals while maintaining reliability and controlling costs.

CGC strongly supports the energy efficiency discussion in Chapter 1 of the Draft IEPR. That discussion reveals that “California needs to significantly increase levels of energy efficiency in buildings” to meet the state’s aggressive mandates as laid out in SB 350 (i.e., doubling energy efficiency savings by 2030). The Draft IEPR explains that California must attract “[p]rivate capital in the range of $10 billion annually” in order to achieve SB 350’s energy efficiency mandate. Indeed, not only is substantial private capital needed, but more sophisticated financing is needed as well. As explained in the Energy Commission’s Existing Buildings Energy Efficiency Action Plan, “[c]urrent finance products used for efficiency are primarily one-off, unsecured loans with short terms and high interest.” Thus, the state must find a way to attract financing for longer terms at lower interest rates. CGC believes that a state green bank could play a key role in attracting the capital and rolling out the financial products necessary to meet SB 350’s mandate.

Green banks provide an excellent “bang for the buck” for several reasons. By taking on some of the risk of a project, a green bank makes financing cheaper for private investors. Therefore, private investors are willing to invest more capital into green projects, while also accepting lower rates and longer terms. Furthermore, by using public funds to provide financing, public dollars are preserved and can be recycled for multiple financings over time. This stands in stark contrast to grants, which can only be spent once and are a permanent expenditure. In other words, a green bank can indefinitely extend the useful life of its initial capitalization. Green bank financing also can leverage many private dollars per public dollar invested. Through financing mechanisms like credit enhancements, co-investment and warehousing, green banks can "crowd-in" up to 10 dollars of private investment for every public dollar used. Moreover, as that public dollar ultimately is repaid to the green bank, that same dollar can re-leverage private dollars multiple times. In sum, a green bank could leverage and recycle public monies, leading to cascading benefits such as efficient appropriation of public funds, animation of private investment, cost-effective improvements in energy efficiency, and corresponding reductions in greenhouse gas and criteria pollutant emissions.

The California Lending for Energy and Environmental Needs Center (CLEEN Center) is a green bank recently established by the California Infrastructure and Economic Development Bank. The CLEEN Center is considering a variety of financing models for conservation and generation projects, and the Center will target projects that save money through energy efficiency. The initial CLEEN Center program will be the Statewide Energy Efficiency Program (SWEEP) for energy efficiency projects for California's municipalities, universities, schools, and hospitals (the "MUSH" sector). CGC encourages the Energy Commission to support the CLEEN Center (as well as other current and future state green banks) in the IEPR, and in other appropriate circumstances.

California also may benefit from looking to other states to learn from their approaches to strategic investment in innovation. At least five other states and four other countries have developed their own green banks to catalyze the deployment of private capital. CGC is actively engaged with green bank institutions in Connecticut, New York, and Rhode Island and was instrumental to their creation and design in Connecticut and New York. CGC is also working with Maryland, Delaware, Vermont, Washington, DC, Colorado and others to help develop green bank entities in their states. CGC would be happy to facilitate further discussions between California and those states, and share other lessons-learned.

CGC applauds the Draft IEPR's discussion of private financing and the role it must play in achieving California's energy and environmental goals. Please do not hesitate to contact CGC should you wish to learn more about our prior experiences supporting the establishment of state-level green banks and/or our current initiatives.

Sincerely,

/s/ Jeffrey Schub

Jeffrey Schub
Executive Director
Coalition for Green Capital