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On Draft 2019 IEPR Report

Additional submitted attachment is included below.

27 November 2019

<u>Via Electronic Delivery</u>

California Energy Commission
Docket Unit, MS-4
Re: Docket No. 19-IEPR-01 – 2019 Draft Integrated Energy Policy Report
1516 Ninth Street
Sacramento, CA 95814-5512

RE: Ygrene Energy Fund Comments on the 2019 Draft Integrated Energy Policy Report (Docket No. 19-IEPR-01)

Dear Commissioner Hochschild and Energy Commission Staff:

California is the national leader in clean energy: not only in its bold and progressive carbon emission reduction, energy efficiency, and renewable energy goals but also in its clean energy achievements and successes. As a California company dedicated to bringing renewable energy, energy efficiency, and resiliency market solutions to bear on the challenges related to climate change, Ygrene Energy Fund appreciates the opportunity to provide comments to the 2019 Draft Integrated Energy Policy Report (IEPR).

Ygrene is encouraged to see the Energy Commission's focus on the importance of Advancing Energy Equity in meeting the State's progressive energy efficiency goals under Senate Bill 350 (de Leon, Chapter 547, Statutes of 2015). Doubling the energy efficiency of existing buildings will take a herculean effort to accomplish. There are over 12 million single family, multi-family, and commercial buildings in California. Doubling the energy efficiency of those over 12 million buildings will be impossible to achieve without the mobilization of hundreds of billions in investment capital over the next 25 years – investment that should not be confined to California's most affluent communities. Taxpayer funded efficiency programs, ratepayer funded utility programs, and other small-scale sustainability programs will be insufficient to achieve the mandated goals. Ultimately, massive public <u>and</u> private investment at the local and state level will be required, and the mechanisms by which that investment is enabled are essential. Further, investments must be accessible to low- and moderate-income California homeowners.

In the 2019 Draft IEPR, "Financing to Create Equity" section, the Commission notes the importance of financing to meeting the needs of low-income residents. In this section, the Commission references on-bill financing as a policy designed to increase access to capital and credit for energy efficiency improvements.[1] While on-bill financing can be an effective tool for increasing access to financing for low- and moderate-income property owners, this section omits any reference to California's most successful public policy tool for increasing access to affordable financing for energy efficiency, renewable energy, water conservation, and climate resiliency property improvements: Property Assessed Clean Energy (PACE). PACE functions similarly to on-bill financing. But, instead of the repayment mechanism being attached to the utility customer's meter, PACE financing is repaid via a

[1] CEC 2019 Draft Integrated Energy Policy Report Update, pg. 92.

special assessment on the property owner's property tax bill. Securing financing via a special tax assessment results in lower interest rates, longer terms, and lower payments than comparable home improvement financing options.

Since passing the first PACE enabling legislation in the country in 2008,[2] California has fostered the largest PACE market in the country, providing financing for over 200,000 energy efficiency, renewable energy, and water conservation improvement projects representing approximately $5 billion in clean energy investment. According to research out of the Lawrence Berkeley National Laboratory, in 2014 PACE programs were nearly five times more successful at delivering private capital for energy efficiency and renewable energy property improvement projects than on-bill financing programs.[3] PACE programs have grown significantly since 2014, and, according to the Commission's Draft 2019 Energy Efficiency Action Plan, PACE "is the largest beyond utility program in the state."[4]

The University of Southern California's Schwarzenegger Institute for State and Global Policy and the Sol Price School of Public Policy recently released new research performing the most comprehensive regional analysis of the impacts to date of PACE financing in California and Florida: *Impacts of the Property Assessed Clean Energy (PACE) Program on the Economies of California and Florida*.[5] That research found that the over $750 million in clean energy PACE investment by just one PACE company (Ygrene Energy Fund) between 2013 and 2018 will produce the following environmental and economic impacts in California over the useful life of the improvements installed:

- 3.63 million megawatt hours of electricity consumption reduction;
- 2.86 billion cubic feet of natural gas consumption reduction;
- 1.15 million metric tons of CO_2-e emission reduction;
- 9,774 new cumulative job-years of employment;
- $1.28 billion in gross economic output; and
- $847 million of augmented economic growth.

The projects funded by Ygrene Energy Fund represent approximately 20-25% of the entire PACE market in California. Therefore, the above impacts are 4-5 times greater when accounting for the impacts of the entire PACE industry across the state. This research confirms that PACE programs are essential for California to achieve its public policy goals to reduce carbon emissions, increase deployment of renewable energy, and improve energy efficiency – all while increasing access to equitable and affordable financing for low- and moderate-income homeowners. Importantly, PACE achieves all of this without the need for taxpayer, ratepayer, or any public funds. PACE is a financing mechanism that truly supports "Financing to Create Equity."

Ultimately, California property owners need accessible policy and financing tools to reduce their carbon footprint and be a part of the solution to climate change. The first-cost-barrier is one of the most restrictive factors when it comes to low- and moderate-income property owners investing in clean

[2] California Assembly Bill 811 (Levine and Beall, Chapter 159, Statutes of 2008).
[3] Jeff Deason et al., *Energy Efficiency Program Financing: Where if comes from, where it goes, and how it gets there*. Lawrence Berkeley National Lab, June 2019, pg. 10.
[4] CEC 2019 Energy Efficiency Action Plan, Draft Staff Report, pg. 92.
[5] Rose, A. and Wei, D. 2019. *Impacts of the Property Assessed Clean Energy (PACE) Program on the Economies of California and Florida*. Schwarzenegger Institute, USC, Los Angeles, CA.

energy technologies. Financing, especially PACE financing, provides the necessary policy tools to overcome those barriers and leverage the hundreds of billions of dollars needed to fight climate change in California. PACE is one of the few public-private partnership models that has proven to increase access to affordable and equitable financing. While on-bill financing is one of many mechanisms that can increase access to financing for low- and moderate-income property owners, PACE is a tremendously successful public policy that delivers significant clean energy investment without the need to tap into public taxpayer or ratepayer funds. Therefore, Ygrene strongly encourages the Energy Commission to include PACE financing in the "Financing to Create Equity" section of the 2019 Integrated Energy Policy Report.

Additionally, the Commission notes the importance of addressing wildfire risk in furthering California's energy and environmental goals as well as ensuring safe and reliable power to California residents. The need for grid resiliency, and resiliency from the grid, has been all too clear this year. With the unprecedented Public Safety Power Shutoffs and continued record wildfire damage and risk, supporting public policy initiatives that deliver investment in distributed renewable energy and wildfire resiliency is paramount. In 2018, the legislature recognized this need in passing Senate Bill 465, the "Wildfire Safety Finance Act" (Jackson, Chapter 837, Statutes of 2018).

SB 465 enables wildfire hardening measures to be financed through PACE programs. Like investment in energy efficiency and renewable energy, a significant barrier to investing in wildfire resiliency is the up-front cost barrier. PACE has shown tremendous success, as noted above, in overcoming that barrier and delivering private capital for public good through investing billions of dollars in distributed clean energy. PACE now has the capacity to do the same with regard to wildfire resiliency, which makes PACE the single most comprehensive public policy helping to achieve California's energy <u>and</u> resiliency goals. Thus, Ygrene further encourages the Energy Commission to incorporate the impact and potential of PACE financing in meeting <u>both</u> California's energy efficiency <u>and</u> wildfire resiliency goals in the 2019 Integrated Energy Policy Report.

Thank you for your consideration of the above comments, and we look forward to further participation in the 2019 Integrated Energy Policy Report process.

Sincerely,

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