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Honorable Mary Nichols, Chair
California Air Resources Board
1001 "I" Street
Sacramento, CA 95812

Dear Chairwoman Nichols,

The Coalition for Green Capital (CGC) appreciates the opportunity to comment on the Concept Paper for the Cap-and-Trade Auction Proceeds Second Investment Plan (Fiscal Years 2016-17 through 2018-19) (Concept Paper) developed by the Department of Finance, in consultation with the Air Resources Board (ARB) and other State agencies.

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 ("clean energy") markets. Green banks are public entities that use limited public resources to attract and leverage private investment to both accelerate the deployment of mature clean energy projects/services and, where appropriate, support earlier-stage, cleantech companies. 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 Greenhouse Gas Reduction Fund (GGRF) to cost-effectively reduce greenhouse gas emissions.

CGC strongly supports the discussion in Section III.F of the Concept Paper – Efficient Financing Mechanisms to Maximize Investment. While the First Investment Plan notably included the recommendation that "[f]unding should leverage private and other government investment to the maximum extent possible" as one of eight Investment Principles, the Concept Paper adds substantially greater specificity in articulating how "expanding beyond simple grant and rebate financing to offer loans, credit enhancements, and other innovative mechanisms" could "significantly stretch GGRF monies further, strengthen the State's investment portfolio, expand the types and number of projects that can be supported, and ultimately deliver greater climate benefits." CGC also strongly supports the specific examples provided in the Concept Paper of potential programs and project-types that could provide innovative financing, especially the California Lending for Energy and Environmental Needs (CLEEN) Center housed at the California Infrastructure and Economic Development Bank (I-Bank).

In particular, CGC agrees with the Concept Paper's observation that California should look to other states to learn from their approaches to strategic investment in innovation, including "Connecticut, New York, and Hawaii" that "have each developed their own state green bank to engage private capital." Indeed, CGC is actively engaged with the green bank institutions in each of those states and was instrumental to their creation and design in Connecticut and New York. CGC would be happy to facilitate further discussions between California and those states and share other lessons-learned.



Green banks provide an excellent “bang for the buck” for several reasons. 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, green banks can extend the useful life of monies in the GGRF indefinitely. 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 GGRF monies, leading to cascading public benefits such as efficient appropriation of public funds, animation of private investment, and cost-effective reductions in greenhouse gas emissions.

Auction revenue from the California Cap-and-Trade Program is an ideal capitalization source for a green bank. Among other things, such programs can drive the transition from fossil-fuel based power to clean power by indirectly establishing a price on carbon for energy consumers. To fully maximize the catalytic transition potential offered by cap-and-trade programs, CGC believes it is critical to utilize the proceeds of such programs to support clean energy technologies and services. As explained above, green banks can provide that support in an extremely cost-effective fashion, thereby maximizing the impact of the California Cap-and-Trade Program on clean energy markets.

CGC applauds the Concept Paper’s discussion of green banks and the role they can fill in achieving California’s climate change mitigation and adaptation 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,

Jeffrey Schub
Executive Director
Coalition for Green Capital