Jeffrey Schub  
Executive Director  
Coalition for Green Capital  
1875 Connecticut Avenue NW, 10th Floor  
Washington, DC 20009  
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Honorable Mary Nichols, Chair  
California Air Resources Board  
1001 “I” Street  
Sacramento, CA 95812  

Dear Chair Nichols,  

The Coalition for Green Capital (CGC) appreciates the opportunity to comment on the Draft Cap-and-Trade Auction Proceeds Second Investment Plan (Fiscal Years 2016-17 through 2018-19) (Draft Plan) 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 VI.A.2 of the Draft Plan – 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 Draft Plan adds substantially greater specificity in articulating how “expanding beyond simple grant and rebate financing to offer loans, credit enhancements, and other innovative mechanisms could provide expanded options to induce climate action.” In particular, the Draft Plan explains that “[d]iversifying financing mechanisms for GHG emission reduction projects could extend the utility of GGRF proceeds, strengthen the State’s investment portfolio, expand the types and number of projects that can be supported, and ultimately deliver greater climate benefits statewide.” CGC also strongly supports the specific examples provided in the Draft Plan 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).  

CGC would like to suggest two edits to Section VI.A.2, both of which relate to green banks. First, CGC suggests that Section VI.A.2 include a short definition of a green bank. For example, the Section could explain that “green banks provide affordable financing support to clean energy projects by leveraging public funds to attract private investment so that each public dollar supports multiple dollars of private investment.”
Second, CGC suggests that Section VI.A.2 be revised to acknowledge that green banks have been implemented on a broader scale than currently is suggested in the Draft Plan. Section VI.A.2 observes that Connecticut, New York, and Hawaii “have each developed their own state green bank to engage private capital.” While it is true that these states have developed green banks, 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 also is 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.

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 and criteria pollutant 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 Draft Plan’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,

/s/ Jeffrey Schub

Jeffrey Schub
Executive Director
Coalition for Green Capital