Introduction to Green Banks

Local Energy Solutions Conference
November 15, 2019
What is a green bank?

Green banks are mission-driven institutions that use innovative financing to accelerate the transition to clean energy and fight climate change.
Today, green banks are diverse in geographic scope, organizational form, and market areas.
### How can a green bank help?

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<th>Barrier to Investment</th>
<th>Green Bank Solution</th>
<th>Examples</th>
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<td>Perceived project risk</td>
<td>Credit enhancement</td>
<td>Provide a loan loss reserve can mitigate risk and allow investment to flow at longer term of lower rate</td>
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<td>Inefficiencies of scale</td>
<td>Aggregation &amp; warehousing</td>
<td>Aggregate small projects to meet scale to attract private capital</td>
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<td>First-of-kind transaction</td>
<td>Technical assistance</td>
<td>Put in technical legwork that comes with closing more labor-intensive innovative transactions</td>
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<td>Marginal economics</td>
<td>Co-investment</td>
<td>Lend to project, in senior or junior position, to improve overall economics for investors and customers</td>
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Nonprofit green bank model is gaining popularity.

- Faster time to formation.
- Ability to draw on a range of capital sources.
- Provides options for ongoing role for public sector participation.

*Example Nonprofit Green Banks:*
Within this overall framework, there are many opportunities for different design choices

- **Market focus**: Some Green Banks focus on a single product, some on a range.
- **Leverage**: Some Green Banks focus on maximizing investment by mobilizing private capital, others focus on first-in-kind transactions that prove a concept.
- **Capital sources**: Some Green Banks use public capital, some private, and some a blend.
- **Measuring success**: All Green Banks reduce GHGs, but success can be measured solely on GHG reductions or can take other metrics into account.
- **Form**: Some are public, some quasi-public, and some are nonprofit.

Local needs—stakeholder priorities, energy economics, funding sources, and more—drive these choices
Momentum is growing at the federal level as well.

**Principles:**

To be **fair to all consumers**, keep electricity prices the same or lower with clean energy

To be **just to all communities**, prioritize investment in low-income communities, rural communities, and communities of color

To decarbonize as quickly as possible, **leverage private capital** with public and mission-driven investment

National Climate Bank or green bank concept also supported by presidential candidates
Thank you!

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