National Climate Bank: Investing to Win the War Against Climate Change

Coalition for Green Capital
November 2019
A Climate Bank is an essential component of any climate policy to ensure a fast and fair clean energy transition.

To operate free from bias or interference, structured as **independent non-profit**.

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

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

To achieve full decarbonization as quickly as possible, **leverages private capital** with public investment.
National Climate Bank Act introduced in U.S. Senate in July

- Sponsored by Sens. Markey, Van Hollen, Blumenthal and Schatz
- Creates new non-profit called the National Climate Bank
- Deposits $35 billion in public funds for Climate Bank to invest
Use range of tools to reduce emissions across sectors, “crowd in” private capital and strengthen communities

What does the National Climate Bank Do?

• **Finance projects across multiple sectors to reduce GHG emissions**  
  – Transmission, renewable power generation, storage, transportation, electrification, efficiency, industry, agriculture, climate-resilient infrastructure

• **Use a broad toolkit to support projects and draw in private investment**  
  – Senior debt, mezzanine/subordinated debt, credit enhancements, guarantees, warehousing/aggregation, securitization

• **Strengthen communities by prioritizing investment in disadvantaged areas**

• **Help start-up and capitalize state and local Green Banks**

• **Accelerate closure of fossil fuel power plants and halt fossil fuel extraction**

• **Invest in just transition in communities where facilities are retired**
Cost and availability of financing determine the speed and equity of clean energy transition.

**Adverse effects of rising interest rates on sustainable energy transitions**

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<th>Midpoint Unsubsidized LCOE ($)</th>
<th>Nuclear</th>
<th>Solar Thermal Tower</th>
<th>Coal</th>
<th>Geothermal</th>
<th>Gas Combined Cycle</th>
<th>Solar PV</th>
<th>Crystalline</th>
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**Notes & Sources:** Lazard’s Levelized Cost of Energy Analysis – Version 12.0
### National Climate Bank removes barriers to investment

<table>
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<tr>
<th>Barrier to Investment</th>
<th>NCB Solution</th>
<th>Context</th>
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<tbody>
<tr>
<td>Perceived project risk</td>
<td>Credit enhancement</td>
<td>Loan loss reserve from NCB 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>NCB can aggregate multiple 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>NCB will 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>NCB can lend to project, in senior or junior position, to improve overall economics for investors and customers</td>
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Climate Bank can multiply investment 30x over its life

$35B
Seed Capital

3:1
Project-Co-Investment

3:1
Capital Recycling

3:1
Balance Sheet Leverage

3:1
Total Investment Impact

$1T

See new CGC White Paper

Mobilizing $1 Trillion Towards Climate Action
An Analysis of the National Climate Bank

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Sept. 2019
Experience counts! Green Banks in the U.S. have already driven $4B of investment; can apply lessons learned.
Existing Green Banks are already prioritizing EJ: Strengthening communities, lowering both GHG and prices

- Expanding renters’ access to solar and efficiency with on-bill financing
- Removing barriers caused by credit risks with alternative underwriting and targeted product design
- Bringing in philanthropic capital to hit dual targets of community development and climate action

**Sharing Solar Benefits**
Reaching Households in Underserved Communities of Color in Connecticut

**GEMS greentechmedia**: Hawaii’s On-Bill Financing Program
Unlocks Energy Upgrades for the Masses
The Aloha State’s GEM$ program enables renters and low-income households to install solar and energy-saving equipment with no upfront costs.

**NYCEEC Partners with NYC HPD on**
**New Green Housing Preservation Program**
City housing agencies announce new green housing preservation program to deliver on key commitments in Mayor's affordable housing plan and OneNYC
With Climate Bank finance, state and local Green Banks could be as numerous as CDFIs

- Climate Bank to build lending network across the country
- “Start-Up Division” will provide assistance to form new Green Banks
- Climate Bank provides capital to all Green Banks
- Similar to CDFI model – designated and funded by govt, driving private and philanthropic investment

Over 1,000 CDFIs Across U.S. with $108B in Assets

Supporting State and Local Green Banks
An Analysis of the National Climate Bank

See new CGC White Paper

For example, Climate Bank provides capital to state Green Bank to support solar rooftop deployment for LMI homes.

State Green Bank creates warehouse to aggregate LMI projects that were too small and questionable credit to get scale and private investment.
Climate Bank will accelerate transition, fund retirement of fossil-fueled generation facilities...

- Nearly all lost coal power filled by nat gas
- Coal retirements are slowing; only ~10% of today’s coal fleet set to retire by 2023
- NCB uses securitization, reverse auctions, and direct negotiation to hasten retirement, lower consumer cost

Notes & Sources: Grid Transformation and Stranded Assets: Why They Could be Back and Bigger Than Ever, S&P Global Market Intelligence, July 18, 2019; EIA.
..and then directly invest in the transitioning communities to support economic development, jobs and growth

- Authorized to provide direct investment into communities affected by the retirement of fossil fuel plants or end of local extraction business
- Also finance construction of clean energy projects in those communities to replace coal power, lower energy costs, reduce pollution
Draws on precedents, but has unique mission and scope

**Federal Finance to Drive Private Investment**

- OPIC
- EXIM
- NeighborWorks®
- U.S. Department of Energy Loan Programs Office
- FFAR

**Federally Formed & Funded Non-Profits for Public & Private Investment**

- Foundation for Food and Agriculture Research
- FNIH
- Foundation for the National Institutes of Health

**Federal Funds to Investment Vehicles Not Controlled by Government**

- The World Bank
- CIF (Climate Investment Funds)

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76% agree the government should implement a plan to transition to clean, renewable energy

Do you agree that climate change is a significant problem in the United States and the federal government should implement a plan to transition to clean, renewable energy?

- **All:** 76%
  - Yes: 92%
  - No: 4%
  - Don't know: 4%

- **D:** 76%
  - Yes: 16%
  - No: 8%
  - Don't know: 17%

- **I:** 76%
  - Yes: 55%
  - No: 34%
  - Don't know: 11%

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59% support the National Climate Bank Act including 75% of Dems., 56% of Ind. and 42% of Rep.

A number of senators have introduced a bill called the National Climate Bank Act. If passed into law, the federal government will contribute $35 billion to an independent non-profit bank that combines this taxpayer money with $1 trillion of private investment to build enough renewable power generation to meet all American electricity demand. The Act also guarantees that electricity prices will not increase as the economy moves to the clean power platform. Do you support or oppose this proposal?
There’s no time to waste: Eleven thousand scientists have reported a climate emergency.
Thank You

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