How Green Banks Help Cities Transition to Clean Energy

By Jeffrey Schub, Executive Director of the Coalition for Green Capital

Jeffrey Schub is the Executive Director of the Coalition for Green Capital, a nonprofit organization that works to support and expand Green Banks to invest in the clean energy transition.

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Over one hundred global cities already get the majority of their electricity from renewable sources, with more than forty cities powered fully by renewable energy. Nineteen cities have announced their pledge that all buildings, old and new, will meet net-zero carbon standards by 2050.

However, despite this progress, fossil fuels have the same market share of the global energy system today that they had thirty years ago. As some cities, countries, and economic sectors have decarbonized, others have risen up to take their place. The pace of investment, and ultimately, the pace of change, must increase if we are to gain ground on fossil fuels.

In other words, the construction of renewable generation, battery storage, and transmission lines must increase. Electric vehicles must become more widely used, and charging infrastructure must be built out at scale to enable this. All of these projects are capital-intensive, meaning they require a large upfront investment which is paid back over time as the project generates income. To secure the initial capital, project developers must go to investors or commercial banks, which evaluate the project to make sure that it will be profitable.

Existing policies send market signals, but leave gaps.

Many of the most widely-used climate change policies focus on pulling various economic levers to improve the profitability of clean projects. Carbon prices raise the cost of fossil fuels, making clean energy more competitive. Renewable portfolio standards allow clean energy projects to generate an income stream by selling clean energy credits. Other policies like tax credits can also boost the economics of renewable power.

Other energy policies may take a command-and-control approach; for example, mandating that pollution controls must be added to fossil-fueled generation sources. In the U.S., we've seen many of these policies get increased attention as Democratic presidential candidates have released their climate plans and debated their merits at televised town hall events.

However, obstacles and points of friction still remain in transitioning to clean energy. Even with policies in place such as those just mentioned, projects can face barriers in securing the capital they need. Public investment can remove these barriers and close these market gaps. This serves to get more projects developed more quickly, and also lowers the cost of energy and the cost of compliance with other programs and regulations. At the state, local, and city level, institutions called Green Banks exist to manage and invest public capital based on the following principles:

Support small projects.

Small and geographically dispersed projects like residential or small business energy efficiency are often not cost-effective for private investors to underwrite. Green Banks can bundle together and projects that are not cost-effective to underwrite on their own. Pooling these loans diversifies risk and achieves scale, making them far more attractive to lenders.

De-risk new technologies.

Transactions that involve new technologies or have never been done before are more labor-intensive than typical standardized transactions, and can face resistance from investors. Green Banks can offer credit enhancements, such as loan loss reserves or loan guarantees, that help de-risk investments for private investors.

Reduce perceived risks.

Other perceived risks can cause lenders to offer capital only at a high cost, preventing the project from moving forward on an economic basis. Green Banks can directly co-invest in a clean energy project, through senior debt, subordinated debt, or other mechanisms. If a project is only able to secure financing for a portion of the costs, Green Banks can provide the gap financing needed to close a deal.

These techniques all draw private capital into projects that wouldn't have happened without the Green Bank's involvement.

Green Banks have built track record of success.

Existing Green Banks have already proven that a single public dollar of investment can catalyze multiples of private co-investment. These projects simultaneously earn profitable returns for private investors, and provide economic benefits and reduced costs to consumers.

The track record of state and local Green Banks in the U.S. shows how these financial institutions can move

vehicles from the road, and will also reduce the emission of fine particulates which damage city residents' health.

A National Climate Bank could provide these benefits to more cities.

Residents of even more cities could benefit from these savings and improvements if the networks of Green Banks were expanded. One of the most exciting ways this could happen is through the passage of the National Climate Bank Act, introduced in the Senate in the summer of 2019. The bill would create a National Climate Bank, which would be empowered to capitalize state and local Green Banks, and provide technical assistance to newly forming Green Banks. For large projects outside the scope of what state and local Green Banks normally handle, the Climate Bank would also be able to invest directly to help projects move ahead. CGC's own analysis found that this Climate Bank could mobilize up to $1 trillion of investment over 30 years with just $35 billion of federal funds.

Energy efficiency upgrades, expansion of cogeneration and distributed renewables, and clean transportation improvements are just a few of the ways that the growth of the Green Bank model could help to cost-effectively reduce greenhouse gas emissions within city limits. On a larger scale, the Climate Bank could invest in regional power transmission lines, making it easier for cities affected by transmission bottlenecks to procure renewable energy. The Climate Bank would be able to invest across sectors in a wide range of project types.

Given the urgency of the climate change crisis, policymakers are appropriately looking at a wide range of tools and levers to accelerate the clean energy transition. The Green Bank investment model is compatible with a wide range of other incentives, and a National Climate Bank would provide an influx of capital to boost the growth of the clean economy.

Learn more:

- Energy News Network: Northeast green banks inspire national proposal for clean energy financing
- Smart Cities Dive: National Climate Bank Could Mobilize $1T, Report Finds
- The Hill: Democratic Candidates are Building Momentum for a National Climate Bank
- NRDC: Introduction to the National Climate Bank
- PV Magazine: The Case for a US Federal Green Bank
- Annual Industry Report of the American Green Bank Consortium

Discussion

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The Future of Work: After the Virus

by Jessie Feller Hahn

My take-aways from this interview:
1. The world swapped commercial real estate for residential real estate overnight, and as Robert says, our homes are now our castles. The ripple effects this will bring to the workplace and the real estate economy will be far spread and difficult to unwind once the pandemic is resolved. This is a pivotal moment for digital connectivity – Robert calls it the "big bang moment for online."
2. Among the many problems commercial real estate has right now – elevators are definitely one of them. Robert describes this is ways I hadn't thought of, and I don't look forward to.
3. Business travel will lose its cool – which could be a net benefit for climate change, but will require business development teams and convening organizations (ahem… like ours…ahem) to recalibrate our business models and not just for the short term.

From Fixed Routes to Flex Routes: Additional Responses to the May 13 Webinar

by Dave Hahn

Earlier this month we hosted a live webinar featuring Alex Gibson from TransLoc, and Josh Powers who is serving as a member of the County Manager's Office and is the contract administrator and regional transit liaison between Johnson County Government and the Kansas City Area Transit Authority (KCATA). Josh shared his unique perspective and insights from service changes and the re-utilization of infrastructure to creative ways to avoid driver layoffs and the allocation of resources with CARE Act funding.

Included in this post are responses to additional questions we were not able to answer during the live session.

Reopening Our Cities in the Midst of COVID-19 Calls for Inclusive Community Engagement

by Katrina Johnston-Zimmerman, Urban Anthropologist & Director at THINK.urban and Marisa Denker, Co-Director & Founder, Connect the Dots

Though public life has been put on pause by the COVID-19 pandemic, the recovery period is predicted to bring a sequence of phases returning us gradually into public spaces with varying levels of social distancing as Coronavirus cases decline. The way to recovery is through collaboration; across sectors, across stakeholders, and across equity gaps. We believe that the careful engagement of all voices, in a collaborative, thoughtful way is critical when forming solutions to the challenges we are facing and to moving forward with confidence and trust.

We hope to provide a framework for addressing the challenges that will come with building back our necessary social infrastructure, by and for the community. From our perspectives as an urban anthropologist at THINK.urban and as a director of stakeholder engagement firm Connect the Dots, we see the following key points as a good place to start.

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