

# CE+BFI Clean Energy Bond Finance Initiative



**TASK FORCE  
KICK OFF CALL  
SEPTEMBER 2012  
CEG/CDFA**



# Agenda



- Introductions
- Purpose of CE+BFI and TF
- TF as Sounding Board/Advisor
- State Pilot Scans
- Bond Finance Models
- Three Educational Webinars
- Bi-Monthly Calls
- Information Network
- Additional TF Members
- March 2013 Meeting Option
- Other Issues/Reactions

# CEG, CDFA and TF



- Who is CEG?
- Who is CDFA?
- Background of Partnership

# Purpose of CE+BFI



- CE+BFI is a new national partnership to advance clean energy through the power of bond financing institutions. It will work with institutional investors, public finance agencies, and public clean energy fund managers across the country, finding ways to increase clean energy investment by an additional \$5 billion to \$20 billion in the next five years.
- Launched in July 2012
- Task Force Announced July 2012

# Role of Task Force



- TF as Sounding Board/Advisor
- Need Cross Section of Interests
- Many Energy/Finance/Bond Issues
- Assist in Project Identification
- Educating Larger Policy Community
- Create Larger Network
- Act Together?

# State Project Scans/Pipelines



- Creating the Project Pipeline
- Identify 6-8 Key States
- Hold In State Meetings
- Scan Instate Opportunities
- Project Pipeline Advocates
- Overcome Obstacles to Bond Finance
- Create and Scale Models

# Bond Finance Models



- Project Models
- Fund Models
- Enabling Tools

Project Based	Tools to create bond finance for specific projects or groups of projects
<b>Morris County</b>	Public entity issues government bonds for solar on public buildings, transfers low cost capital to developer for lower PPA price; we will explore the model and opportunities to scale-up in multiple jurisdictions for tax exempt and taxable bonds.
<b>Tax Increment / Special Assessment</b>	Bonds issued against tax revenue, increment or assessment, for small wind or energy efficiency (EE), usually in designated improvement districts; their expanded use will be examined.
<b>Large Renewable Projects</b>	Tax-exempt and taxable bonds for large wind projects (Windy Flats \$500M, 20 year PPA); or solar (Topaz \$2.4 billion); we will identify the right model(s) for public private partnerships with utilities, developers and bond issuers.
<b>Nonprofit Finance</b>	Use of 501(c)(3) bonds for nonprofits seeking clean energy (CE) or EE financing; we will identify common credit enhancement tools that can be applied nationally and in regions.
<b>Suppliers / Manufacturers</b>	Use of industrial development bonds to boost clean energy sector; example of NJEDA programs for suppliers and manufacturers; further use of these tools will be explored.
<b>Offshore Wind</b>	Aggregated multi-state procurement of offshore wind power, combined with bond financing of projects across jurisdictions—either with pooled bond funds (see below) or with coordinated issuers will be explored.
<b>PACE Financing</b>	Municipal bonds that fund EE retrofits and on-site solar PV that are repaid through an annual assessment on the property tax bill; will be one tool examined in EE.
<b>CDFI funds</b>	CDFIs could aggregate projects, provide companion financing and receive credit enhancement from bond-funded development finance agency programs, a new approach we will examine.
<b>QECB Bonds</b>	Bonds that fund energy conservation and efficiency projects in publicly owned buildings could be significantly expanded across the country.
<b>IFA Moral Obligation Bonds</b>	Illinois Finance Authority can provide loan guarantees or bonds to facilitate the development of renewable energy projects, and the guarantees or bonds are second to project revenues; we will examine the efficacy of this model.



Fund Models	Bonds to create new pools of capital to finance clean energy projects
<b>System Benefits Charge Flows</b>	Bond financing model that uses rated credit support in the form of a contingent intercept on existing System Benefit Charges (“SBCs”) that would be tapped to compensate for defaulted loan payments; could be used in conjunction with a bond fund or a PACE program; this new model will be examined in many jurisdictions with SBC funds.
<b>Investor-Backed Bond Fund</b>	Model that would capitalize bond funds with investments from state and/or private funds in order to provide second- or lower- level backing for CE or EE projects; this potential model will be explored.
<b>Pooled Bond Funds</b>	Municipal bond issuance where proceeds are used—whether through an infrastructure bank, revolving loan fund, or other model—by a number of cities and projects in order to achieve market efficiencies for CE and EE development; we will explore both encouraging existing funds to emphasize CE and the creation of new funds.
<b>Bond Backed Investment Authorities</b>	General obligation bonds are used to finance authorities capable of making investments in funds, projects, and companies, all grouped around a specific purpose (e.g., Ohio Third Frontier and California Institute for Regenerative Medicine); we will explore possibility of creating similar authorities for CE investments.
<b>Collaborative Action</b>	In recognition of the fact that neither geographic features nor energy grids perfectly align with state boundaries, a framework for state collaboration on cross-border bond issuances for large CE projects could achieve significant savings; the legal and political challenges for such collaborations will be investigated.

<b>Enabling Finance Tools</b>	<b>Explore complementary finance vehicles to boost use of bond finance</b>
<b>Standardization / Securitization</b>	<p>Consider models that create liquidity for EE and CE loans by securitizing the federal or state-guaranteed portions of qualifying loans. Explore how to create a secondary market for energy-related loans as was done for small business loans through the private bundling and sale of SBA 7(a) guaranteed loans, which are underwritten, originated and serviced by non-government lenders using standardized SBA loan documents.</p>
<b>Tax Equity Pool</b>	<p>To access larger tax equity investors for renewable investment, and to go beyond the one-off syndication of such deals, consider creation of a tax equity fund model for CE, similar to the LIHTC investment funds that pool tax equity investment and facilitate affordable housing development; we will explore such pools as a means of expanding the availability of CE project capital sources that can be combined with bond finance.</p>
<b>CE Credit Enhancements</b>	<p>Work with state clean energy funding agencies to leverage state CE funds by their provision of credit enhancement for bond issuances that raise capital for qualified projects.</p>

# Three Educational Webinars



- **Bring CE and Bond Worlds Together in TF**
  - First, what is bond finance?
  - Second, what are needs of CE finance?
  - Third, how can bonds be used more effectively in CE finance?

Start the education process within TF, and then expand.

# Bi-Monthly Calls



- Create a TF Community Around CE/Bonds
- Explore New Opportunities
- Task Force Groups
- Instate Actors

# Information Network



- Create Information Base
- Share Best Practices
- Identify Gaps and Opportunities
- Target Project Resources
- Link to other Groups
- Writing, Blogs, Websites

# Additional TF Members



- Rules for Adding New Members
- Requests Coming In
- How to Balance Size and Scope
- Other Players Like Investors Needed
- Other Issues?

# March 2013 Meeting Option



- Is DC In Person Meeting Desirable?
- Link to Other CDFA Event
- Bring Together After Foundation Set
- Link to Federal Partners
- Other Activities?

# Other Issues/Reactions



- What is your reaction to approach?
- What are we missing?
- How else can TF be effective?
- How do we keep time constraints in mind?
- Other Issues?