

# Clean Energy and Bond Finance Initiative/CE+BFI

Task Force Call  
June 20, 2013



# Welcome & Overview

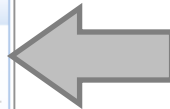
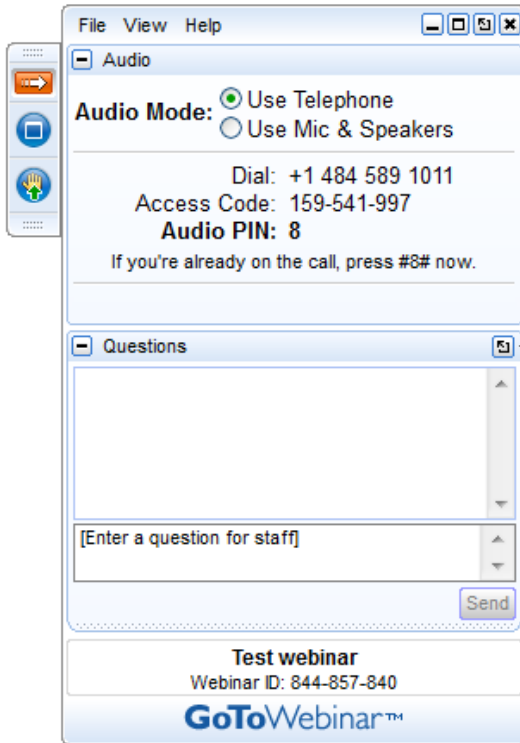
## **Catherine Feerick**

**Director, Research & Advisory Services**

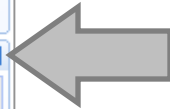
**Council of Development Finance Agencies**

**Columbus, OH**





Using your telephone will give you better audio quality.



Submit your questions to the panelists here.

### ■ Want to watch again?

You will find a recording of this webcast, as well as all previous CDFA webcasts, in the Online Resource Database at [www.cdfa.net](http://www.cdfa.net).

# Welcome & Overview

## **Lew Milford**

**President**

**Clean Energy Group**

**Montpelier, VT**



**CE+BFI**

*Clean Energy and Bond Finance Initiative*

*A joint project of:*

 **CleanEnergyGroup**  
Innovation in Finance, Technology & Policy



# **Clean Energy And Bond Finance Initiative Task Force Call**

**June 20, 2013**

Lewis Milford, President  
Clean Energy Group

Toby Rittner, President & CEO  
Council of Development Finance Agencies

# CEG and CESA

- **Clean Energy Group (CEG)** is a U.S. based NGO that works to accelerate commercialization of clean energy technologies through:

- Advocacy & Education
- Funds Support
- Technology Innovation
- New Financial Vehicles



[www.cleanegroup.org](http://www.cleanegroup.org)

- **Clean Energy States Alliance (CESA)** is multi-state coalition of clean energy programs cooperating and learning from each other, leveraging federal resources (CEG manages CESA) – 20 states.

- Works with CDFI's on clean energy – 8 states.
- Manages national RPS network – 30 states.



[www.cleanenergystates.org](http://www.cleanenergystates.org)

# CDFA

- **The Council of Development Finance Agencies (CDFA)** is a national association dedicated to the advancement of development finance concerns and in. CDFA is comprised of the nation's leading and most knowledgeable members of the development finance community representing 300 public, private and non-profit development entities.
- CDFA provides member organizations support in:
  - Education: Courses, webinars, certification
  - Advocacy: Outreach and legislative efforts
  - Research: Customized, peer-based approach
  - Resources: Online Resource Database
  - Networking: Focus groups, Coalitions, National Summit



# CE+BFI

## *Clean Energy and Bond Finance Initiative*

- **Pilots + Collaboration**

CE+BFI is bringing together state and local development finance agencies and energy offices. Through these conversations, CE+BFI is identifying models of bond finance for clean energy development that will work in individual states.

To push this effort into action, CE+BFI is further cultivating 6-8 pilot states that will agree to actively work towards implementing energy-focused funds and financing clean energy projects.

- **Resources + Writing**

CE+BFI is conducting research, cultivating resources, and producing writing in order to work through the challenges presented by clean energy financing projects.

- **Training + Advising**

To assist the professionals and organizations interested in implementing clean energy bond financings, CE+BFI is available to provide training and consulting services. These include staff education, organizational workshops, program evaluation, research whitepapers, project pipeline development, and more.

- **Advocacy + Leadership**

CE+BFI specifically intends to work with and emphasize finance programs and tools that are currently authorized by federal and state law. When appropriate, CE+BFI will take a leadership role in educating about, and advocating for, existing programs or new bond finance programs.

<http://cleanenergybondfinance.org/>



# State Update

- NYSERDA water bonds guaranty
- Ohio meetings and Port Authority bonds
- California Treasurers and cap and trade
- NJ CHP and bonds
- Oregon meetings
- NYC Sandy insurance charge for bonds
- Other state meetings to come

# Utility Securitization

- Hawaii SBC/bond fund
- Potential new model of securitization of SBCs
- Future use for clean energy investment
- Others have considered (MA)
- Could be future model for scale up

# Asset Class for Investment

- Is it possible in the near term to match private placements of small, clean energy bonds with private investors like foundations and endowments?
- Create through matchmaking a new asset class for mission investors?

# CEBFI Risk Reduction Paper

- Paper to be released at CDFA National Summit
- Scope
- Status
- Purpose
- Release

# CDFA National Development Finance Summit

- Presentation by Green banks
- UK Green Investment Bank
- Federal meetings



# Contact Info

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Montpelier, VT 05602

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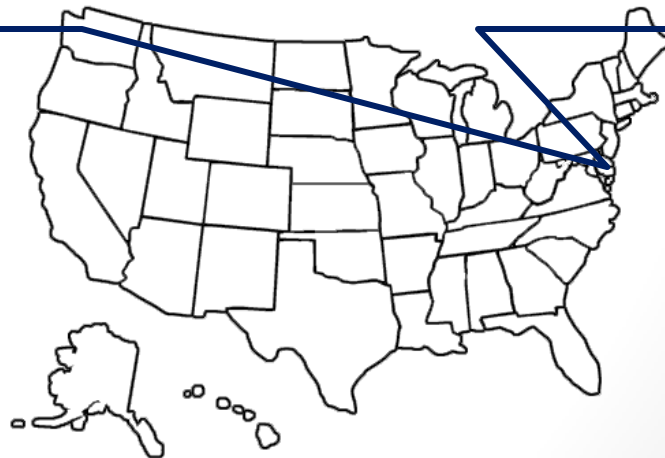
Email: [LMilford@cleanegroup.org](mailto:LMilford@cleanegroup.org)



# DOE & Energy Investment Partnerships

**Ken Alston**

**Special Assistant for Finance  
U.S. Department of Energy  
Washington, DC**



# STATE & LOCAL ENERGY INVESTMENT PARTNERSHIPS



U.S. DEPARTMENT OF  
**ENERGY**

June 2013



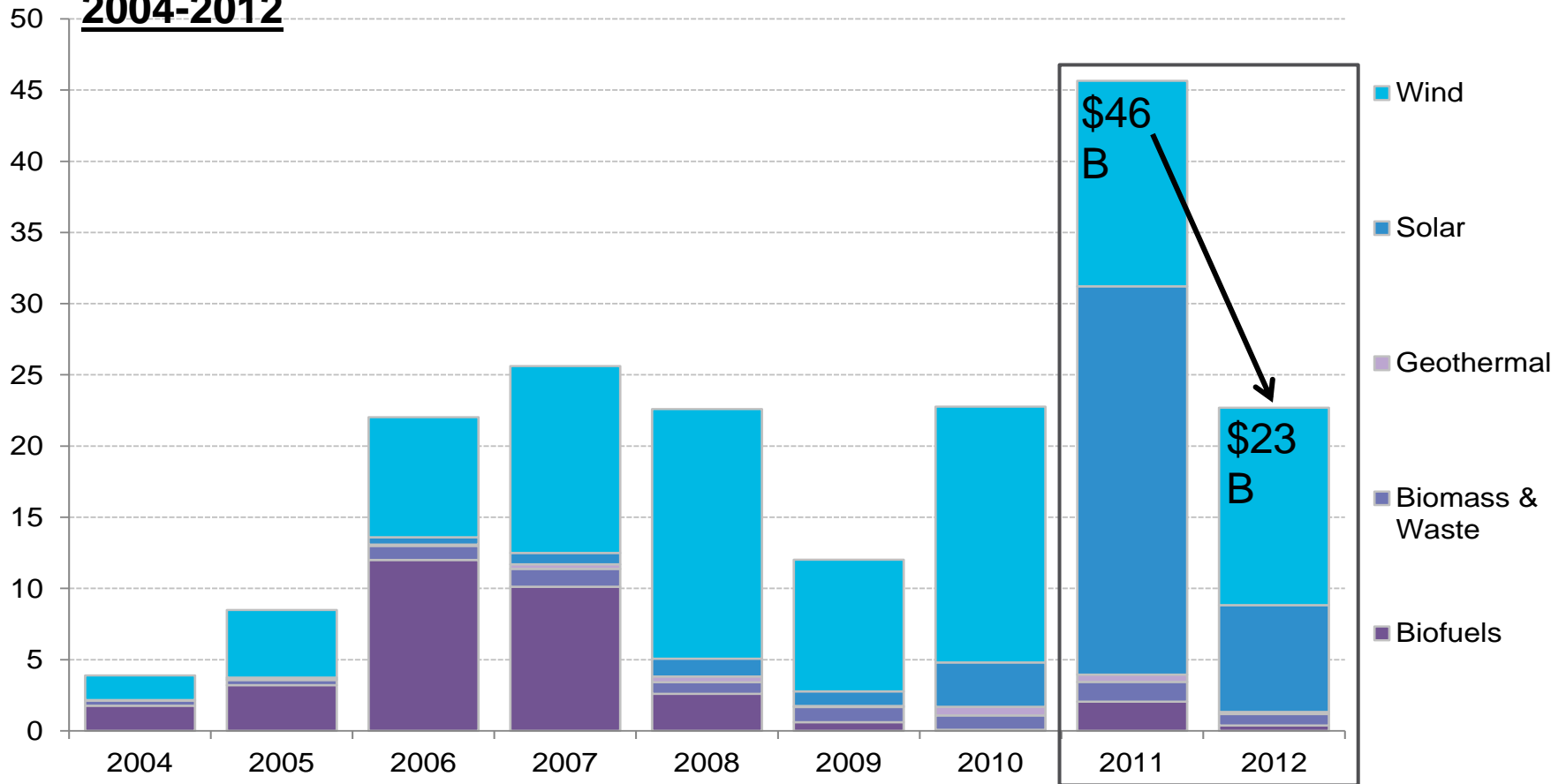
# Overview

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- Status of US Clean Energy Financing
- What is an Energy Investment Partnership (EIP)?
- EIP Models
  - ▣ Open Architecture
  - ▣ Closed Architecture
- DOE Support for EIPs

# Clean Energy Financing has Stagnated

**US Clean Energy Asset Financing by Sector, 2004-2012**



# What is an Energy Investment Partnership?

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- Public-private partnerships
- Authority to raise capital through various means, including bonds, sale of equity, legislative appropriations, dedication of utility regulatory funds, or foundation grants
- Holding a purpose of utilizing loans and credit enhancements to support energy efficiency and renewable energy projects and technologies

# Top-Down Approach

- Potential conduit to capital markets
  - ▣ Because most projects currently rely on non-capital markets, existing approach to financing is expensive, opaque and cumbersome
- At the state level, leveraged public funds can address market failures and help to ensure access to clean energy at rates comparable to existing energy sources
- National models for top-down approach:
  - ▣ EIP Model I: Open Architecture
  - ▣ EIP Model II: Closed Architecture

# Open Architecture

- EIP leverages public funds as credit enhancement or **securitization to raise capital from national banks or bond market**
  - leverage rate payer and tax payer monies
  - explore Community Reinvestment Act
  - ability to obtain foundation funding
- EIP partners with private sector
  - develop risk sharing investment structures
  - build investment pipeline (demand-side and supply-side finance)
  - conduct due diligence
  - standardize contracts
  - **use rated originator and servicer**
  - collect performance data
- **EIP partners with utilities (for consumer loans)**
  - implement on-bill repayment with tariff
  - obtain customer utility history
- **Capital Market Exit Strategy (where appropriate)**

# Closed Architecture

- EIP leverages public funds as credit enhancement or **revolving loan fund to partner with credit unions and local commercial banks**
  - leverage rate payer and tax payer monies
  - explore Community Reinvestment Act
  - ability to obtain foundation funding
- EIP partners with private sector
  - develop risk sharing investment structures
  - build investment pipeline (demand-side and supply-side finance)
  - conduct due diligence
  - standardize contracts
  - **originate and service loans (may or may not be rated)**
  - collect performance data
- **Capital provider maintains loans in their investment portfolio**
  - This effectively becomes a revolving loan fund until credit enhancement is absorbed

# DOE Support for EIPs

- DOE is developing an Energy Investment Partnership Playbook to guide state decision makers and their stakeholders
- DOE is organizing Energy Finance Roundtables, as well as meetings with key stakeholders, to share best practices and facilitate peer-to-peer exchanges. The first roundtable was in Portland, OR with Deputy Secretary of Energy Dan Poneman
  - ▣ Critical public-sector EIP stakeholders include Governors, Treasurers, PUCs, State Energy Offices, State Legislators & Mayors
- DOE will continue to provide direct technical assistance to state and local leaders

# For More Information

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Ken Alston

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# PACE Financing

**Kevin Moyer**

**Executive Director**

**Toledo-Lucas County Port Authority**

**Toledo, OH**



# **Better Buildings NW Ohio & Property Assessed Clean Energy Financing (PACE)**

***“An Economic Development  
Financing Tool”***

***CDFA Webinar***  
**June 20, 2013**

**Kevin P. Moyer, Executive Director**  
**TLCPA Energy Efficiency & Alternative Energy**



# TLCPA Intro - Operational Divisions



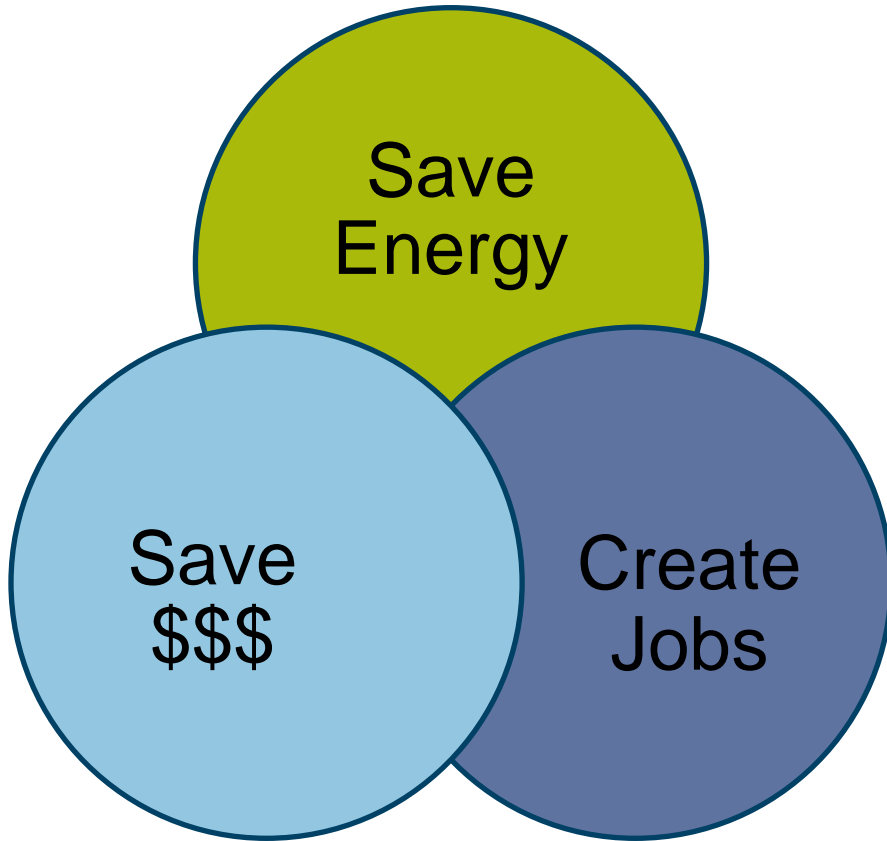
- **Sea Port / Maritime**
  - Foreign Trade Zone
- **Aviation**
- **Passenger Rail**
- **Real Estate Development**
  - BetterBuildings Northwest Ohio & ESID
  - Brownfield Site Industrial Redevelopment
- **Economic Development – Innovative Financing**



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**BetterBuildings Northwest Ohio**  
Improving Buildings Across Northwest Ohio By Financing  
Energy Efficiency Technology

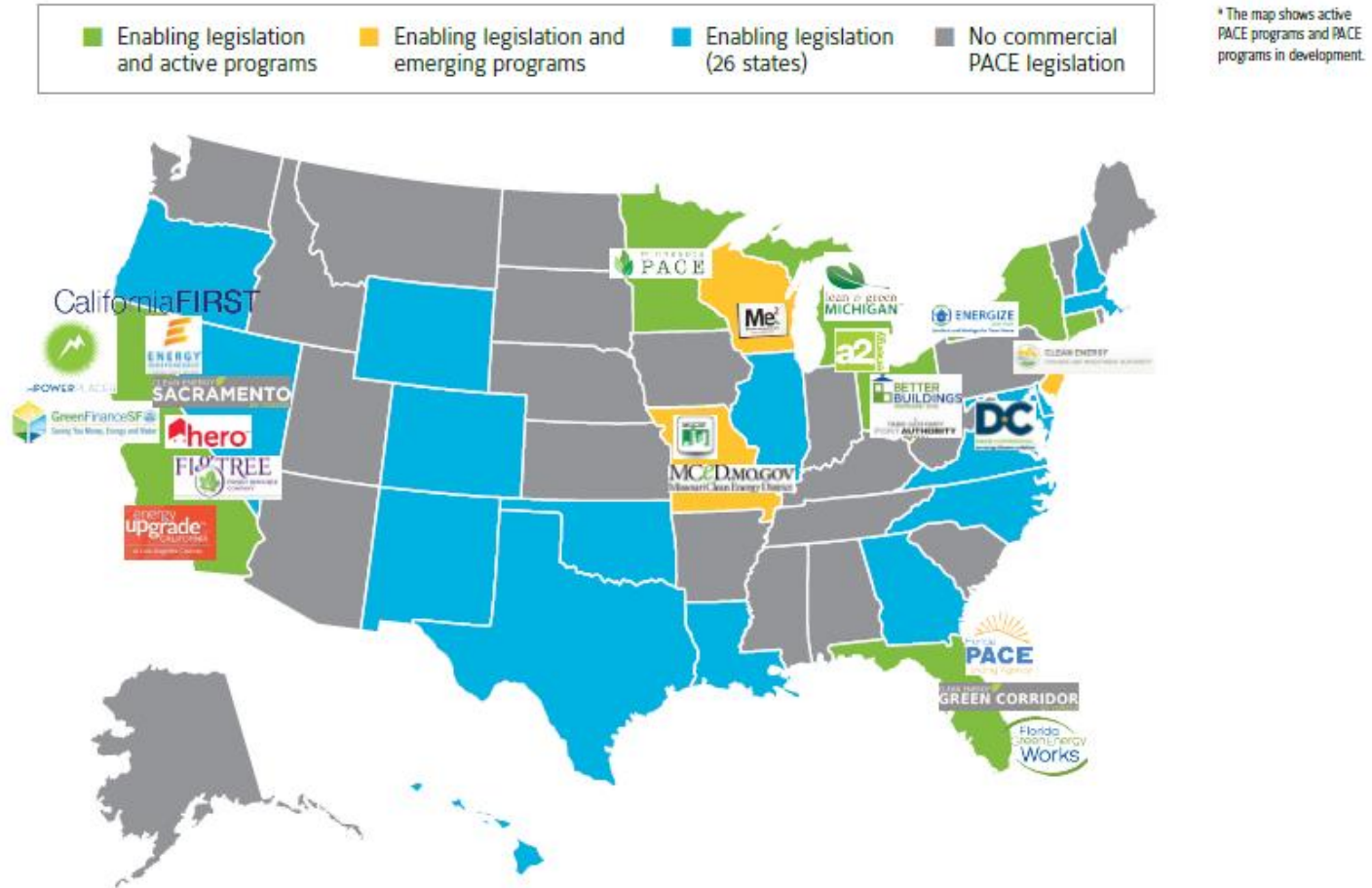
# BetterBuildings NW Ohio - Objectives



- Launch innovative energy efficiency financing – July 2010.
- Direct marketing with channel partners & industry organizations.
- Transform business energy use.
- Target 15% energy savings.
- President's Challenge stretch goals: 20% energy savings on 7.5 million sq. ft. by 2015. \$50 million of projects. Over 100 buildings.
- Build a sustainable energy efficiency financing business.

# PACE Activity in the United States

Figure 2. 2012 Commercial PACE Activity as of December 2012<sup>9</sup>



# What is an Energy Special Improvement District (ESID) in Ohio?

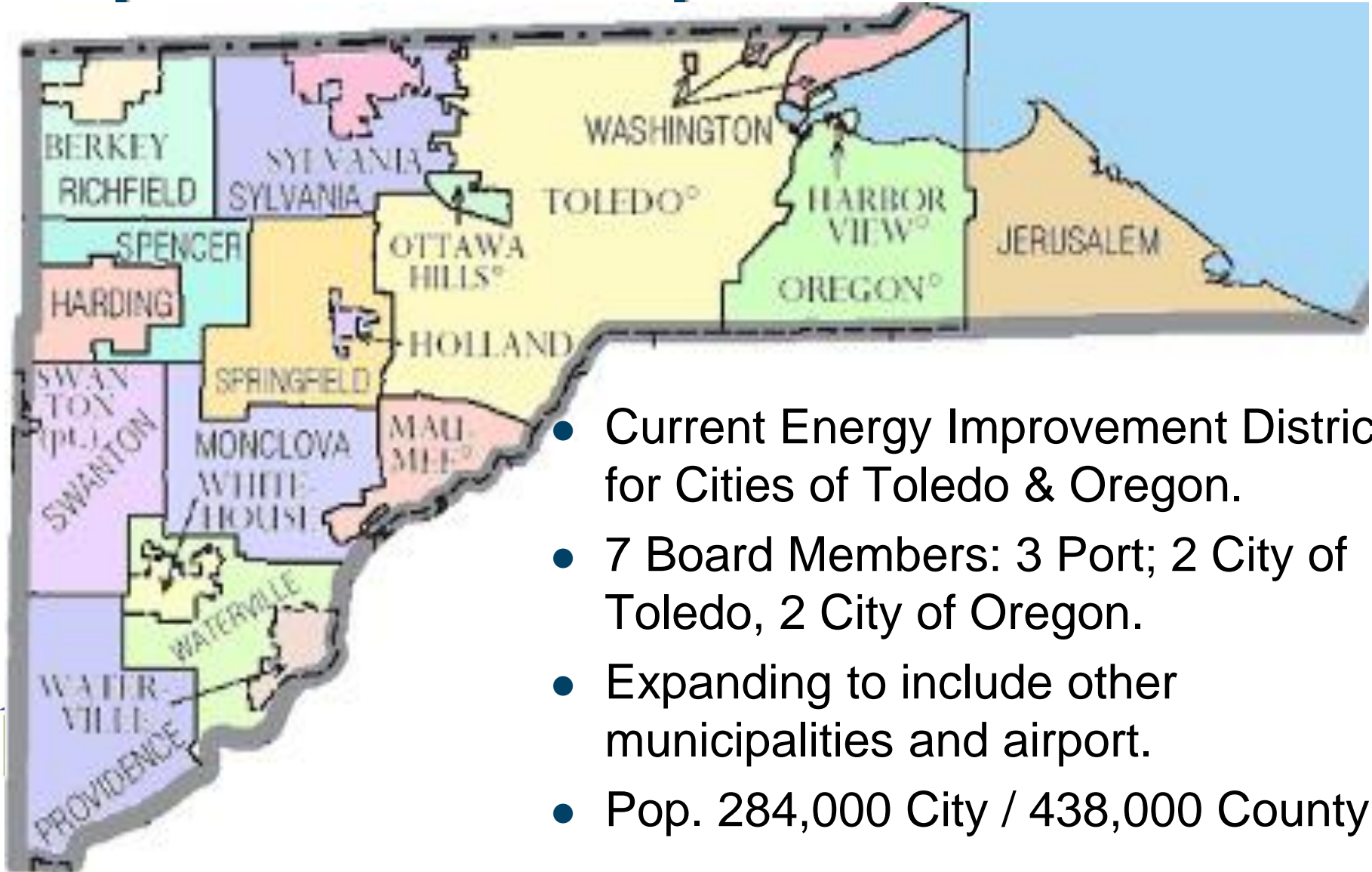
- Form of structure under Ohio Revised Code (ORC)1710 – Special Improvement Districts (SID).
- ORC 727 – Assessments; also applies.
- Governed by a non-profit corporation.
- Commercial property owners can make energy efficiency & alternative energy improvements & pay for them through a special assessment.
- Also know nationally as **PACE** districts or “Property Assessed Clean Energy”.

# Roles for ESID / PACE Formation

## Roles for ESID Formation

<b>Leadership</b>	Could come from city, township, county or non-profit corporation, or private sector.
<b>Legislator</b>	The municipality or the township passes assessments.
<b>Assessor</b>	The county adds assessment to property and bills the assessment for the energy improvements.
<b>Funder</b>	BetterBuildings NW Ohio or other city, county, state, non-profit, economic development groups, ESCO's, 3 <sup>rd</sup> parties, revolving loan funds, bonds or combination.
<b>Management</b>	Generally the non-profit corporation; could use existing economic development group.

# Toledo Ohio Advanced Energy Improvement Corporation



- Current Energy Improvement District for Cities of Toledo & Oregon.
- 7 Board Members: 3 Port; 2 City of Toledo, 2 City of Oregon.
- Expanding to include other municipalities and airport.
- Pop. 284,000 City / 438,000 County.



# BBNWO Program & Market Focus

## Program

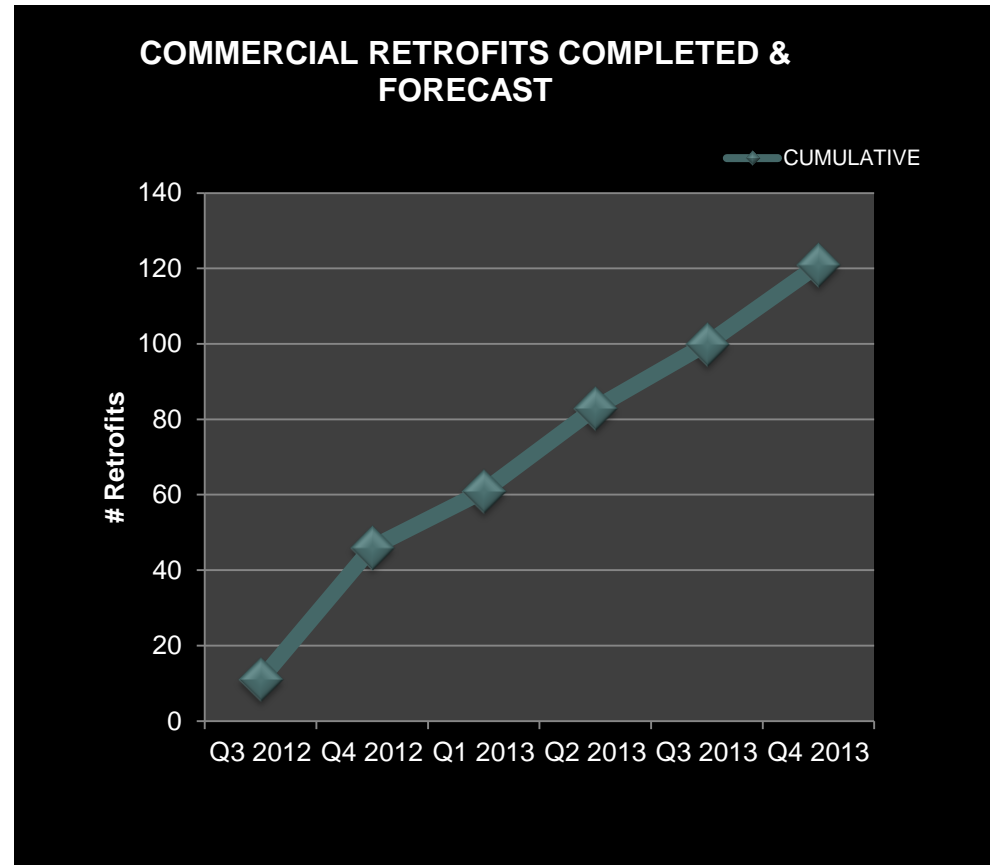
- Providing energy efficiency & building retrofit financing with alternative energy integration.
- Follows DOE EECBG competitive guidelines.
- PACE focus; Ohio Energy ESID statute added on to existing SID & General Assessment statutes.
- Strong Ohio Port statute allows real estate & building ownership, improvement & financing activity.
- TLCPA is quasi-government entity.
- Act as facilitator & market partner.

## Market

- Broad commercial orientation.
- Municipal and non-profit allowed.
- Go to market direct & with partners such as engineering firms, architects, contractors, equipment vendors & energy service co., commercial real estate owners, office park and downtown districts.
- Recent segment focus on grocery, auto dealer, private schools, small healthcare, multi-family, and small municipal.
- Market gap exists for financing - \$50,000 to \$500,000.
- Strong connection to Econ. Dev.

# Results: Strong Project Completion & Transaction Pipeline

- One of the most active energy improvement districts in the US.
- \$20,500,000 of projects completed, \$12,500,000 financed. 60 completed projects.
- Over \$35,000,000 of projects in development.



# Unique Financing Features



- Funding for PACE district provided by combination of Revolving Loan Fund & Bond Pool through NW Ohio Bond Fund, rated BBB+, and managed by Toledo Lucas County Port Authority.
- Taxable revenue backed bonds issued in private placement market to institutional investor; QECBs have been also included.
- Fixed Interest Rates up to 15 years.
- Most recent bonds issued at 4.3%; 10-15 years.
- Rates to borrowers 3.0% - 6%.
- 100% turnkey financing available from audit to construction through long term operation.
- Transaction size \$25,000 to \$10,000,000.
- Ability to aggregate multiple smaller transactions & agreements; PACE Assessments, PPAs, LSAs.

# Financing Underwriting



- Business credit review – 3 years of financials and interim statements.
- Project review - 2 years of energy data on the building with a project plan, cost and energy savings calculations by qualified professional.
- Credit cash flow analysis with project obligation and savings incorporated.
- Review county tax records for property valuation and current on taxes. 10% guideline.
- 10% refundable borrower reserve required.
- Lien search, lender consent.
- In / Out of PACE district.
- Make sure business entity and property ownership entity are vetted and connected.

# One Maritime Plaza – Energy Assessment Example

- Semi-annual payments through county
- Flexible terms
- Covers all implementation and financing costs
- Sign agreement to be assessed... *we do the rest!*



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Parcel : 15-47328		Assessor : 01-005-011.0	
Address : 1 MARITIME PLAZA		TOLEDO OH 43624	
Disclaimer: This data represents a percentage breakdown of amounts due based on current tax values and levies in effect for the 2012 Tax Duplicate, due and payable in 2013.			
<b>Values</b>		<a href="#">Print</a>	
	35% Value (Taxable)	100% Value (Assessed Market)	
Land :	236,150	674,700	Class/Landuse : C/47
Building :	491,680	1,404,800	
Total :	727,830	2,079,500	
<b>Tax Distribution by Government and Fund Type (Purpose)</b>			
<b>Levies</b>	<b>Percentage</b>	<b>Half</b>	<b>Full</b>
LUCAS COUNTY			
GENERAL FUND	2.33%	192.23	384.47
METROPARKS - OPERATING	2.68%	221.11	442.22
MENTAL HEALTH AND RECOVERY	2.92%	240.91	481.82
DEVELOPMENTAL DISABILITIES	5.24%	432.32	864.64
CHILDREN'S SERVICES	2.80%	231.01	462.02
PORT AUTHORITY	0.44%	36.30	72.60
ZOO - IMPROVEMENT	1.17%	96.53	193.06
ZOO - OPERATING	0.99%	81.68	163.36
911 TELEPHONE	0.82%	67.65	135.31
SENIOR SERVICES	0.52%	42.90	85.80
SCIENCE AND NATURAL HISTORY	0.20%	16.50	33.00
SUBTOTAL	20.11%	1,659.14	3,318.30
TOLEDO CITY			
GENERAL FUND	4.43%	365.49	730.98
POLICE PENSION	0.35%	28.88	57.75
FIREMEN PENSION	0.35%	28.88	57.75
SUBTOTAL	5.13%	423.25	846.48
OTHER			
TOLEDO/LUCAS COUNTY LIBRARY	3.38%	278.86	557.72
T.A.R.T.A.	2.92%	240.91	481.82
SUBTOTAL	6.30%	519.77	1,039.54
TOLEDO CITY SCHOOL DISTRICT			
GENERAL FUND	61.80%	5,098.72	10,197.43
BOND RETIREMENT	6.07%	500.80	1,001.59
PERMANENT IMPROV FAC	0.59%	48.67	97.36
SUBTOTAL	68.46%	5,648.19	11,296.38
<b>GENERAL TOTAL</b>	<b>100%</b>	<b>\$8,250.35</b>	<b>\$16,500.70</b>
<b>Special Assessments :</b>			
<b>Project</b>		<b>Half</b>	<b>Full</b>
T.A.S.D.-MOSQUITO		25.51	51.02
PORT AUTHORITY E-SID 1-4-TOL		53,025.00	106050
STREET SERVICES 2 & 3-TOLEDO		209.79	419.58
LIGHTS H SPECIAL REQ.-TOLEDO		275.57	551.14
TREE MAINTENANCE-TOLEDO		64.93	129.86
<b>SPECIALS TOTAL</b>		<b>\$53,600.80</b>	<b>\$107,201.60</b>
<b>Total Taxes :</b>		<b>\$61,851.15</b>	<b>\$123,702.30</b>

# Key Lessons Learned

- Key drivers are buildings with deferred maintenance, equipment end of life and comfort issues which drives quicker management decision and prioritization. Make financing available when customer needs it.
- Energy savings and sustainability somewhat secondary.
- Strong connection to local economic development.
- Partner training and education are important.
- Interest in PACE has increased significantly in Ohio.
- Use project identification to drive PACE district expansion.
- Lender consents have not been a large issue yet.
- Creating Bond Pooling and incorporation with other financing support such as QECBs has not been easy and is time consuming.
- **Future Challenges** still exists for ongoing demand creation, management prioritization, PACE district expansion and shortening project cycle and decision making.

# Multi-Family Properties



- Penetrating market for residential impact.
- SKA Enterprises – 1 building/14 unit property currently under construction
- Vistula Management Company – 14 buildings/250 unit portfolio energy assessed; \$1.4 million in projects identified; currently under review
- Neighborhood Properties – 370 units; application received and under review

# One Maritime Plaza

## *President's Challenge Showcase Project*

- Port Authority HQ & office building.
- Early 80's building – 65,000 sq. ft.
- \$1,000,000 + investment.
- 50% energy savings potential = “Deep Retrofit”.
- Lighting, building controls, cooling tower, mechanical systems, building envelope.
- Create productive work environment.
- Considering CHP project; Capstone MicroTurbine; natural gas cogeneration.





# Toledo Port Authority – Large Industrial, Office, Warehouse Facilities

- \$2,300,000 projects funded
- 1,400,000 sq. ft.
- 7 projects completed;  
1 under construction;  
3 in planning
- Remote building energy management & data tracking system.
- Facilitate tenant energy savings projects.
- Buildings located in PACE energy improvement district.
- **Projects/Energy Savings Include:**
  - Airport terminal & office – 30%
  - Train station & office – 13%
  - Downtown office – 45%
  - 3 Parking facilities – 43%
  - 2 Tenant facilities – 20%
  - 1,952,000 kWh saved

## Next projects:

- Seaport terminal & warehouse
- Several tenant facilities
- Transportation & distribution center



# City of Toledo

## *Wide-scale Energy Efficiency & Public Private Partnership*

- Retrofit 2,000,000 square feet.; 43 Buildings completed or in construction; 1 MW solar array - \$10.5M of projects; Add'l 20 buildings in scope.
- Generate 25%+ energy savings in office buildings; 4,000,000 kwh electricity saved, 100,000 ccf n.gas, 1,300,000 kwh renewable annually.
- Reduce operating costs; generate \$ for general fund and future cost hedge.
- Improve working conditions – lighting & temp.
- Eliminate need for capital due to emergency repairs and service costs.
- Proactive plan for future energy monitoring, asset management and maintenance.
- Turnkey energy assessment, installation and financing.
- Buildings in PACE energy improvement district.



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# City of Toledo – Diverse Building Portfolio

- 19 Fire Stations, Maintenance and Training Facilities.
- 3 Police and Safety Buildings
- 6 Community & Senior Centers
- Health Department and Municipal Court – large prominent downtown buildings
- Environmental Services Building
- 2 Water Treatment Facilities – large high energy use industrial campus locations.
- 6 Transportation, Streets, Water & Sewer Maintenance Facilities, and 5 Miscellaneous Buildings.



# Incorporating Alternative Energy

## *City of Toledo Solar Project: Collins Park Water Treatment Facility*



- \$5 million public/private investment.
- 1mW – 1,300,000 kilowatt hours annually.
- NW Ohio suppliers: IPS, ADG, AP Alternatives, Nextronex, First Solar.
- Also implementing energy efficiency projects.

# Large Industrial Energy User Incorporates Solar



## GM Powertrain – Toledo

- 1.2 MW Rooftop Solar
- Will be largest rooftop solar on an automotive plant in the US.

# Sylvania Tam-O-Shanter Sports Complex

- 87,982 sq. ft. multi-purpose sports facility.
- Upgrades to lighting and controls, HVAC/Automation and VFD's for ice system control.
- Electrical savings - 461,230 kWh/yr.
- 21% energy savings.
- \$46,121 year total costs savings.
- Project Cost - \$313,000
- Simple Payback - 6 years



# Sponsoring Building for Maumee ESID

## Charlie's Dodge Chrysler Jeep Ram

- Combined project with Grogan's Towne Chrysler Dodge \$462,000.
- High performance LED interior/exterior lighting.
- Payback < 4 years.
- 60% reduction in electricity.
- \$150,000/year energy & maintenance savings.
- Included \$61,000 of utility rebates.



# Little Learners Discovery Center

## Berkey, OH

- \$45,000 project for high efficiency propane boilers.
- Switched from fuel oil.
- Business was at risk of closing without retrofit.
- Building is converted church & Sunday school.
- Energy savings >50%.
- Needs lighting upgrade.





# Energy Efficiency is Low Cost Power!

## .....Leadership Required

- Reducing energy is the cheapest cost of new energy generation capacity.
- Leadership Required: Business & Building Owners,; Local Government Leaders and Individuals.
- Opportunity to create local jobs.



- Improve the community.
- Educate & change behavior towards energy.

# Nationally Published White Paper

*Download at:*

[www.toledoportauthority/bbnwo](http://www.toledoportauthority/bbnwo)  
[www.PACENow.org](http://www.PACENow.org)



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institute  
for **building**  
**efficiency**  
an initiative of Johnson Controls

 **PACENow**  
Financing Energy Efficiency

 **Urban Land  
Institute**

## SETTING THE PACE: FINANCING COMMERCIAL RETROFITS



### Issue Brief

Katrina Managan

Program Manager, Institute for Building Efficiency, Johnson Controls

Kristina Klimovich

Associate, PACENow

This report is the result of collaboration by the Johnson Controls  
Institute for Building Efficiency, PACENow, and the Urban Land Institute.

February 2013



**BetterBuildings Northwest Ohio**  
Improving Buildings Across Northwest Ohio By Financing  
Energy Efficiency Technology

# State Clean Energy Finance Initiative

**Rob Sanders**

Senior Finance Advisor

Clean Energy Group

Philadelphia, PA



# **State Clean Energy Finance Initiative (SCEFI): A Federal Credit Enhancement Proposal**

Financial Risk Reduction as a  
Bridge to a New Clean Energy Asset Class

Robert Sanders  
Senior Finance Advisor, Clean Energy Group

CE+BFI Task Force  
June 20, 2013

# Scaling CE through Financial Risk Reduction

- Clean energy: moving from an emerging industry strategy driven by hard costs reduction, to a more mature industry strategy of risk reduction.
  - Challenge to achieving greater scale is efficiently accessing capital markets, reducing financial risk
- Federal policy & resources remain uncertain, but trend continues toward defederalization, greater support for state & local deployment
- Beginning to see state CEFs partnering with state development finance agencies to create virtual “green banks”
- Finance industry professionals – bond counsel, underwriters, project developers – are adapting infrastructure & ED finance tools to clean energy
  - Are convinced investors would welcome an investment grade CE / EE asset class
  - First need to apply proven methods for reducing financial risk in non-clean energy industries to CE
- A new collaboration is forming between capital markets finance intermediaries, state CE funds & development finance agencies.
  - States now aware of role their funds can play as credit enhancement so CE projects access low cost, long term bond financing

# Credit Enhancement – A Powerful Public Policy Tool

- Credit enhancement helps address key problems for state public officials:
  - How do public officials achieve the lowest possible price for solar power?
    - *NJ Morris Model* – county general obligation guaranty of bonds that financed solar developers' PV installations on public buildings
    - Provided lowest possible PPA price for solar electricity installed on public buildings
    - <http://www.cleangroup.org/assets/Uploads/cebfi-model-morris.pdf>
  - How do low-income residents – those who lack capital, can't qualify for bank loans – get solar PV / EE benefits?
    - *Hawaii Green Infrastructure Loan Program* - on-bill repayment with bond financing that is credit enhanced with a dedicated utility surcharge
    - Solar PV, EE & related measures funded with low cost utility tariff-financed bonds that are sold to private investors
    - Renters are able to install solar PV panels with landlord's approval, payment continues to attach to the meter, not the tenant.
    - <http://energy.hawaii.gov/wp-content/uploads/2013/05/PUC-On-bill-Financing-Jay-Griffin.pdf>

# Credit Enhancement – A Powerful Public Policy Tool

- How do public officials pay for resilient power to protect against disaster power outages?
  - *NYSERDA Resiliency Retrofit Fund* - \$30 million resiliency retrofit fund to create loan loss reserve accounts held by lenders/lease financing entities
  - For resiliency improvements: including distributed generation, combined heat & power, battery storage, solar thermal, etc.
  
- How do state CEFs securitize energy loan portfolios when loans have insufficient payment history to be rated?
  - Project energy performance matters for creating market demand, but payment history & credit matter to investors.
  - *NYSERDA & NY Environmental Facilities Corporation (EFC)* – NYSERDA & EFC received US EPA concurrence that EE financing is eligible under EPA’s Clean Water State Revolving Fund (CWSRF) program.
  - Allows for important source of credit enhancement: proposed bond to securitize NYSERDA EE loan portfolio could receive contingent guaranty of NY’s CWSRF funds, plus provision of loan loss/debt service reserve funded by NYSERDA.
  
- credit enhancement is instrumental in reducing financial risk, cost of financing for CE & EE

# State Clean Energy Finance Initiative at a Glance

- SCEFI designed to assist clean energy industry in accessing affordable capital.
- Initiative, housed at the U.S. Dept. of the Treasury, would apply federal support for clean energy development through state-operated financing programs.
- SCEFI would emphasize bond finance.
- Program models receiving support from the Initiative would be loan loss and debt service reserves, letters of credit, loan guarantees, collateral support, subordinated debt, etc.
- State programs supported by the Initiative must achieve a leverage ratio of \$10 in private investment for every \$1 of federal funds.
- Would be a powerful, efficient means of attracting significant private CE investment, keep investment decisions at state & local levels, not Washington.
- Recommended SCEFI capitalization is \$5 billion to leverage \$50 billion in private clean energy investment.



## SCEFI Based on SSBCI

- Based on existing State Small Business Credit Initiative (SSBCI)
  - Passed by Congress as part of the Small Business Jobs Act of 2010.
  - Provides U.S. Treasury Dept. with \$1.5 billion for credit enhancement to bolster state programs that support small business lending.
  - Federal funds are disbursed to states for credit support programs of states' choosing.
  - Goal is to leverage billions of private dollars alongside the public funding
  - Private-to-public capital leverage ratio is 10:1

# SCEFI – Local Decisions that Leverage Private Investment

- CEBFI has proposed SSBCI model should be adapted to raise capital for CE & EE through the proposed SCEFI program
  - Would support private capital providers with loan loss reserves, letters of credit & other credit enhancements for financing of CE projects & companies
  - Helps developers access long term, low cost project financing for on-site CE generation, efficiency & related measures.
  - Helps CE companies finance working capital, equipment, real estate acquisition or improvements to their business premises
- Unlike DOE loan guarantee program, SCEFI does not create any federal guaranty or obligation for state-financed projects.

# SCEFI – Local Decisions that Leverage Private Investment

- SCEFI would be housed in Treasury, but underwriting & credit enhancement decisions would be at state & local levels
- Treasury would develop minimum guidelines for qualified credit enhancement tools, would approve state CE credit support programs
- Each state selects only the credit support programs it wants to operate.
- SCEFI would also require 10:1 private-to-public leverage ratio
- SCEFI would emphasize credit support for bonds, e.g., pooled bond funds, small issue bonds for CE & EE manufacturers.
- funding limit would need to be set by Congress
  - \$5 billion would leverage \$50 billion additional capital for companies & projects in every state
  - requires little if any additional federal administrative burden.

# Conclusion

- SCEFI is at the concept stage
- This initiative strengthens collaboration already underway between capital markets finance intermediaries, state CEFs & state development finance agencies nationwide
- It is hoped this initiative will help meet a key challenge: how to create a CE asset class that is readily traded in capital markets & meets investors' liquidity, diversification, transparency and credit requirements



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# Open Discussion- Questions & Comments

**CE+BFI**

*Clean Energy and Bond Finance Initiative*

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