

A Green Bank for Alaska

A Recent History of Clean Energy Finance in Alaska

Between 2008 and 2015, the Alaska legislature appropriated more than \$900 million for grants supporting home energy efficiency improvements and new renewable energy projects across the state.

In 2008, REAP's advocacy was instrumental in the creation of the state's Renewable Energy Fund (REF). Over the course of seven years, the Alaska legislature appropriated more than \$250 million for REF grants, which leveraged another \$140 million in private and federal funds. Hundreds of grants were awarded to communities and utilities to determine the feasibility of potential developments, and to design and construct projects. During this time, Alaska was investing more per capita in renewable energy than any other state in the nation. The Alaska Energy Authority, which administers the REF, estimates that the 60+ projects so far constructed in whole or in part with REF funds are now saving the equivalent of 30 million gallons of diesel fuel every year.

REAP has also been a strong advocate for energy efficiency over the years, and from 2008 to 2015 the state legislature appropriated more than \$600 million to fund the state's low-income weatherization and home energy efficiency rebate programs. Those programs have helped more than 40,000 Alaskan homes become more energy efficient. Today, the Alaska Housing Finance Corporation estimates those improvements are saving the equivalent of 25 million gallons of heating oil every year.

In 2017, REAP's advocacy helped the passage of legislation that now authorizes municipalities across Alaska to set up Property Assessed Clean Energy (PACE) programs to finance energy improvements on commercial buildings. Under a PACE program, commercial building owners are able to borrow money from their local property taxing authority and then pay the municipality back through a special tax assessment on the building. This type of financing tool attaches the debt to the property, and not the building owner that borrows the money. It also typically gives the borrower more time to repay the loan than a commercial loan would, allowing the annual energy savings from the building improvements to immediately exceed the special tax assessment payments. REAP is now working with the Alaska Energy Authority, PACE experts from around the nation and several interested Alaska municipalities to develop a PACE program that municipal assemblies can adopt.

Alaska's New Fiscal Reality & the Need for a Green Bank

In June 2014, world oil prices collapsed, and they have not gone back up appreciably since then. Because Alaska is so dependent on oil revenues to fund state government, the state's ability to grant fund energy efficiency and renewable energy programs and projects has effectively ended, with no significant state appropriations for clean energy since 2015.

Other states have determined that leveraging private investment through what is known as a "Green Bank" can lead to even faster clean energy growth than state-funded grant programs. Since late 2016, REAP has been educating policy and business leaders about how Green Banks work, including testimony in front of the state legislature. REAP has been consulting with the chief investment officer of the highly successful Connecticut Green Bank, and he has visited Alaska twice in 2017. Connecticut has been especially successful in using its Green Bank to finance PACE loans for municipalities in that state. REAP is now working to build enough support to see legislation introduced that would establish a Green Bank for Alaska. That effort will require resources to educate the public, the media and business and policy leaders through printed materials, public convenings and in-person meetings.

An excellent summary of how Green Banks work by the *Coalition for Green Capital* is included below:

Growing Clean Energy Markets with Green Bank Financing

Green Banks are public finance authorities that use limited public dollars to leverage greater private investment in clean energy. Their goal is to accelerate clean energy market growth while making energy cheaper and cleaner for consumers, driving job creation, and preserving taxpayer dollars. Green Banks deploy public capital efficiently through financing to maximize private investment, and lower the costs of clean energy to spark consumer demand. Rather than rely strictly on grants that cannot bring markets to scale, Green Banks use limited public funds to offer financing that attracts private investment. This way each public dollar goes further and can be recycled. Green Banks also facilitate market development by working with originators and lenders, and offering the information consumers and businesses need to confidently purchase clean energy. By connecting capital supply and customer demand, Green Banks grow markets.

Green Banks produce a number of benefits for states beyond just growing clean energy markets:

- *Low-Cost Market Growth – Green Banks aim to make energy cleaner *and* cheaper, and do it by using public dollars for financing, rather than grants, which is less costly for taxpayers.

- *Private Sector Leverage – Green Banks seek to “crowd-in” private investment currently on the sidelines, and can leverage \$10 of private capital for each public dollar used.

- *More Efficient Government – Green Banks preserve and recycle public dollars through financing, allowing government to get greater “bang for the buck.”

- *Job Creation & Economic Development – 100% financing reduces barriers to demand, so investment in energy efficiency and in-state renewables means more jobs and growing businesses to meet that demand.

*More Money Back in Citizens' Pockets – Green Bank financing allows more citizens to lower energy bills through deep efficiency retrofits, and offers a way for government to lower reliance on expensive grants.

Connecticut created the first Green Bank in the country in 2011, and has already achieved tremendous growth. In FY15, that Green Bank facilitated \$365 million in total clean energy investment. This is 10 times greater than total investment in the state only four years earlier under the prior grant-making policy regime. The Connecticut Green Bank has created thousands of jobs, and expects to stimulate over \$600 million of investment next year alone. New York, Hawaii, California and Rhode Island also have Green Banks. And Maryland, Washington, DC, Delaware, Virginia, Colorado, Nevada and others are currently exploring Green Bank creation.

Green Banks are a win-win-win situation: consumers save money by choosing clean energy; businesses and investors have new growth opportunities; and governments can replace expensive grants with value-generating loans.