

# 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 dollars 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). Since that time, hundreds of grants have been awarded to communities and utilities to determine the feasibility of potential projects, and to design and construct projects. Over the course of the next seven years, the Alaska legislature appropriated more than \$259 million for REF grants which leveraged at least another \$140 million in private and federal funds. During this time, Alaska was investing more in renewable energy per capita than any other state in the nation. The Alaska Energy Authority, which administers the REF, estimates that the 80+ projects so far constructed in whole or in part with REF funds are 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 50,000 Alaskan homes become more energy efficient, with an average energy savings of 30% per household. Today, the Alaska Housing Finance Corporation estimates those improvements are saving the equivalent of 28 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 improvement on commercial buildings. Under a PACE program, commercial building owners are able to borrow money from their local property tax 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. When that is accomplished, those municipalities and boroughs will still face the challenge of finding the dollars to lend to commercial building owners. Unlikely to want to use their own respective limited bonding authorities, those tax assessment districts will need a working source of capital to make PACE work. In Connecticut, that role is filled by the Connecticut Green Bank which loans to municipalities and is repaid as municipalities receive payments from the special PACE tax assessments.

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

In June 2014, world oil prices collapsed and have not recovered 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.

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 early 2017, 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 Bert Hunter, the vice president and chief investment officer of the highly successful Connecticut Green Bank, and he has so far visited Alaska three times. REAP has also been working with the Coalition for Green Capital (CGC), a leading non-profit think tank working to support the creation of new green banks across the world. REAP is working to build support to establish a green bank for Alaska. This could be done through the existing Alaska Industrial Development and Export Authority (AIDEA), through separate legislation, or through an entity such as the Municipality of Anchorage (MOA). The MOA recently committed to the first stage of a contract with CGC to analyze the market for a Municipal Green Bank in Anchorage.

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 FY19, the Connecticut Green Bank will facilitate more than \$500 million in clean energy investment. That 2019 figure is greater than the state's total 10-year investment under its prior grant-making regime. The Connecticut Green Bank has created more than 13,000 jobs, and stimulated more than \$1.5 billion in new investment since its creation. New York, Hawaii, California, Rhode Island, Michigan, Nevada, Colorado, New York City, and Washington, DC, also have some form of green bank and other municipalities, states and nations around the world are currently exploring green bank creation.

Green banks create a 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.

#### **Additional Resources**

Coalition for Green Capital website: <a href="http://coalitionforgreencapital.com">http://coalitionforgreencapital.com</a>

Connecticut Green Bank website: <a href="https://ctgreenbank.com">https://ctgreenbank.com</a>