

DAY ONE PROJECT

An Initiative to Build the National
Climate Bank

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Summary

The next administration should support legislation to fund the National Climate Bank, a non-profit that will create millions of jobs through public-private investment in clean energy and climate-related technologies. Built on the successful “green bank” model, the Climate Bank will spur \$500 billion of private and public investment, create 5.4 million jobs, and reduce greenhouse-gas emissions while driving capital into frontline and environmental-justice communities.¹ Legislation to support this policy passed the House of Representatives with billions of dollars in funding in July. The administration can enact this policy by including funding for the National Climate Bank in its climate and infrastructure-oriented stimulus proposals to Congress.

Challenge and Opportunity

Approximately 30 million Americans—one in five workers—are collecting unemployment benefits.² Labor-force participation is at its lowest level in nearly fifty years.³ These figures are worse than anything seen during the Great Recession. Deep, forward-thinking, and transformative measures are needed to revitalize our economy and open stable, well-paying opportunities for working Americans. Yet Congress has focused exclusively on short-term relief.

The next administration must quickly correct this error by investing substantially in job creation. Investments should meet three critical requirements:

- Address the climate crisis. There is nearly boundless opportunity for investing in clean generation, movement, use, and storage of energy. Our nation’s economic recovery and transition to a carbon-free, resilient energy future should be one and the same.
- Ensure equity and inclusivity. We cannot have a just transition to a green future unless everyone shares in the gains. Achieving equity and inclusivity will involve using finance to lower energy costs for those paying too much for their utility bills. It will also involve strengthening frontline and communities of color through investment, job creation, and wealth creation.
- Leverage co-investment by the private sector. Matching each federal dollar with multiples of private-sector dollars will make public funds go farther, lessen taxpayer burdens, and entice private market growth.

¹ Schub, J. (2020). Expert Report: Clean Energy Jobs Fund Can Put 1 in 4 Americans Back to Work. Coalition for Green Capital. Available at <https://coalitionforgreencapital.com/expert-report-clean-energy-jobs-fund-can-put-1-in-4-americans-back-to-work/>.

² Cohen, P. (2020). Rise in Unemployment Claims Signals an Economic Reversal. The New York Times, July 23 (updated July 30). Available at <https://www.nytimes.com/2020/07/23/business/economy/unemployment-economy-coronavirus.html>.

³ U.S. Bureau of Labor Statistics. (n.d.). Labor Force Participation Rate [CIVPART]. Retrieved from FRED, Federal Reserve Bank of St. Louis. Available at <https://fred.stlouisfed.org/series/CIVPART>.



Transitioning the United States to a 100% clean electric grid over the next 20 years will require an estimated \$225 billion of new investment per year.⁴ We are far short of this benchmark. Only \$78 billion was invested into U.S. clean energy in 2019.⁵ Investment shortfalls and barriers can and must be overcome through an influx of public capital, with a particular focus on investing in underserved, frontline communities and communities of color.

Plan of Action

The next administration should endorse the National Climate Bank Act in Congress to put Americans back to work building our nation's clean-energy future. The National Climate Bank created under this Act would be an independent, nonpartisan, nonprofit finance entity that would use federal funds to mobilize greater private investment to address climate change. The next administration should, therefore, include funding for the National Climate Bank in stimulus proposals.

Building off of the "green bank" model already proven at the state and local levels, the National Climate Bank could use \$35 billion of federal funds to achieve \$500 billion of investment in domestic clean energy and climate-related infrastructure in just five years. This level of investment would create an estimated 5.4 million jobs spread across the country (since clean-energy projects are needed in every community). This level of investment would also create opportunities for workers of all skillsets, not just technical workers. No new authority or government agency is needed to create the National Climate Bank as an independent nonprofit. Legislation is only needed for seed funding.

The National Climate Bank would invest across a broad set of sectors to ensure that communities can build the climate solutions they most need: solutions that include renewable-power projects, building efficiency and electrification, clean transportation, industrial decarbonization, improved grid infrastructure, sustainable agriculture, and resilience efforts. This model works. State and local green banks across the United States have already catalyzed over \$5 billion of investment into such solutions, with each green bank dollar driving an average \$2.60 of private co-investment.⁶

Solutions financed by green banks are not only environmentally prudent, but materially improve economic well-being for individual Americans as well. For instance, alternative underwriting criteria can give low-income communities access to rooftop solar and efficiency projects that lower home energy bills. Coupling roof replacement with solar energy increases community

⁴ Wood Mackenzie. (2019). Decarbonising US power grid 'may cost US\$4.5 trillion. Available at [https://www.woodmac.com/press-releases/decarbonising-us-power-grid-may-cost-us\\$4.5-trillion/](https://www.woodmac.com/press-releases/decarbonising-us-power-grid-may-cost-us$4.5-trillion/).

⁵ Bloomberg NEF. (2020). Clean Energy Investment Trends, 2019. Available at <https://data.bloomberglp.com/professional/sites/24/BloombergNEF-Clean-Energy-Investment-Trends-2019.pdf>.

⁶ American Green Bank Consortium. (2020). Green Banks in the United States: 2020 US Green Bank Annual Industry Report. Available at <https://greenbankconsortium.org/annual-industry-report>.

resilience while lowering home-insurance costs. Improving building efficiency for small businesses enables small businesses to hire more workers thanks to lower operating expenses.

The National Climate Bank would also be uniquely positioned among federal agencies to advance equity and environmental justice nationwide. The National Climate Bank could and should direct investment towards frontline and communities of color, delivering benefits like job creation, lower energy costs, and increased public health. The National Climate Bank would also be flexible and nimble enough to quickly respond to community needs as they emerge. By combining multiple financing tools (e.g., co-investment, subordinated debt, credit enhancements) with market-development strategies, the National Climate Bank would leverage new private investment and reach untapped markets. Finally, the National Climate Bank would only directly finance projects that are national in scale. For all other projects, the National Climate Bank would partner with local leaders to form state and local green banks where they don't already exist. Such decentralization would ensure that funded projects are tailored instead of "one size fits all" and that project benefits and wealth accrue within targeted communities instead of leaking out and trickling up.

There is already considerable support for a national green bank in Congress. Senators Ed Markey and Chris Van Hollen and Representative Debbie Dingell introduced the National Climate Bank Act in 2019.⁷ And the policy (under the name Clean Energy and Sustainability Accelerator) was included in the \$1.5 trillion Moving Forward Act that recently passed by the U.S. House of Representatives.⁸ Establishing a national green bank was a key recommendation of the House Select Committee on the Climate Crisis,⁹ and is part of the House Energy & Commerce Committee's CLEAN Future Act.¹⁰ Nearly 100 organizations, including environmental organizations and industry associations, have signed a letter of support for a national green bank.¹¹ Polling shows that 7 in 10 Americans—including a majority of independents and Republicans—support the funding and creation of the National Climate Bank.¹² Finally, the idea of a national green bank was endorsed by multiple presidential candidates including Jay Inslee, Elizabeth Warren, Pete Buttigieg, Julian Castro, and Kamala Harris. The next Administration can harness this legislative and popular momentum and fund the NCB through stimulus.

⁷ H.R. 5416 — National Climate Bank Act. Text available at <https://www.congress.gov/bill/116th-congress/house-bill/5416?q=%7B%22search%22%3A%5B%22national+climate+bank%22%5D%7D&s=1&r=1>.

⁸ Haggerty, J. (2020). National Climate Bank amendment added to House's pro-solar infrastructure bill. pv magazine USA. Available at <https://pv-magazine-usa.com/2020/07/01/national-climate-bank-amendment-added-to-the-houses-pro-solar-infrastructure-bill/>.

⁹ Sobczyk, N.; Dillon, J.; Dumain, E. (2020). Here's the skinny on the Democrats' jumbo climate plan. E&E News, July 1. Available at <https://www.eenews.net/stories/1063483561>.

¹⁰ House Committee on Energy & Commerce. (2020). E&C leaders release framework of the Clean Future Act, a bold new plan to achieve a 100 percent clean economy by 2050. Available at <https://energycommerce.house.gov/newsroom/press-releases/ec-leaders-release-framework-of-the-clean-future-act-a-bold-new-plan-to>.

¹¹ Coalition for Green Capital. (2020). Nearly 100 Groups Mobilize to Push Congress for Clean Energy Jobs Fund in Infrastructure Bill. Available at <https://coalitionforgreencapital.com/nearly-100-groups-mobilize-to-push-congress-for-clean-energy-jobs-fund-in-infrastructure-bill/>.

¹² Coalition for Green Capital. (2020). CGC Polling Results: 4 out of 5 Voters Nationally want Government to Invest in New Jobs in Clean Energy. Available at <https://coalitionforgreencapital.com/wp-content/uploads/CGC-Clean-Energy-Jobs-Fund-Polling.pdf>.

Frequently Asked Questions

Why do we need public funding for climate investment? Don't private capital markets work fine?

In some geographies and for certain customers, there is ample private capital to finance technologies like utility-scale solar and wind projects. The same is true of efficiency projects for high-credit owners of large buildings. However, we can't transition to a clean-energy economy and sustainable climate future on the timeline we need by investing in only a subset of people and places. Clean-energy and climate solutions must be distributed fairly across the United States without raising costs. But right now, very little private capital flows into low-income or communities of color for any climate-related activity. And many solutions—such as reforestation, industrial decarbonization, electric-vehicle fleet replacement, and distributed energy storage—are undercapitalized for all communities. The National Climate Bank will address these market failures, catalyzing private investment in underserved technologies and communities to the benefit of all Americans.

Why form the National Climate Bank as a non-profit?

The National Climate Bank must be non-political to succeed. Companies and investors must view the National Climate Bank as a trusted and stable market participant that they can securely contract with for multiple decades. This will not be the case if the Bank's short-term viability vacillates with changing administrations and national fiscal conditions. This truth has been sadly proven out by green bank institutions in and outside the U.S. that have been hampered or shut down by changing political conditions.

Studying existing green banks (such as state and local green banks) provides strong evidence that a national-level green bank will only work if it operates outside of government. The government-owned Connecticut Green Bank, for instance, was operating successfully but nevertheless had funding swept back as part of a fiscal austerity measure. The government-owned Australian national green bank, the Clean Energy Finance Corporation, has had its mission and operating procedures altered regularly as different political parties have come into power.

While the National Climate Bank should be formed as an extra-governmental non-profit, it should still coordinate closely with federal, state, and local government to utilize incentives, rebates, and tax credits and to optimize program design for efficient delivery of capital.

Doesn't the Department of Energy Loan Programs Office already do this?

The Loan Programs Office (LPO) is a “commercialization”-focused tool within the federal government. As such, there are stringent constraints on the kinds of projects the LPO can fund. The LPO also has limited financing tools at its disposal and cannot prioritize investment in underserved communities. The result is that the LPO has not closed a clean-energy loan in nearly a decade. This lack of investment is partly due to the political impact of being within government. The LPO was hampered post-Solyndra, and has been effectively shut down during the Trump administration.¹³ Political influence has sadly undermined the legitimacy of the LPO, a finance entity that still has tens of billions of dollars of unused investment capacity. Reviving or reforming the LPO are worthy goals, but would still not be a substitute for creating a National Climate Bank.

How will the National Climate Bank relate to existing state and local green banks?

The National Climate Bank will provide technical assistance to geographies that want but do not have green bank. The National Climate Bank will also provide capital to help new and existing green banks finance projects. These roles are critical given that lack of local public funds to capitalize state green banks is the main barrier to green-bank growth.¹⁴ Lastly, the National Climate Bank will only directly finance projects of regional or national scale (e.g., a long-distance transmission line for renewable energy). Otherwise, most financing activity of the National Climate Bank will flow through the state and local green banks with which it partners.

Does the National Climate Bank really need so much money? Is that much necessary?

The climate investment gap is considerable in the U.S. Investing federal funds in a National Climate Bank allows each public dollar to be multiplied, moving us significantly closer to filling that gap. Modeling has shown that in just five years, if the National Climate Bank received \$35 billion of public capital, for example, that could catalyze nearly \$500 billion of total investment.¹⁵ This is because public funds will be multiplied in 3 ways through a Climate Bank. First, it will finance projects using techniques that leverage multiple private dollars for each public dollar deployed. The second is that public dollars will be recycled and then re-lent out for future investment because they are used for financing, rather than grants. And the third is that, over time, the National Climate Bank will be able to directly borrow private capital onto its balance sheet based on its track record and investment income. This means the National Climate Bank can ultimately triple its own investment capacity beyond its initial capitalization (which is conservative from a risk perspective, as typical commercial banks leverage their balance sheets

¹³ <https://www.nytimes.com/2020/04/30/climate/clean-energy-loans-coronavirus-trump.html>

¹⁴ Based on field building experience and information gathering from the Coalition for Green Capital. (not sure if this meets bar, but that's what it is based on.

¹⁵ “Bounce Back Greener: The Economic Impact Potential of a Clean Energy Jobs Fund in the USA,” Vivid Economics, June 2020. <https://www.vivideconomics.com/casestudy/bounce-back-greener-the-economic-impact-potential-of-a-clean-energy-jobs-fund/>

DAY ONE PROJECT

10:1). Collectively these financing methods (which are proven and standard across development banks, commercial banks and green banks), will allow the National Climate Bank to drive far more investment than its initial appropriation. The more public funds the National Climate Bank is given up front, the greater this multiplicative effect is and the closer we can get to entirely filling the climate investment gap.



About the Author

Jeffrey Schub is the Executive Director of the Coalition for Green Capital (CGC), the leading expert organization and advocate for green banks that use public capital to accelerate private investment to halt climate change. Jeff directs CGC's development, federal initiatives, and state projects, which have led to over \$4 billion of investment into renewable power, building efficiency, and other mitigation technologies. Jeff speaks regularly around the world on green banks, including at events hosted by the White House, the U.S. Department of Energy, the OECD, and the American Council for an Energy-Efficient Economy. He has lectured at Yale and Columbia Universities and is a Visiting Expert at the Center for Business and the Environment at Yale. Jeff holds an MBA from the Yale School of Management and BAs in economics and public policy, both from Brown University.



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