

**Statement of Ken Berlin**  
**Coalition for Green Capital Action Fund**  
**One Page Summary**  
**July 12, 2012**

The Coalition for Green Capital Action Fund is an organization of clean energy executives and financial leaders committed to establishing entities that provide low interest rate financing to clean energy and energy efficiency projects. These entities have often been called green banks.

Green banks are designed to support projects that require low cost financing so that they can both provide a fair return to the private investors and still deliver cheap energy. Our basic mantra in developing green banks has been that all loans have to be repaid. And we have been proposing entities that could attract both public and private funds.

As the Subcommittee considers the role of the federal government in America's energy future, I urge you to focus on six points: (1) America needs growth industries and the clean energy industry is likely to be one of the great growth industries of the 21<sup>st</sup> Century; (2) low-cost capital for energy projects helps consumers and suppliers, lowers the price of clean energy, and creates jobs and economic value, and overcomes market failure; (3) green banks can and should be designed to protect taxpayers by focusing on technologies that are established and very low risk; (4) there is strong demand for clean energy projects at the state level including in states with both Republican and Democratic leaders and the federal government can help the states by providing low cost financing for the state efforts; (5) low cost financing is needed to cure a market failure that holds back innovation in the energy industry and which makes it difficult for even great new energy technologies to be successfully brought to market; and (6) low cost financing is not needed because energy generation projects are too risky to be financed by the private sector.



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Good morning Mr. Chairman, Ranking Member Rush, and members of the Subcommittee. My name is Ken Berlin and I am the General Counsel and the Senior Vice President of Policy and Planning for the Coalition for Green Capital Action Fund. I previously served as the head of Environmental and Climate Change Practices at Skadden, Arps, Slate, Meagher and Flom.

The Coalition for Green Capital Action Fund is an organization of clean energy executives and financial leaders committed to establishing, at the state and federal levels, entities that provide low interest rate financing to clean energy and energy efficiency projects. These entities have often been called green banks, as in the bill introduced by Congressman Chris Van Hollen in January 2009, entitled "The Green Bank Act of 2009." Under another name, that legislation was passed out of committee by a huge bipartisan majority later in 2009, and included in the Waxman-Markey climate change bill.

During the past two years, we have concentrated our efforts at the state level, passing legislation to establish the first state green bank in Connecticut in 2011. We are now working to establish green banks in at least 12 other states.

Green banks are designed to support projects that require low cost financing so that they can both provide a fair return to the private investors and still deliver cheap, clean energy. Our basic mantra in developing green banks has been that all loans have to be repaid. And we have been proposing entities that could attract both public and private funds.

One thing that we have found in our work is that, as at the federal level, creating these entities draws strong bipartisan support from state legislators. In Connecticut where the state passed the first law establishing a green bank, the Senate voted 36-0 and the House 139-8 to support the bill. We have found similar bipartisan support in all the states in which we have been working.

As the Subcommittee considers the role of the federal government in America's energy future, I urge you to focus on six points: (1) America needs growth industries and the clean energy industry can be one of the great growth industries of the 21<sup>st</sup> Century; (2) low-cost capital for energy projects helps consumers and suppliers, lowers the price of clean energy, creates jobs and economic value, and overcomes market failure; (3) green banks can and should be designed to protect taxpayers by focusing on technologies that are established and projects that will result in the loan being repaid; (4) there is strong demand for clean energy projects at the state level including in states with both Republican and Democratic leaders and the federal government can help the states by providing low cost financing for the state efforts; (5) low cost financing is needed to cure a market failure that holds back innovation in the energy industry and which makes it difficult for even great new energy technologies to be successfully brought to market; and (6) contrary to some misconceptions, low cost financing is not a way to substitute for private capital on the grounds that energy generation projects are too risky to be financed by the private sector.

First, America needs growth industries and our energy sector needs more investment. In light of those two important needs, it is timely to consider policies that promote investment by the private sector in new energy projects. Every energy sector in

America -- and let me emphasize *every* energy sector -- has benefited from direct government assistance, and some energy sectors have been getting those tax breaks and other benefits for decades. But we don't know the extent to which direct government support will continue in this time of budget austerity. In this harsh budget environment, we see an important role for low-cost financing for energy projects to add to the tax policies that have traditionally supported the energy industry. Thus, while tax credits are an important tool to lower the cost of renewable energy projects, they need not be the only tool. Because clean energy projects are so capital intensive, another effective mechanism is to lower the cost of capital. Government entities that make loans at below-market rates along side private investment can accomplish this goal.

Second, low-cost financing for clean energy projects benefits everyone in the market. It helps consumers by lowering the kilowatt hour price of electricity. It helps project owners by giving them access to capital. It helps create jobs and economic value by moving these labor-intensive projects from drawing board to the construction phase. It helps drive *private sector spending* and private sector investment in R&D, since greater demand for current technologies sparks a virtuous cycle that will lead to next year's and next decade's breakthroughs.

Third, we think that these low-cost financing programs can and should be designed to protect taxpayers by ensuring the loans get repaid. In that regard, I point to you two examples, one at the State level and one at the Federal level, to illustrate how these programs can work. In Connecticut, the legislature on a broad, bipartisan basis adopted legislation last year creating the Clean Energy Finance and Investment Authority. CEFIA is the nation's first full-scale clean energy finance authority. CEFIA encourages

consumers and suppliers to support clean energy and energy efficiency by offering low-cost financing opportunities. The Connecticut authority has the ability to give out low-interest loans to support proven clean energy technologies. But its purpose is broader: CEFIA will help stimulate demand for clean energy within the state and motivate private funding for clean energy technology.

Another example is the Overseas Private Investment Corporation. OPIC was created in 1969 to provide international development finance. Since its inception, OPIC has supported over 4,000 projects providing \$200 billion of investment in 150 countries and, in the process, generated \$74 billion in U.S. exports and supported more than 275,000 jobs. Each dollar of OPIC support has catalyzed, on average, more than \$2.50 in additional investment. Structured like a private corporation, OPIC budget is fully self-sustaining from its own revenues by charging interest and premiums for its loan activity and it operates at no net cost to U.S. taxpayers. In fact it has recorded a positive net income for every year of operation. The discipline of being self-sustaining has served OPIC well because it forces the agency to focus on commercially viable projects that have a high likelihood of pay back but are not able to access market financing for one reason or another.

Fourth, there is strong demand for clean energy projects in both red and blue states. Over 30 states have created renewable portfolio standards, which reflect that demand. There is very strong demand for clean energy projects in red states like Texas and North Dakota. Low cost financing helps ensure that this demand can be met without raising the cost of electricity to consumers.

Fifth, support for clean energy projects is necessary if we hope to create new clean energy industries, not only because they are demanded by the states, but also because they are needed to keep the American economy the strongest in the world. Without government support while the cost of clean energy drops, as it is rapidly doing, the U.S. will neither have a sustainable economy nor create clean energy industries. In the energy market, where consumers get only identical electrons and not differentiated electricity depending on the mode of generation, even great new technologies cannot be brought to market if they are even slightly more expensive than existing technologies. That is why retail prices matter. Technology development will be stifled, industries lost and the U.S. will lose competitiveness if it cannot first introduce and then bring down the cost curve new energy technologies.

Sixth, it is not true that green banks substitute for the refusal of commercial banks to finance energy generation using proven clean energy technologies. Green banks do not crowd out private lending; they facilitate it by lowering the overall cost of capital and thus making the off-take price competitive. Energy generation projects are extremely low risk. Instead, low cost financing is needed to lower the cost of the project enough that the sponsor can get a fair rate of return without raising the delivered cost of electricity.

We have argued for support of risk free clean energy technologies and that is the focus of the work of our Coalition. Higher risk energy manufacturing projects, however, can be supported, but they need a different model, a different "window" in a lending entity, and a different commitment by the Congress. Risky projects either need a venture capital type model that protects against failure by taking an interest in successful

companies or a model that includes large reserves that protect against risk. There will be failures in such projects, but with the right model, a portfolio of projects can on an overall basis be protected against undue risk. To ensure that decisions involving high risk projects are strictly made for economic reasons, we recommend that such an entity be independent of government micro-managing and structured to permit effective project selection by normal private sector techniques.

In conclusion, we think there is a big role for government-supported low-cost financing now and in the future and we think this Committee should seek ways to promote that financing. Given the uncertain prospect of tax support for many clean energy projects, we think the time has come to focus attention on a sustainable way to provide low-cost financing to these projects while also benefitting consumers, promoting job creation, ensuring technological innovation, and protecting taxpayers.