

Bill Number: HB 1426

March 9, 2020

Organization Submitting Testimony: Montgomery County Green Bank

Individual Submitting Testimony: Thomas Deyo, CEO

Position: In Favor of House Bill 1426 - Economic Development - Advanced Clean Energy and Clean Energy Innovation Investments and Initiatives

Dear Mr. Chair, Madam Vice-Chair, and Members of the Economic Matters Committee:

Hello. I am Tom Deyo, CEO of the Montgomery County Green Bank. I am here to request your favorable support for HB 1426. This bill recognizes the importance of clean energy investment to address the climate response needs and support clean energy jobs in the state.

The bill focuses on three areas that we believe benefit the state and are expanded on later in this letter.

- A broad focus on clean energy technologies.
- Public-private models that can bring scale to the clean energy marketplace.
- A publicly sponsored entity with independent capabilities to work with the private financial sector. The Maryland Clean Energy Center is an entity of such nature.

The Montgomery County Green Bank could be considered a local variation on the emphasis of this bill, and an example of how the strategy of the bill can be realized.

The Montgomery County Green Bank is a County-chartered, independent nonprofit dedicated to accelerating clean energy investment in the County. Montgomery County, MD established the green bank by resolution in 2015. The Green Bank was capitalized by the County with \$26 million in funding from the Exelon-Pepco settlement. We use our capital in partnership with the private sector to generate more financing for clean energy projects, to achieve more clean energy jobs, and to help businesses and homeowners save money on their energy bills. In this, we are a tool to help the County achieve its goal to reduce its greenhouse gas emissions and increase resiliency of businesses and residential properties..

Green banks are nonprofit financial intermediaries that attract private capital into the clean energy marketplace by taking small investment positions that de-risk clean energy transactions. This public-private “leveraged” partnership model paves the way for private capital to get comfortable with the risks of these transactions, significantly increasing their capital in the sector, thus scaling private sector clean energy investment.

The Montgomery County Green Bank has established commercial and residential clean energy lending programs in partnership with local banks and credit unions that has created a lending capacity for clean energy improvements of up to 20 times the Green Bank’s investment. The Green Bank’s long-term goal is to achieve at least a 5:1 leveraged benefit for the County – thus turning \$26 million into over \$100 million in clean energy investment in the County in many areas of energy efficiency and renewable energy.

The Green Bank is supportive of House Bill 1426 as the bill addresses several areas which the Green Bank has seen as critical in the work of Clean Energy Investment.

Broad focus on clean energy technologies. The clean energy sector is an evolving one and there is a critical need to support current and new innovations. Such focus brings capital investment into the state and supports existing jobs and develops new jobs.

Public-private leverage models are necessary to bring scale to the clean energy marketplace. Private capital is the route to having the necessary investment to make a substantial impact in clean energy investment. For emerging clean energy areas, risks are often unclear and private capital sets premiums to invest in these areas. These premiums can hamper growth in the market. Using a leveraged approach of small amounts of capital to back large amounts of capital brings scale to the investment so that risks can be assessed, and future capital will enter the market without the de-risking capital.

Having a delivery entity that can work with the private sector financial markets is essential to fluid action and market growth. Private capital looks for speed and flexibility in its partners. They seek entities that can operate independently, act efficiently, and offer market-oriented agreements. These entities are very akin to green banks and green bank like entities established across the country.

The Maryland Clean Energy Center (MCEC) identified in HB 1426 is an entity of such nature. The Green Bank has worked closely with the Maryland Clean Energy Center (MCEC) in the past few years. MCEC played the kind of critical private entity role in partnership with private capital in its development and management of the M-HELP program for homeowners investing in energy efficiency improvements. This was a highly successful program for residents and clean energy jobs. The Green Bank looked at M-HELP as we developed our recent residential program.

The Green Bank has found MCEC a valuable partner for both the efforts that the Green Bank is undertaking in the County as well as efforts intended to provide benefits across the state. The Green Bank has relied on and partnered with the Maryland Clean Energy Center (MCEC) to bring our products to market. We also joined MCEC in its push to advance these concepts statewide.

The Green Bank has witnessed the critical role and voice that MCEC has been for pushing for clean energy and job benefits to all Marylanders. MCEC has consistently offered great value to the sector through innovative finance and technical expertise to businesses, industry, and residents. MCEC has been successful at facilitating partnerships and relationships in this sector to create business and employment opportunities.

The Green Bank considers the MCEC a key market player for the state to advance public / private partnerships to achieve clean energy and related resilient infrastructure investments and economic development. As a player that leverages capital, MCEC has the capability and flexibility to be a market catalyst where the public sector cannot and where the private sector needs a partner.

The State's continued and regular investment in the Maryland Clean Energy Center is a fundamental means to promote clean energy generation, energy efficiency measures and innovative emerging energy technologies throughout the state.