

Bill Number: SB 739

Organization Submitting Testimony: Montgomery County Green Bank
Individual Submitting Testimony: Thomas Deyo, CEO

Position: In Favor of Senate Bill 739 - Economic Development - Advanced Clean Energy and Clean Energy Innovation Investments and Initiatives

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

Hello. I am Tom Deyo, CEO of the Montgomery County Green Bank. I am here to request your favorable support for SB 739 - Economic Development - Advanced Clean Energy and Clean Energy Innovation Investments and Initiatives. This bill recognizes the importance of clean energy investment to address the climate response needs and support clean energy jobs in the state. 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 basis for a Montgomery County Green Bank was established by Montgomery County, MD by resolution in 2015. The resolution set the terms for the creation of a green bank that would have as its mission to scale clean energy technology uptake in the County through the leveraged investment of private capital to scale the number of installations of these technologies across all building sectors – residential, commercial, multifamily, institutional, and nonprofit.

Green banks are nonprofit financial intermediaries with a public-private partnership model. Green banks enter into financial partnerships that attract private capital into the clean energy marketplace by de-risking the transactions. This strategy paves the way for private capital to get comfortable with the risks of these clean energy transactions and then significantly increase their capital into the sector, thus scaling private sector clean energy investment. Green banks use their limited capital to bring a multiple of private capital to the market through structures that credit enhance a transaction so the private capital will provide better terms and offerings to the clean energy sector. These “leveraged” strategies are important when private capital markets do not understand the risk and returns and as such set price or terms for financial investments that in turn make it difficult for customers to undertake clean energy improvements or for emerging clean energy businesses to get established. As private capital gets comfortable, scale of investment can be achieved, de-risk leverage is not needed, and private capital more freely flows into the sector and grows the output.

The Montgomery County Green Bank (“Green Bank”) was designated by the County in 2016 to be the nonprofit entity to provide leveraged investment support to the Clean Energy activities of residents and businesses in the County. The mission of the Green Bank supports business investment in buildings and enterprises, clean energy sector jobs, greenhouse gas reduction goals of the County, and equity of access to clean energy benefits and financing. The Green Bank was capitalized by the County with \$26 million in funding from the Exelon-Pepco settlement. This funding from the County provides the Green Bank with the capital necessary to enter into financial partnerships with private capital financial institutions.

The Green Bank’s interest 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. The Green Bank has launched initial commercial and residential lending programs on energy efficiency and renewable energy improvements in partnership with private market lenders for commercial and residential property owners of the County. Our agreements with our lender partners for these programs have created a lending capacity of up to 20:1 relative to the Green Bank’s investment. The Green Bank is also developing leveraged investment programs supporting commercial solar, community solar, and affordable rental housing. The Green Bank’s strategic focus includes advancing efforts to address resiliency for homeowners and businesses, such as micro grids and energy storage.

The Green Bank is supportive of Senate Bill 739 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 be abreast of all of the current and new innovations, and to support those emerging ideas into solutions for the future. Such focus brings capital investment into the territory and supports existing jobs and develops new jobs in a sector that is growing in importance and demand. This focus also is fundamental in achieving the ultimate goal of reduced greenhouse gas emissions.

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. Financial markets look for speed and flexibility in its partners, and transparency in the relationship. Legal entities that can operate as independent decision-making bodies can move quickly, act efficiently, and offer market-oriented agreements that can most effectively leverage private capital. 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 SB 739 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.