Center for American Progress Action Fund

Primer on the Green Bank

What is the Green Bank?

The Green Bank, or Clean Energy Deployment Administration, is a key element of proposed clean-energy policies. The Green Bank would provide more favorable terms to companies—including lower interest rates and a lower cost of debt—to offset the high cost of financing new renewable energy projects through the private sector. This new financing system will spark the clean-energy transformation and accelerate the cost- effective, large-scale deployment of renewable energies. It would help fund the transition to a clean-energy economy while making renewable energy production competitive with current electricity prices and keeping consumer prices low by facilitating the flow of private capital into renewable energy and efficiency projects. Most importantly, the Green Bank will use its partnerships with the private sector to provide the capital investment and financial security that is critical to the long-term viability of the clean-energy economy.

Why do we need a Green Bank?

The Green Bank would address the following issues:

- The ongoing credit crunch.
- Job losses in the manufacturing, construction, and financial sectors of the economy.
- The need for large-scale, predictable financing for clean energy.
- The lack of scalable and standardized finance models for existing energy-efficient technologies.
- The risk resulting from fluctuating fossil fuel prices.

How would a Green Bank work?

CAP Action proposes that the Green Bank would:

- Be structured as a public, non-profit entity wholly owned by the U.S. government with independent funding and flexibility in financing decisions.
- Take a portfolio approach to investing in projects, targeting projects across the spectrum of relative risk and limiting investment in any single technology.

- Select projects competitively based on greenhouse gas reductions and avoidance, and prioritize projects that provide the fastest, cheapest, cleanest reduction in greenhouse gases and oil use—projects that today face market barriers in accessing debt financing or credit enhancement.

A version of the Green Bank is included in the American Clean Energy and Security Act, H.R.2454, which the House is scheduled to vote on next week. It would establish a Clean Energy Deployment Administration within the Department of Energy. Representative John Dingell (D-MI) offered the amendment, which was crafted with the assistance of Representatives Jay Inslee (D-WA) and Bart Gordon (D-TN). It contains restrictions intended to limit funding of nuclear power plants.

The energy bill pending in the Senate Energy and Natural Resources Committee also includes a CEDA provision. And Rep. Chris Van Hollen (D-MD) introduced a bill, H.R. 1698, to create an independent Green Bank separate from DOE. Its board would include the Secretaries of Energy, Interior, and Treasury, and Administrator of the Environmental Protection Agency.

Is the Green Bank economically feasible?

Questions of cost and financial viability are of the utmost importance in today's economic climate. The Green Bank will ultimately prove to be a catalyst for economic recovery; it will leverage public and private capital, encourage businesses to invest again, and help to re-open credit markets by partnering with the private sector and facilitating responsible and diverse investment strategies.

The Coalition for a Green Bank estimates that $50 billion of initial capital could enable the Green Bank to support up to $500 billion in loans over 20 years. This, matched with equity investments, could ultimately translate into $1 trillion worth of clean-energy investments.