Dear TCI leaders and Georgetown Climate Center staff,

Thank you for the opportunity to provide input on the Framework for a Draft Regional Policy Proposal, and for the work that has gone into creating this comprehensive document. We applaud the progress of this initiative, which addresses an important need. With transportation making up a growing share of emissions both in our states and across the nation, reducing emissions from this sector will be critical if we are to meet state-specific climate targets and avoid the worst harms of climate change.

We write this letter to focus in particular on the final sections of the Framework document, concerning the investment of proceeds and the implementation of complementary policies. The document mentions green banks as an innovative complementary policy which could help TCI achieve its goals.

As leaders representing cities, counties, and states in the Northeast with successful green banks, we strongly agree that green banks can help advance TCI’s mission in several ways, including:

- Saving money for individual transportation users.
- More broadly, reducing the cost of regional compliance with TCI’s goals.
- Increasing the speed and magnitude of transportation emissions reductions.
- Promoting environmental justice and the equitable use of program proceeds.

We suggest that TCI participating states further explore the green bank model as a tool to reduce transportation sector emissions. Possible areas of interface include:

- Modeling the potential impact of green bank investments in the transportation sector, as part of comprehensive policy case analysis (e.g., how using limited public funds from TCI and a national climate bank could unlock multiples of private capital investment to modernize and decarbonize our transportation infrastructure).
- Soliciting stakeholder feedback on the topic of green banks, for a more granular perspective into the types of projects in which green banks could or should invest.
- Facilitating cross-state discussions to share knowledge, which could lead to the creation of new green banks (including a regional transportation infrastructure green bank) where they do not currently exist.
• Capitalizing new or existing green banks with TCI proceeds, for the purposes of investing in cost-effective solutions to reduce transportation emissions both locally and regionally.

A more complete discussion of these points follows below.

**Green Bank results.**

Green banks are mission-driven financial institutions capitalized with public or philanthropic funds, which mobilize investment into clean energy projects. Fourteen green banks currently exist in the United States, with seven of these existing within the TCI region. The American Green Bank Consortium provides a platform for our institutions to work together and share best practices and information.

Our institutions are extremely cost-effective in the impact they can achieve, because they focus on projects just on the edge of commercial viability and partner with commercial capital. Such projects are often technically feasible, but commercial investors may be reluctant to finance them due to small project size, perceived credit risk, unfamiliarity with the technology or transaction type, or other obstacles. Green banks provide low-cost capital and technical assistance to remove barriers, allowing capital to flow and projects to be developed – unlocking benefits to end-users like lower energy burdens, increase in jobs in our communities, and reduction of air emissions causing public health problems and contributing to climate change.

Across the country, green banks have mobilized over $3.6 billion in public and private investment, with each public dollar drawing in more than three additional private dollars. To-date, these investments have mainly focused on clean energy and energy efficiency, but some green banks have begun to make forays into transportation-related investments. NY Green Bank’s 2017 loan to the New York City Bike share program (Citi Bike) is a great example of the type of innovative financing work that Green Banks can participate in. NY Green Bank provided a $43.3m term loan and a $5.0m seasonal variable funding note to the program to finance the buildout of the Citi Bike program into primarily low- to moderate-income neighborhoods in New York City that were not benefitting from the bike share program. Two thousand additional bikes were added to the fleet in neighborhoods in Harlem, Queens, and Brooklyn, and the loans performed well enough to entice NY Green Bank to increase its lending to the project by another $6.0m in 2018.¹

**Green banks reduce both costs and emissions, complementing regional programs.**

Green banks’ model is to invest in projects that deliver immediate economic returns at the same time that they reduce emissions. For example, a homeowner that secures a loan through a green bank program to cover the up-front costs of home solar or energy efficiency

¹ [https://greenbank.ny.gov/Investments/Portfolio](https://greenbank.ny.gov/Investments/Portfolio)
improvements will enjoy savings from day one, because the green bank will make sure that savings from the clean energy improvements are greater than the cost of financing the loan.

Regionally, green banks in the Northeast have worked harmoniously with the RGGI program, showing how they could also complement TCI. In two cases (the Connecticut Green Bank and NY Green Bank), proceeds from RGGI auctions were invested in energy efficiency and clean energy projects that reduced demand for fossil-fueled power.

This virtuous cycle of investment is part of what has kept RGGI costs low and ensured the program’s popularity over time. Auction proceeds fund cost-effective clean energy investments, which reduce demand, buffer allowance prices, and avoid the need for new natural gas infrastructure (which would face the risk of becoming a stranded asset).

In the case of TCI, green banks could accelerate the uptake of electric vehicles, enable transit-oriented development, and support public transit, playing a similar role in buffering TCI’s costs and ensuring that savings accrue to consumers. For example, they could provide financing for electric vehicles at lower cost or longer terms than commercial banks. They could partner with businesses to convert commercial fleets, or work with municipalities or public school systems to help expand and electrify bus networks, including their interconnection as storage devices to alleviate peak demand on our regional electricity infrastructure. They could also help charging stations find a pathway to profitability, encouraging their buildout and reducing range anxiety. Further discussion facilitated through TCI would help illuminate unrealized opportunities for green bank investment in the transportation sector.

**Green banks support environmental justice.**

Environmental justice groups have raised concerns about TCI, and have called for measures to make sure that communities overburdened by air pollution and underserved by public transit are prioritized for direct investment. Green banks have a track record of implementing programs that target communities underserved by clean energy and energy efficiency initiatives, which point to the role they could play in supporting TCI’s environmental justice goals.

For example, the Connecticut Green Bank’s Solar for All program was created in response to the finding a racial and income-based disparity in the rates of solar adoption in the state. These communities were missing out on the immediate savings that these installations could provide. Since the program launched in partnership with PosiGen, solar penetration in Connecticut’s low-income communities has increased to parity by income (i.e., households in LMI communities demand solar PV as much as households in non-LMI communities) and beyond parity by race (i.e., Black and Hispanic households are proportionately demanding solar PV more than White households). Since the launch of the program, there have been nearly 2,500 households participating by installing both solar PV and energy efficiency through investment of nearly $70 million. As a testament to its success, this early demonstration has led to the
creation of a larger $90 million facility with a private investor allowing Posigen to expand the product into new states.²

Green banks also work to build deep local ties. In Maryland, the state’s Community Solar Pilot program included a 30% carve-out for low-to-moderate income customers, but found that developers and customers were not taking advantage of this resource. The Climate Access Fund was created to bridge this gap. Capitalized with philanthropic funds and backed by a guarantee from the state, this green bank partners with local leaders and institutions to inform potential solar subscribers about how to participate, locate potential solar sites on urban rooftops, and attract solar developers to serve these customers.

In a report studying how RGGI proceeds have intersected with equity and environmental justice, green banks were specifically highlighted as tools to make financing available to communities that have been historically underserved by both clean energy programs and commercial finance.³ Forming local ties and building trust from both community residents and developers has been essential to the success that green banks have achieved thus far.

**Green banks are gaining attention at the national level.**

The discussions and leadership currently underway at the state level can have an impact on ongoing conversations at the national level- and vice versa. Thanks in part to the success of green banks at the state level, momentum is growing in Congress towards the idea of creating a National Climate Bank. This institution would be capitalized with billions in federal funds and would be charged with both directly investing in large-scale clean energy projects and supporting and expanding the national ecosystem of state and local green banks. Laying the groundwork now to support green banks in the Northeast could provide a pathway for additional federal funds to flow towards green bank investments in the transportation sector. The National Climate Bank would be authorized to lend to transportation projects, including low- and zero-emission vehicle infrastructure, transit-oriented development, and active transportation.

For all of these reasons, we call for the TCI participating states to further explore the development and expansion of green banks to invest in transportation. We again thank the TCI states and the Georgetown Climate Center for the opportunity to comment, and look forward to further engagement.

Sincerely,


³ Herb, J. and M. Kaplan. 2019. *Field Notes: Equity & State Climate Policy*. 
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