

National Climate Bank Act of 2019: Legislation Summary

On July 8, 2019, US Senators Ed Markey (D-MA), Chris Van Hollen (D-MD), Brian Schatz (D-HI), and Richard Blumenthal (D-CT) introduced the National Climate Bank Act of 2019 to establish a National Climate Bank to be capitalized with \$35 billion. The bill is the first to create an independent, nonprofit finance institution to both accelerate the deployment of cost-effective clean power generation and accelerate the retirement of coal-fired generation.

By using Green Bank methods to expand markets and increase total investment with the private sector, this climate change legislation is specifically designed not to raise energy costs for consumers or businesses. And with this framework, it provides one of the first substantive building blocks to support achievement of ambitious climate goals like those described in the Green New Deal.

The National Climate Bank is built on a set of core principles:

- Provide access to affordable clean energy to all U.S. households.
- Deliver a massive influx of clean energy investment from public and private capital.
- Maximize greenhouse gas (GHG) emissions reductions per public dollar deployed.

The legislation builds on previously introduced bills, starting with the Clean Energy Deployment Administration in 2009. The National Climate Bank created by the new bill would have an expanded scope compared to prior bills. It is the first to create a federal Green Bank as an independent non-profit. It is the first authorized to both directly finance projects and to capitalize state and local Green Banks. And it is the first authorized to use its capital to accelerate the retirement of coal plants and to acquire coal assets. Vitality, this is also the first federal Green Bank legislation with an explicit environmental and social justice mission, targeting underserved, low-income and negatively impacted communities.

A detailed summary of the National Climate Bank Act of 2019 is below.

National Climate Bank Establishment, Capitalization and Governance

- The National Climate Bank is a nonprofit corporation outside of government with a 30 year charter.
- The National Climate Bank is capitalized with \$10 billion initially, and then with an additional \$5 billion each year for five years.
- The National Climate Bank is governed by a Board of Directors consisting of seven members appointed by the Executive Branch. Board members will be drawn from the private, non-profit, and government sectors. The Board will appoint a Chief Executive Officer, who will hire employees.
- The Board will establish committees, including:
 - An investment committee which approves the suite of debt management products and equity investments made by the National Climate Bank.
 - A risk management committee, which formulates the risk management policies and frameworks of the National Climate Bank, and coordinates with an appointed Chief Risk Officer.
 - An audit committee, which has oversight responsibility over the integrity of the National Climate Bank's financial reporting.

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- An advisory committee consisting of thirteen members appointed by the Board, broadly representative of important stakeholder groups, which advises the National Climate Bank on its programs and provide any suggestions for improvement.
 - The National Climate Bank will provide annual updates to Congress on its financial activities.
 - The National Climate Bank will have maximum contingent liability of no more than \$70 billion.

National Climate Bank Activities

- The National Climate Bank provides financing to eligible regional, state and local green banks, as well as invests directly into projects that reduce emissions across the United States.
- The National Climate Bank prioritizes investment in projects that provide jobs and serve low-income, minority, distressed and rural communities. It also prioritizes projects that provide access to low-carbon infrastructure at affordable rates.
- The National Climate Bank will explore establishment of a “Cash for Carbon” program to remove greenhouse gas emissions from the power sector. The program would use market mechanisms to accelerate the retirement of coal-fired power generation, acquire coal assets, and invest in communities affected by the retirement of those facilities.
- An Investments and Procurements Division of the National Climate Bank is responsible for equity investments in clean energy projects, ensuring appropriate debt and risk mitigation products are offered and appropriate procurements are made. Debt investments include direct lending, co-lending, and credit enhancements.
 - All debt offerings and equity investments are approved by a special investment committee of the Board of the National Climate Bank.
 - Investments are made consistent with an investment policy established by the investment committee in consultation with the risk management committee.
- A Start-up Division provides technical assistance to States and other political subdivisions to establish independent, non-profit green banks within the United States where green banks do not exist, and will work with relevant stakeholders.
- Eligible project types that can receive National Climate Bank financing include but are not limited to:
 - Renewable energy generation.
 - Energy storage.
 - Transportation, including low- and zero-emission vehicle infrastructure, transit-oriented development, and active transportation.
 - Transmission for clean energy.
 - Climate resiliency measures.
 - Energy and water efficiency, including residential, commercial, and industrial efficiency.
 - Reforestation of degraded land.
 - Agricultural projects.
 - Electrification and decarbonization of industrial processes.

To learn more about the legislation and join the campaign for a Federal Green Bank, contact Jeffrey Schub, Coalition for Green Capital Executive Director, at jeff@coalitionforgreencapital.com.