

Green Banks:

What They Are:

Green Banks are financial institutions created using public funds to help finance clean energy projects for individuals and businesses, such as energy efficiency upgrades or renewable power generation. Green Banks are not banks in the traditional sense—they do not have customer accounts or accept deposits. Their sole purpose is to finance clean energy projects. These include everything from the installation of heat pumps or rooftop solar for houses or small businesses up to large-scale renewable energy projects.

Green Banks can make direct loans to finance projects. But their main function is to use their public funds to leverage private investment for clean energy projects. For a variety of reasons, banks and other private investors are hesitant to invest in this sector. Green Banks use a variety of devices (such as loan guarantees and public-private partnerships) to address these concerns, and to increase the funding opportunities for clean energy projects.

Green Banks are usually created by governmental bodies at the local, regional, or state level. They can be placed within existing governmental institutions or structured as semi-independent non-profits. There are currently about two dozen Green Banks operating in the United States.

What They Do:

Green Banks' main functions are to attract private investment in clean energy projects, to develop specialized funding models, and to make financing for such projects available to more members of the community.

Private investors are hesitant to invest in clean energy projects for a number of reasons:

- Banks are often uncertain how to evaluate the risk involved with newer technologies. This uncertainty can lead them to avoid offering loans for these projects or offering poor terms (high interest rates and/or rapid repayment) when they do.
- Many clean energy loans to individuals or small businesses are under \$10,000. This makes them less attractive to banks due to the administrative costs of servicing them.
- Private investors often cannot access governmental programs, such as grants or loan guarantees, which can improve the financial viability of clean energy projects.

Green Banks use a number of tools and programs to overcome these issues and unlock private investment for clean energy projects.

- They alleviate banks' concerns about risk by providing loan guarantees, subsidies, or collateral.
- They educate banks and other private investors about clean energy technologies and their economics.

--They address concerns about the cost of administering smaller loans by either aggregating these into larger investment instruments or by handling their administration.

--They can invest directly in projects as partners with private investors to help alleviate concerns about risk.

--Forming public-private partnerships to support clean energy projects also can open up access to various forms of support from government or non-profit agencies (such as grants or loan guarantees).

Green Banks also provide loans directly to individuals or businesses. They can support the work of community or non-profit organizations that provide loans to individuals and small businesses for clean energy projects.

The initial funding for Green Banks comes from public funds. These are usually from one-time appropriations and/or grants, but can also be from specially assessed taxes or fees. Some Green Banks also issue their own bonds for initial capitalization. Once they are funded, Green Banks are expected to be self-sustaining, increasing their capital through the repayment of loans and interest, or the issuance of bonds.

Why Green Banks Are Useful:

By using the techniques described above, Green Banks are able to leverage their seed money to attract private capital to invest in clean energy projects. In 2022 Green Banks in the United States attracted \$2.50 in private investment for every dollar they invested, greatly increasing funding available for clean energy projects. These projects reduce greenhouse gas emissions, diversify energy supplies, and save individuals and businesses money on utility bills. They also have downstream economic benefits, creating local jobs in construction, renovation, or installation, as well as increasing tax revenues.

Green Banks also can serve an important role in making renewable generation systems or efficiency upgrades available to members of the community who might not otherwise have access to them. Although these systems and upgrades often pay for themselves (or more) over time by reducing utility bills, those with lower-incomes or poor credit ratings often lack access to the upfront capital needed to pay for them. Through loan guarantees and subsidies, Green Banks can help make access to clean energy upgrades more equitable.

Green Banks can have a more lasting impact than other forms of state support for clean energy projects, such as grants or rebates. A key advantage is their ability to attract private investment, which multiplies the impact of the initial public investment. Also of benefit is their self-sustaining nature—as loans are repaid, money is reinvested in new projects.

Green Banks in the United States:

The first Green Bank opened in the United States in 2010--as of 2023 there were 23 Green Banks operating at the state, county, or municipal level in the United States. Collectively they helped to catalyze over \$14.8 billion in investments in clean energy projects between 2010 and 2022. [The Connecticut Green Bank](#), established in 2011, is considered a model institution—it has mobilized nearly \$2.3 billion for clean energy investments, attracting \$7.00 in private investment for every dollar it has invested.

The 2022 Inflation Reduction Act (IRA) designated \$20 billion dollars from its [Greenhouse Gas Reduction fund](#) to support national or regional non-profits that will act as Green Banks or support the work of local Green Banks. The [Coalition for Green Capital](#) is working to establish a national Green Bank.

Green Banks in Alaska:

Serious discussions about a state Green Bank in Alaska date to 2017—these were driven, in large part, by [advocacy work by the Renewable Energy Alaska Project \(REAP\)](#). In April 2021 Governor Dunleavy introduced legislation to create a statewide Green Bank, known as the Alaska Energy Independence Program and Fund (SB 123 and [HB 170](#)). This bill would have created a dedicated loan fund under the auspices of the Alaska Industrial Development and Export Authority (AIDEA), using \$10 million in state funds and up to \$130 million in matching federal grants.

The 2021 Green Bank bills failed to pass, in part due to concerns about the lack of transparency with which AIDEA operates. There were also concerns over a lack of restrictions about who could apply for loans under the program (for more details, see [this AETP article from August 2021](#)).

A new version of Green Bank legislation ([HB 154/SB125](#)) was introduced in the next legislative session in April 2023. This version of the bill places the fund, still called the Alaska Energy Independence Fund, under the Alaska Housing and Finance Corporation (AHFC), a move that eliminated concerns about its placement in AIDEA. The bill ended the 2023 session in the House and Senate Finance Committees.

In March 2023 [Spruce Root, Inc.](#), a Community Development Financial Institution founded by the Sealaska Native Corporation, announced that it is working with the national Coalition for Green Capital to secure funds from the Greenhouse Gas Reduction Fund to create a regional Green Bank loan program. The Valdez Native Tribe announced in December 2022 the creation of its own Green Bank, Alaska Green Capital, although this project does not appear to have moved forward.

There are a few smaller governmental programs that provide loans for energy upgrades or renewable energy development (the [C-PACER program](#) in Anchorage and the Alaska Energy Authority's [Power Project Fund](#)). These programs rely strictly on governmental and grant funding, and do not leverage private capital.

Additional information:

REAP's page on Green Banks:

<https://alaskarenewableenergy.org/initiatives/green-financing/>

Coalition for Green Capital's "What is a Green Bank?"

<https://coalitionforgreencapital.com/what-is-a-green-bank/>

Information on the IRA's Greenhouse Gas Reduction Fund

<https://www.epa.gov/greenhouse-gas-reduction-fund>

EPA's Primer on Green Banks

https://www.epa.gov/sites/default/files/2018-10/documents/usepa_greenbankingstrategies_october_2018.pdf

National Renewable Energy Laboratory page on Green Banks

<https://www.nrel.gov/state-local-tribal/basics-green-banks.html>