Elements of the democratic economy

GREEN BANKS

A green bank is a public fund that helps communities transition away from fossil fuels and build resilience against climate change.

Often structured as a revolving loan fund, such banks can provide low-to-no interest loans to help close the gap on technologies and projects where private finance hasn’t been sufficient.

For example, a green bank could help low-income residents retrofit their homes with solar power or energy-efficiency upgrades.

Potential Impact

Green banks can be a critical source of capital for a just transition to a green energy future if properly deployed with a clear lens for equity and with democratic operating principles.

Examples of projects green banks could finance include community solar projects, watershed clean-ups, and energy efficiency retrofits. Green bank lending programs would be particularly meaningful to low-income people, more than half of whom pay 10 percent or more of their incomes on energy bills. Green banks could also help facilitate programs like on-bill financing, which lets consumers repay loans for green energy improvements on their monthly bills with the savings they receive from the upgrades.

The banks would also serve as efficient job creators: money invested in renewable energy creates up to three times more jobs than the same investment in the fossil fuel sector. These investments would support training and placement programs in the low-income communities most vulnerable to climate change and for workers formerly employed by the fossil-fuel industry. In this way, green banks not only help address the climate challenge but also help address the problem of structural unemployment.
Transformative Characteristics

Green banks would step in to provide capital to communities and for projects shunned by the private market. These investments would yield invaluable social benefits, including increased climate change resiliency, the creation of good-paying jobs, and lower utility bills. Up to now, private-sector investment in the green transition—especially those directed at low income households—have not kept pace with what’s needed to keep damage caused by fossil-fuel reliance at bay. Residential green infrastructure projects often do not have the scale that would attract private finance, and the technology is viewed by some investors as still too new and thus speculative. Green banks, because they are chartered to operate in the public interest of a just transition, would be positioned to take on the kinds of projects that private banks would deem financially unattractive. They would also be governed by community stakeholders, not distant shareholders, and their boards can be structured to ensure a voice and a vote to specific communities of interest—such as labor, small and minority-owned businesses, environmental justice activists and tenants.

Challenges

Green banks must be properly designed to ensure that those most vulnerable to climate change receive the investments their communities desperately need. Green banks can be good at putting their investments through a “climate test” to measure their impact on the planet. But without a solid equity lens, investments would simply bolster climate-resilient enclaves for the wealthy and leave low-income neighborhoods struggling with energy-inefficient infrastructure and continued vulnerability to extreme weather events and sea-level rise.

More Information

Coalition for Green Capital white paper: http://coalitionforgreencapital.com/greenbankwhitepaper/

Examples

Connecticut Green Bank
Established: 2001
Service Area: Regional

Connecticut created the first green bank in 2011. Since its start, the bank has facilitated $365 million in green investments and created 4,000 direct and indirect jobs. The bank is capitalized through a systems benefit charge added to all Connecticut residents’ energy bills; funding from the Regional Greenhouse Gas Initiative, a multistate, market-based carbon cap-and-trade program; and bond sales. To ensure equity, the bank has a Multifamily Catalyst Fund dedicated specifically to improving the energy efficiency of affordable housing. The bank also requires that at least one person on its board come from a group representing residents or low-income people.

Rhode Island Economic and Climate Resilience Act (Energize RI)
Service Area: Regional

The Energize RI proposal shows how a green bank can designed with equity at its core. The Energize RI Bank would be funded as part of a carbon fee program and used to expand access to energy efficiency, green infrastructure, and renewable energy for under-resourced Rhode Islanders and small businesses. An oversight board would require representation from environmental justice and low-income community groups to oversee how the bank distributes its funds. It would start with $40 million dollars, and one-third of the funds would be distributed to neighborhoods where the median income is the lowest third in the state. The bill’s proponents estimate that the fund would create 1,000 jobs in the first two years and then more than 3,000 by 2040. As of summer 2018, the proposal was pending in the Rhode Island state legislature. See the proposal here: https://www.energizeri.org/uploads/5/4/5/8/54586171/whats_new_2018.pdf

The Next System Project’s Elements of the Democratic Economy is an ongoing series introducing the basic institutional designs for a transformed political economy. Learn more at thenextsystem.org/elements

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