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Gov. Cuomo Establishes Green Bank in New York State

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In his State of the State address, Gov. Cuomo announced the formation of a green bank in New York. The green bank will be a $1 billion initiative used to promote financing for clean energy projects. Promoting clean energy and improving the State's energy infrastructure has been a major part of Cuomo's agenda, as evidenced by his Energy Highway Blueprint, NY-Sun / Solar Jobs Initiative, and his Hurricane Sandy Moreland Commission.

To implement New York's green bank, the governor has appointed former DOE advisor Richard Kauffman to the newly created cabinet-level position of Energy Czar.[1] While the State has not yet formally announced how the green bank will be organized or how those interested in developing projects can apply for funding through the green bank, Kauffman stated at the recent Agrion Energy Summit and Sustainability Meeting in New York City that green banks should "stimulate the capital markets to lend to energy projects, [and] direct lending should be done in as limited a way as possible and only in cases where the bank can earn a rate of return."[2]

What is a Green Bank?

Green banks are organized at the state level and are designed to promote public-private investment in clean energy projects. The model used to establish the nation's first green bank in Connecticut in 2011, involves using State funds to provide or guarantee low interest loans that would be matched by private investors.[3] Under this model, the green bank is a quasi-governmental agency with a board that is appointed by the governor. The green bank pools resources from existing state energy and environmental agencies. Instead of using these resources to directly finance green energy projects, thereby exposing the State to losses should the project fail; the green bank operates to provide government-backed loans to project developers that are matched by dollars from private investors. The benefit for the parties involved is three-fold. First, the green bank allows the State to profit from interest on the loans while minimizing its risk exposure. Second, private investors are able to profit from projects that would be otherwise too large to warrant investment without the government backing. Third, green energy project developers are able to secure financing for the projects at a lower rate than they would be able to without the green bank.

The Connecticut green bank was established by Public Act 11-80. This Act streamlined many of the State's energy and environmental departments by creating the Department of Energy and Environmental Protection. The Act also created the Clean Energy Finance and Investment Authority ("CEFIA"). CEFIA is described as "the nation's first full-scale green energy finance authority." [4] It is funded by several state resources, and has used these funds to

promote several residential and commercial pilot programs throughout the state.

The Connecticut green bank was established with the help of Coalition for Green Capital, [5] a non-profit organization that is dedicated to establishing green banks throughout the country. Coalition for Green Capital is currently working with several other states to establish green banks, including Rhode Island, California, Pennsylvania, Michigan, and Hawaii, as well as a potential federal green bank.[6] In addition to the Connecticut "quasi-public corporation model," Coalition for Green Capital proposes two alternative models that a state can follow. These are the "State Clean Energy Financing Authority Model," which establishes the green bank as a part of the State government and the "Infrastructure Bank Model," which creates a bank with a clean energy project division and a separate infrastructure division.[7]

Whichever model the New York green bank follows, its $1 billion in financing will provide a major boost to the development of clean energy projects in the State, and may have a significant impact on the way the energy industry operates in New York in the years to come.

1. *See* Abby Gruen, *New York Aims to Lead Clean-Tech Economy, Starting With a Green Bank*, SNL Energy, Jan. 11, 2013.
2. Abby Gruen, *NY Energy Czar Kauffman Confronts Utility Industry's 'Aunt Millie' Problem*, SNL Energy, Feb. 25, 2013.
3. Coalition for Green Capital, *What is a Green Bank?*, *available at*, http://www.coalitionforgreencapital.com/whats-a-green-bank.html (last visited Feb. 28, 2013).
4. CT CEFIA Homepage, http://www.ctcleanenergy.com.
5. *See* http://www.coalitionforgreencapital.com/connecticut.html.
6. *See* http://www.coalitionforgreencapital.com/about-cgc.html.
7. *See* http://www.coalitionforgreencapital.com/whats-a-green-bank.html

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