coalition for green capital

National Climate Bank Act – House Bill Summary

On December 12, 2019 Rep. Debbie Dingell introduced The National Climate Bank Act of 2019, with original co-cosponsors Reps. Paul Tonko, Lisa Blunt Rochester, and Cindy Axne. The bill creates the National Climate Bank to flight climate change through public and private investment, and is designed to maximize greenhouse gas emissions reductions. At introduction the bill was referred to the House Energy & Commerce Committee, with secondary referrals to four other committees.

The bill directs the federal government to deposit $35 billion in an independent non-profit corporation called the National Climate Bank, that is chartered for 30 years. The Bank will be governed by a Board of Directors that are independent and cannot be government employees or political appointees. Board members must be expert in fields such as clean energy, climate science, finance and environmental justice. Of the 7 founding members, 3 will be picked by the President (only two of whom can be from the same party) and approved by the Senate. The 4 other founding members will be selected by unanimous vote by the 3 approved members. From that point, board members will serve 5-year terms and will be self-perpetuating after initial formation. To ensure transparency the Bank must submit quarterly reports to Congress, publish an Annual report for Congress and the President, and undergo an annual third-party financial audit. External oversight is provided by the inspector general of the Department of Energy.

The non-profit corporation must be chartered to do the following:

- Operate with an objective function of maximizing emissions reductions per public dollar deployed;
- Prioritize investments that deliver consumer benefits, which includes lower energy costs;
- Direct at least 20% of its investments to “climate-impacted communities,” which includes low-income, minority, and frontline communities most effected by climate change;
- Ensure consumer protection and safe lending for any residential lending activity; and
- Uphold strong labor and wage standards for projects financed directly by the Bank.

The Climate Bank will be authorized to invest in renewable energy generation, build efficiency, fuel-switching, electrification, industrial decarbonization, transmission, energy storage, agriculture, forestry, clean transportation, climate resilient-infrastructure, and any other areas identified by the Board that are aligned with the objectives of the Bank. It may deliver capital in many forms, including senior debt, junior debt, credit enhancements and equity, and may participate in any stage of project development.

The $35 billion of government funding is expected to generate $1 trillion of total investment. Capital invested at the project level will draw 3 private dollars of co-investment per public dollar deployed. Bank funds will then be repaid and recycled 3 times over the 30-year charter. And the Bank will over time be able to borrow funds with an expected 3:1 balance sheet leverage. Taken together, these three mechanisms will allow $35 billion of initial government funding to cause $1 trillion of investment. The Bank is permitted to finance projects directly, but also indirectly by creating and funding a network of state and local “green banks” across the country. This will build on the $4 billion of investment caused by green banks already operating in communities across the U.S.

Rep. Dingell’s bill is the House companion version to the Senate legislation introduced July 8, 2019 by Senators Ed Markey, Chris Van Hollen, Brian Schutz and Richard Blumenthal. Rep. Dingell’s bill includes increased standards for wages, labor, and environmental justice requirements. The House bill also does not include a “cash for carbon” program included in the Senate version that would allow the Climate Bank to use its funds to invest directly in carbon-based facilities to reduce emissions.

In related legislation, the Senator Chris Murphy and Rep. Jim Himes introduced the National Green Bank Act of 2019. This legislation creates a national green bank that would only provide capital to state and local green banks to finance projects. Therefore, the provisions of this bill are contained within the broader National Climate Bank Act.