

## NEW ENGLAND CLEAN ENERGY COUNCIL FEDERAL POLICY RECOMMENDATIONS

### FORMATION OF A CLEAN ENERGY DEPLOYMENT ADMINISTRATION (CEDA)

**Challenges and Opportunities:** Large-scale deployments of innovative technologies are essential to advancing a new, sustainable and affordable energy and industrial regime. Historically, private equity and project finance debt capital markets have funded clean energy deployments only after the underlying technology has been proven at commercial scale, leaving even the most promising new technologies without essential funding for first commercialization efforts. This “commercialization valley of death” is particularly stark for initial deployment of capital-intensive and novel clean technologies at commercial scale – described here as “first project commercialization.”

**Initiative:** We support the formation of a new independent government agency, a Clean Energy Deployment Administration (CEDA).

CEDA would oversee:

- Direct support for clean energy deployments through issuance and management of direct loans, letters of credit, loan guarantees and other debt instruments (provided, that in connection with any of the foregoing, CEDA would be entitled to receive a profit participation as well as commercially based fees as appropriate to compensate CEDA for its costs and the risk inherent in its direct support).
- Indirect support for such deployments through the development of financial products and arrangements to support private sector lending to, and equity investment in, widespread deployment of clean energy technologies through securitization, loans to qualified, competitively-selected private fund managers or other similar means of credit enhancement or financial support as deemed appropriate by CEDA’s Board.

CEDA would have an independent board but substantial interaction with, and oversight by, the Department of Energy to provide a critical extension of the Department of Energy’s efforts in supporting the financing of clean energy deployments. CEDA’s provision of financial support would have a multiplier effect in the following ways:

- Attracting additional private capital to commercialization of clean energy technologies;
- Accelerating the deployment of clean energy technologies and promoting a large market opportunity for follow-on funding; and
- Addressing policy objectives, such as job creation, global economic competitiveness, climate change, economic development, re-tooling of the supply chain infrastructure and energy affordability.

CEDA would act as the designated government clean energy financing agency and provide a wide range of support for deployment of clean energy technologies. Low-cost financing and equity provided by CEDA, or indirectly through CEDA programs, would follow consistent and transparent standards set up by an oversight administration. Loans to private fund managers would be backed by the full faith and credit of the US Government and sold to US eligible institutional investors with the resulting equity investment by such fund managers leveraging at least two private sector dollars for every dollar of government senior secured debt issued to such managers. CEDA’s participation in multiple private sector funds, where a minimum of \$5 billion could be deployed, would rapidly catalyze private sector investment.

This proposal leverages historical precedent, which indicates that the United States has customarily availed its balance sheet for long-term multi-generational national priorities.

CEDA characteristics should include:

- Ability to accelerate and scale capital formation by mitigating risks facing investors in the deployment of clean energy technologies and increasing the amount and rate of private capital deployed in a time frame that is consequential.
- Leverage for a banking structure to centralize the deployment of government financial support and hire experienced finance professionals.
- Use of a proven equity fund model with funds managed by highly qualified investment managers having a proven track record in low-carbon, clean energy equity investing and possessing deep sector expertise, private sector institutional/corporate investors providing equity on a 2:1 matched basis, and governance over project investments enabling rational exit and liquidation strategies to be implemented.
- Financially self-sustaining as returns on investments revolve to allow for continuing re-investment.
- Transparent investment criteria and an independent board that would include appropriate agency secretaries and other senior government officials as well as representatives from the private financial, technology and energy policy communities.
- Management stability, flexibility, agility and experience overcoming traditional federal agency obstacles and enabling effective bank and fund management of complex financial transactions leading to rapid deployment and commercialization.

**Implementation Partners:** The CEDA concept, which has been widely vetted within the investment community and clean energy industry, has received strong support and will naturally attract a broad coalition of interested constituencies including venture capital funds, private equity/project finance market participants, environmental advocates, economic policy makers, industrial, commercial and retail consumers and national security policy makers.

**Current Status:** A version of CEDA was included in the Waxman-Markey ACES bill that passed in the House in 2009 and a slightly different version of the program is currently pending in the Energy Bill (S1462) approved by the Senate Energy Committee earlier this year. Prominent members of the finance and clean energy technology community are committed to supporting policy makers to make this idea a reality through existing mandates or in new legislation as energy and climate change bills are introduced.

## **ABOUT THE NEW ENGLAND CLEAN ENERGY COUNCIL**

The New England Clean Energy Council's mission is to accelerate New England's clean energy economy to global leadership by building an active community of stakeholders and a world-class cluster of clean energy companies. The Council represents over 175 member organizations, including clean energy companies, venture investors, major financial institutions, universities, industry associations, utilities, labor and large commercial end-users. The Council's ranks now include clean energy CEOs, representatives from most of the region's top 10 law firms, and partners from over a dozen of the top New England venture capital firms (with a total of over \$8 billion under management). Working with its stakeholders, the Council develops and executes a wide array of programs in five key focus areas: Innovation, Growth, Education, Adoption, & Policy.