

Green Banking: Benefits of an Energy and Infrastructure Fund for Oregon

Senate Interim Committee on Energy and
Environment

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Agenda

- About us
- What is an Energy and Infrastructure Fund (EIF) AKA “green bank”?
- What are options for capitalizing an EIF?
- How can an EIF add value for Oregon?
- Next steps

About our work group

- Craft3
- Oregon Business for Climate
- Energy Trust of Oregon
- The Nature Conservancy – Oregon
- Northwest Native Chamber
- Verde
- EcoTrust
- Beneficial State Bank
- Energy Foundation

Craft3's interest in energy infrastructure projects

- Community Crafted Lending: Improving lives across the Pacific Northwest by providing responsible capital for businesses, homeowners, nonprofits and communities.
- Craft3 has a long history of financing energy infrastructure projects and has cultivated networks of contractors to help deliver, in particular, home energy lending.
- Craft3 is capitalized through grants, loans, and private investment and is sensitive to the cost of capital to allow us to provide affordable loans to borrowers.

Energy and Infrastructure Funds: Definitions and examples

What is an EIF?

- Mission-driven: focused on financing energy affordability and resilience projects.
- Institutions: organized, durable organizations with the knowledge and staff to focus on energy and resilience and that intend to continue this work for many years.
- Lending: provide capital for projects that is to be repaid.

Types of EIFs

Type of EIF	Definition	Factors to consider	Example
Public	A division or department of existing government agencies	May benefit from government backing and clear regulatory authority. May have a lack of flexibility. May not have lending expertise.	NY Green Bank, operating as a division of the New York State Energy Research and Development Authority (NYSERDA) www.greenbank.ny.gov
Quasi-public	Combine public mission with private sector operational flexibility	Operates as an independent entity with a Board made up of government officials and private sector representatives. May be expected to be financially independent from the government.	Connecticut Green Bank www.ctgreenbank.com

Types of EIFs, contd.

Type of EIF	Definition	Factors to consider	Example
Nonprofit organization	Independent 501(c)(3) organization	May have more operational flexibility. May not be able to leverage some forms of public capital, such as that available through bonding authority (depends on legal framework).	DC Green Bank www.dcgreenbank.org
Independent model	Combine elements from different institutions, based on local needs	Flexibility, collaboration between existing financial institutions and community partners.	CDFIs that include clean energy and resilience related finance in their loan products

Capitalization of EIFs

Example EIF	Initial capitalization
New York Green Bank www.greenbank.ny.gov	Uncommitted funds raised through clean energy surcharges (\$165.6 million)
CT Green Bank www.ctgreenbank.com	Surcharge on electric bills, proceeds from sale of emissions allowances, federal competitive and non-competitive grants, sale of Green Liberty Bonds, private investments. (Per a 2014 report : from surcharge: ~\$30 M a year; other sources: ~\$5-10 M a year)
DC Green Bank www.dcgreenbank.org	Initial funding granted by the DC Government (approx. \$7 M per year for fiscal years 2018 - 2023, plus other transfers of between \$10 M - \$15 M)
MN Climate Innovation Finance Authority www.mn.gov/commerce/energy/consumer/energy-programs/climate-innovation.jsp	\$25 M transfer from MN Department of Management and Budget, \$10 M from Climate Innovative Authority Account
WA State Green Bank www.wagreenbank.org	\$800 K from Climate Commitment Act for administrative costs to establish a state green bank with expectation the GGRF would be a source of lending capital

What is the value of an
Energy and Infrastructure
Fund for Oregon?

Oregon Business for Climate



- **We are** a league of businesses across the state in a wide range of industries.
- **We believe** climate leadership is critical to the health of Oregon's industries and communities, and will help our state re-emerge as a leader thriving in the growing clean economy.
 - Oregon can and must do more to address climate change
 - Business plays a critical role in this progress
 - There is a business case for action
- **Our mission** is to advance urgent, ambitious, equitable climate policies and programs that help spur innovation and economic opportunity while effectively and responsibly reducing emissions.

*A statewide group of businesses that see both the **imperative** and the **opportunity** of taking bold action to address climate change.*

EIF: Core value proposition

- **Energy affordability**

- Enabling upfront investments that produce savings over time

- **Resilience**

- Energy reliability
- Fire interruptions / smoke
- Water availability

- **Economic development**

- Spur projects and product deployment that create local, hands-on jobs throughout the state
 - Business growth in contractors throughout the state
 - Manufacturers of systems and support materials
 - Architecture, engineering, and construction firms, and all the companies that support them

EIF: A complementary source of capital

- Oregon has **strong network of programs** (non-profits, Energy Trust, COU and IOU programs, counties, cities, etc.)
- **Gap:** A lack of access to lending capital hinders projects
 - A complement to incentives, grants, and other funding
- **Strong EIF:** Available statewide, affordable, stable (not subject to boom-and-bust cycles)
- Can support other critical state goals: **Housing**

Reminders:

- Lending is not a solution for some situations (e.g. lower income families – where no-cost projects are needed)
- Lending helps, but still need strong program marketing, incentives, and other tools

Scope of an EIF

Wide range of options, all advancing **energy affordability, job creation, and resilience** – from **rural regions to cities**

- Residential, commercial, industrial
- New and existing buildings
- Energy efficiency, clean energy, storage, microgrids
- Schools and other public infrastructure needs
- Transportation (charging infrastructure, etc.)
- Growth and working capital: Contractors & other suppliers
- Further: Water infrastructure

Complementary: Creates additional projects and opportunities for existing financial institutions

Recommend any enabling legislation use broad definition of EIF's role – able to grow and meet changing needs over time

Financing in ODOE's draft Oregon Energy Strategy

- Buildings and electrification: Low- or no- cost loans can allow low- and moderate-income households to pay upfront costs associated with home energy upgrades. As public funds are paid back, they can be re-lent, creating a revolving source of financing that can grow over time (page 63).
- Industry: Fund an industrial modernization revolving loan fund to bolster adoption of energy efficiency improvements, electrification of thermal processes, industrial symbiosis, smart manufacturing, and application of low-carbon fuels where electrification is not feasible for large industrial entities (76).
- Cross-cutting (multiple sectors): Establish and identify a source of funding for a revolving loan fund to provide a stable source of low-cost and no-cost loans to support the energy transition and resilience, with a focus on existing entities delivering grants and loan programs to support access to clean energy technologies for households and businesses (80).

About Energy Trust of Oregon

Independent nonprofit
founded in 2002

Serving 2.4 million residential, commercial and industrial customers of Portland General Electric, Pacific Power, NW Natural, Cascade Natural Gas and Avista

Our vision: Clean,
affordable energy for
everyone

Providing access to
energy efficiency,
renewable energy and
battery storage

Accountable to the
Oregon Public Utility
Commission

Next steps

Range of possible courses of action

Assuming a **quasi-public form** is best fit (flexibility of capital types (public & private), speed, independence, appropriate reporting to state)

Agency can be directed to recruit Board (of certain characteristics). Board can then answer questions about initial strategy (w/in mission), hire team, etc.

- **Full:** Direct creation of entity, with admin start-up funding (\$2-\$5million) and initial capitalization (\$25-\$50million) and/or bonding access
- **Middle:** Direct creation of an entity, with admin start-up funding (\$2-\$5million) and bonding access (for capitalization)
 - WA set up with \$800K, but w/plan for GGRF funds (helping set-up and capitalization); amount does not enable time (\$) to find capitalization and initiate projects and revenue
- **Delayed:** Direct completion of landscape analysis (clarifying gaps, scale, sectors); likely \$80K - \$100K; potential for agency to work w/other funders

Thank you!

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