



Virginia Clean Energy Innovation Bank (VCEIB)

Senate Finance and Appropriations Committee

OCTOBER 15, 2024

What is the Mission of VCEIB?

The Virginia Clean Energy Innovation Bank's (VCEIB) mission is to accelerate the deployment of clean power generation and energy infrastructure across the commonwealth.

Housed within Virginia Energy's State Energy Office, VCEIB will mobilize public and private capital to address critical financing gaps, alleviating financial barriers to project deployment.

By alleviating these barriers, VCEIB will support the goals outlined in Virginia's All-American, All-of-the-Above Energy Plan, ensuring an affordable, reliable, and increasingly clean power grid; creating well-paying jobs; and promoting the growth of domestic supply chains



Why does the commonwealth Need a Clean Energy Innovation Bank?

There is **insufficient private capital coming into the commonwealth** to fund the kind of clean energy infrastructure needed to achieve Virginia's energy goals:

- Traditional lenders and investors often perceive these projects as **too risky** and **hesitate** to put their capital to work.
- Lack of capital also **disincentivizes new companies** from coming to Virginia.

At the same time, there is **significant new federal funding available**, and we need a targeted effort to ensure we capture our “fair share”:

- VCEIB is actively pursuing funding under the EPA's Greenhouse Gas Reduction Fund through two grant recipients (Coalition for Green Capital, Appalachian Community Capital).
- VCEIB's forthcoming designation as a **state energy financing institution (SEFI)** will enable the bank to both expedite the process to secure loan guarantees from the U.S. Department of Energy Loan Programs Office (LPO) as well as expand the range of what LPO will fund.



*With VCEIB, Virginia will have a **powerful new strategic tool** that can more effectively leverage public funds to attract private investment for the kinds of projects that will create jobs and power the commonwealth's energy future*

What is the History of VCEIB?

- > **September 2023 —**
With support from the Governor, **Virginia Energy began investigating the creation of the VCEIB.**
- > **September to December 2023 —**
Virginia Energy held numerous **conversations with DOE Loan Program Office, EPA, and other entities** regarding funding, policies, and structure of the bank.
- > **January 2024 —**
After **SB 729 & HB 968** were filed Virginia Energy approached bill patrons to work with them in a bipartisan effort on the creation of the bank.
- > **February to March 2024 —**
HB 968, was killed in House Appropriations. Continuously worked on SB 729, passed in February 2024.
- > **April 2024 —**
Because of final language that created significant conflict between the bank and Virginia Energy, the bill was **vetoed by Governor Youngkin.**
- > **May 2024 —**
With support from the Governor's office, Virginia Energy picked up where it left off in January and moved forward working to create VCEIB.

General Assembly provided \$10 million to establish the Virginia Clean Energy Innovation Bank to finance climate initiatives.
- > **September 2024 —**
Virginia Energy took the initiative to launch the Virginia Clean Energy Innovation Bank (VCEIB) as a **program under Virginia Energy's State Energy Office.**

The Virginia Clean Energy Innovation Bank will Advance the Vision of SB 769 & HB 968

Senate Bill 729

Similar types of projects...

"Qualified project" means a project, technology, product, service, or measure **promoting energy efficiency, clean energy, electrification, or water conservation and quality** that (i) substantially reduces greenhouse gas emissions; (ii) reduces energy use without diminishing the level of service; (iii) increases the deployment of renewable or non-carbon emitting **energy projects, energy storage systems, district heating, smart grid technologies, or microgrid systems**; (iv) replaces existing fossil-fuel-based technology with an end-use electric technology; (v) supports the development and deployment of electric vehicle charging stations and associated infrastructure, electric buses, and electric fleet vehicles..."



Similar types of activities...

"In carrying out its powers and duties pursuant to this article, the Bank may:

- Employ credit enhancement mechanisms** that reduce financial risk for financing entities by providing assurance that a limited portion of a loan or other financial instrument is assumed by the Bank via a loan loss reserve, loan guarantee, or other mechanism;
- Co-invest in a qualified project** by providing senior or subordinated debt, equity, or other mechanisms in conjunction with other investment, co-lending, or financing;
- Aggregate small and geographically dispersed qualified projects** in order to diversify risk or secure additional private investment through securitization or similar resale..."



Similar funding sources...

"13. Apply for, either as a direct or subgrantee applicant, and accept **Greenhouse Gas Reduction Fund** grants authorized by the federal Clean Air Act, 42 U.S.C. §7434(a). To the extent practicable, applications for these funds by or on behalf of the Bank shall be made in coordination with other Virginia applicants;

14. Acting under its powers as a state energy financing institution under 42 U.S.C. §16511, collaborate with the **U.S. Department of Energy Loan Programs Office** to ensure that authorities made available under the federal Inflation Reduction Act of 2022, P.L. [117-169](#), maximally benefit Virginians..."



VCEIB

The bank will support projects aligned to this definition across **clean power generation** (e.g., solar-plus-storage in school facilities; hydrogen production; advanced nuclear) and **energy infrastructure** (e.g., transmission and distribution, microgrids; battery storage; building energy efficiency)

The bank will provide **loans and credit enhancements** and is actively in conversations with **private capital providers** about how to partner via a wide range of mechanisms, including co-investment, aggregation, securitization, and more

The bank is pursuing funds under the **Greenhouse Gas Reduction Fund** and is actively in touch with the **U.S. Department of Energy Loan Programs Office** about leveraging its status as a State Energy Financing Institution (SEFI)

VCEIB Areas of Focus



CLEAN POWER GENERATION



Advanced Nuclear
Hydrogen
Solar-Plus Storage



ENERGY INFRASTRUCTURE

Transmission & Distribution
Microgrids
Battery storage
Building energy efficiency

VCEIB's role and approach to different sectors will vary across its areas of focus given market and funding constraints

| Areas of Focus | | VCEIB Role | | |
|---|-----------------------------|----------------|-------------------|------------------|
| | | Project Funder | Capital Connector | Market Developer |
|  Clean Power Generation | Advanced Nuclear | | | |
| | Hydrogen | | | |
| | Solar-plus-Storage | | | |
|  Energy Infrastructure | Transmission & Distribution | | | |
| | Microgrids | | | |
| | Battery Storage | | | |
| | Building Energy Efficiency | | | |

Project Funder

Provide direct funding to projects, either independently or in conjunction with other capital providers (e.g., provide a loan, credit enhancement, or grant to a project)

Capital Connector

Facilitate connections between projects in need of financing and potential capital sources, especially within state government (e.g., help a project sponsor access capital from SBSD)

Market Developer

Foster the development of a market that supports project deployment (e.g., convene investors and developers to identify gaps, co-create market interventions)

1 In **more developed** sectors with **more established technologies & players** (e.g., utilities), VCEIB will **focus on deals** – both by **deploying capital** and by **connecting** portfolio companies and projects to additional sources of financing (state, federal, private, etc.)

2 In areas where there are **not ready deals / transactions** (e.g., because the players or tech is newer, there are significant pre-development costs, etc.), VCEIB will **work to ready the market** and ensure the Commonwealth is **competitively positioned** compared to peers to attract new investment & companies. To do this, VCEIB will **convene investors, develop the right market interventions, and help projects navigate state / federal financing options**

Being Established within Virginia Energy Enables Significant Economies of Scale



Technical expertise

The Department's technical expertise in clean energy and energy infrastructure (e.g., solar, battery storage) will enable VCEIB to more readily identify and address market gaps as well as better diligence and underwrite investments



Relationships

The Department's rich relationships with companies and state agencies will enable VCEIB to identify quality projects and to implement a whole-of-government approach that competitively positions Virginia to attract companies, jobs, and investment



Existing programs

The Department's existing funding programs (e.g., Solar for All, Virginia Power Innovation Program, C-PACE) mean that the bank can stack funds together to be an effective one-stop-shop for funding clean energy projects in the Commonwealth



Track record

The Department's track record as a public entity managing and deploying funds mean that the bank can quickly access federal funding opportunities (including using its "State Energy Financing Institution" designation from the U.S. Department of Energy's Loan Programs Office) to bring that capital to Virginia

Because of the economies of scale by housing it within the Department of Energy, only \$750,000 of the \$2 million set aside for administrative purposes is slated for use.

Leveraging All Available Resources to Maximize Impact & Efficiency

OTHER STATE AGENCY RESOURCES

**Department of Small Business and
Supplier Diversity (SBSD)**

**Virginia Innovation Partnership
Corporation (VIPC)**

**Virginia Economic Development
Partnership (VEDP)**

Tobacco Commission

FEDERAL FUNDING DESIGNATED FOR DOE






**Grid Resilience and Innovation
Partnerships (GRIP) Program**

**Energy Efficiency Revolving Loan Fund
(EERLF) Capitalization Grant Program**

**Commercial Property Assessed Clean
Energy**

Solar for All

VCEIB Intends to Take a Whole-of-Government Approach, Partnering with State Entities to Source and then Execute Deals

| Tentative | | ① Sourcing | ② Screening | ③ Due Diligence | ④ Structuring | ⑤ Syndication |
|--|---|--|--|--|---|--|
| | | Sourcing potential deals for VCEIB funding | Screening potential deals to assess whether deeper analysis is warranted | Conducting deep analysis (e.g., financials, operations, risks) for investment decision | Structuring the deal (e.g., amount, interest rate, terms, etc.) | Bringing in additional investors/partners to co-invest (if applicable) |
|  | Virginia Clean Energy Innovation Bank/VA Energy | ✓ | ✓ | ✓ | ✓ | ✓ |
|  | VA Economic Development Partnership | ✓ | X | X | X | ✓ |
|  | VA Innovation Partnership Corporation | ✓ | X | ✓ | X | ✓ |
|  | VA Dept. of Small Business and Supplier Diversity | X | X | ✓ | ✓ | X |
|  | VA Tobacco Region Revitalization Commission | ✓ | X | X | X | ✓ |

- **Multiple partners to help source deals**, with the bank becoming a powerful tool to finance clean power generation and energy infrastructure projects across the state
- **VIPCO and SBSD to be key partners in deal execution**, with a combination of market/company-level insights and credit risk & underwriting capabilities (*partnership may look similar to the VTRRC/VSBFA Lending Partnership Program*)
- **Multiple partners to bring in additional investors/partners and/or stack their own funds**, working together to accelerate deployment of projects in Virginia

VCEIB has three major avenues to fund these deals

| | <i>Priority Sources</i> | <i>Value Prop</i> | <i>Bank Role</i> |
|---|---|---|--------------------------|
| 1 Reallocate existing funding to VCEIB | <ul style="list-style-type: none"> • ARRA • State appropriations • VA C-PACE Program • Grid Resilience Formal Grant Program • EE RLF Grant Program • GRIP Program • Solar for All (MF-SPS) | <ul style="list-style-type: none"> • Establish credibility in the market by increasing capital base and executing transactions • Achieve true scale with the bank's activities • Offer a one-stop shop for project sponsors and counterparties interfacing with VA Energy with full range of opportunities through VCEIB | Project Funder |
| 2 Pursue subawards to capitalize the bank | <ul style="list-style-type: none"> • Coalition for Green Capital (CGC) • Appalachian Community Capital (ACC) | <ul style="list-style-type: none"> • Grow the bank's capital base with truly incremental capital • Establish relationships with key market players that can provide technical assistance and help build new partnerships | Project Funder |
| 3 Develop transaction partners to finance projects | <ul style="list-style-type: none"> • U.S. DOE LPO • ACC and OFN community lender networks • State entities • Smaller sust. investing firms • Larger infrastructure funds | <ul style="list-style-type: none"> • Broaden set of projects that the bank can participate in, given capital constraints • Broaden sources of capital that the bank has access to, given limited availability of funding for the bank (i.e., for capitalization) | Capital Connector |

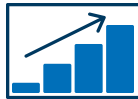
Why We Need to Establish VCEIB Now



Virginia is eligible for billions of dollars in federal funding under the **Inflation Reduction Act** – VCEIB will enable the Commonwealth to move more expeditiously to **capture its fair share of this time-sensitive funding**



Virginia is **already losing companies** invested in clean energy technologies to other states – VCEIB offers a new set of tools that will **more competitively position the Commonwealth to retain and attract these companies**



We are seeing **massive momentum around data centers and the broader ecosystem** – VCEIB will enable Virginia to channel this momentum into building **foundational clean energy infrastructure** for the Commonwealth for decades to come



Similar banks across 28 states have already **deployed ~\$3B and mobilized \$25B+ in public and private capital in 2024 alone** – VCEIB will position Virginia to keep up with peers and drive **private capital investment** into the Commonwealth

Recommended Roadmap for Funding, Deals, and Design through 2025



Oct-Dec 2024

Pull **existing sources** of funding under the bank, begin **subaward processes**, and establish **connections with key transaction partners**

Follow up on projects already in development to formalize VCEIB involvement and continue counterparty conversations to develop new deals

Apply for **sub-awards from CGC and ACC**

Build out initial **organizational capacity** (e.g., wave 1 hiring, shared resources)

Develop an **investment policy**



H1 2025

Secure subawards from CGC and ACC and deepen relationships with key transaction partners

Issue standing RFPs (or similar mechanism) to source deals aligned to investment policy

Develop, diligence, underwrite, and disburse monies for priority transactions, relying heavily in key partners (e.g., SBSD, VIPC)



H2 2025

Develop, diligence, underwrite, and disburse monies for additional transactions—using in-house capacity

Scale the bank's organizational capacity through wave 2 hiring

Play a more proactive role in shaping the market (e.g., with investors, developers)

Solidify the bank's role in not just the state govt. but in the clean energy finance ecosystem in VA