



Applied Solutions Coalition

Financing and Funding: Private Activity Bonds, Innovative Financing Mechanism, Carbon Markets for Local Projects

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Santa Fe, New Mexico

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Across the US significant investment is required to address climate change & replace aging power /water systems



- Markey/Waxman's is estimated to require over \$1 trillion investment over the next decade
- Under either a cap & trade or a carbon tax approach, the investment required is staggering -- comparable to our WW II investment
- New financing approaches are required
- Expansion of effective financing tools are warranted
- We must pay close attention to the projects and technologies we finance – low carbon is key



Private Activity Bonds (PAB)–Tax Exempt Financing



- Lower cost construction financing for private entities
- Interest costs typically a few percent less than commercial loans
- Long-term financing (tied to life of asset, up to 35 years)
- Other than the U.S. Treasury Bond market there is no other comparable long-term financing option available anywhere in the world



Current Private Activity Bond Categories



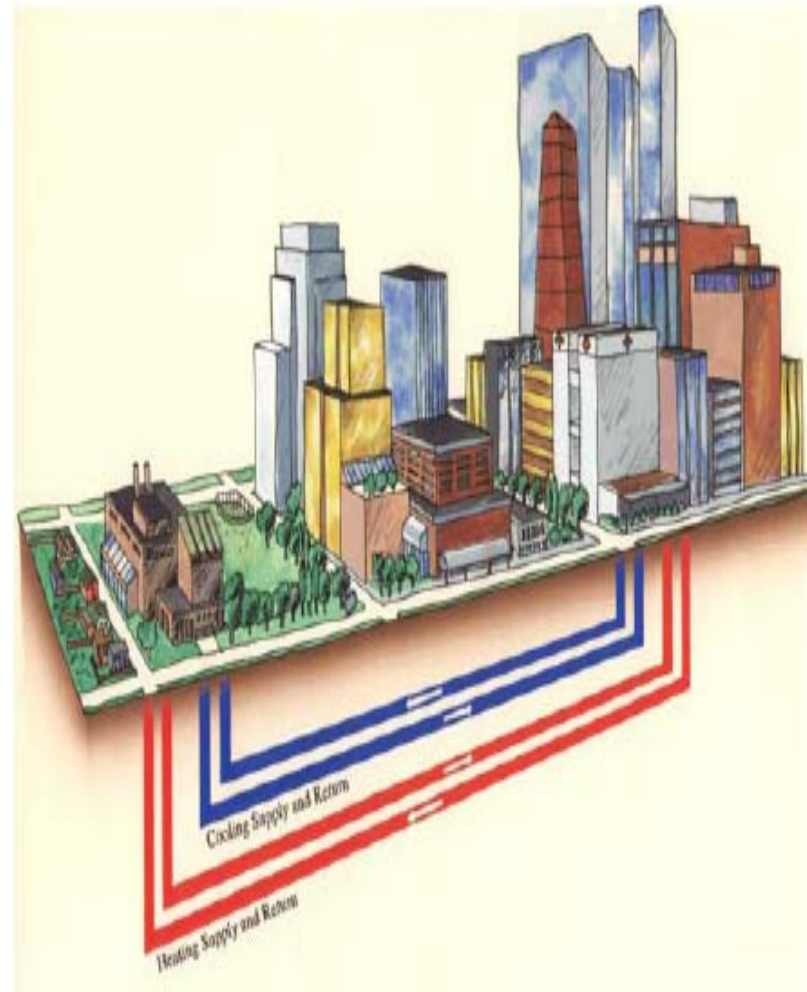
- 15 publicly beneficial private activities ranging from airport facilities, schools, hospitals to solid waste facilities
- Including garbage trucks & collection bins!



Private Activity Bonds - District Heating and Cooling (DHC) - Limited



- IRS code provides for DH&C PAB financing
- Financing is limited to pipes and installation (not energy generation equipment)
- Requires two or more users
- GHG emissions for heating and cooling have significant footprint (CA = 27% total GHG emissions)

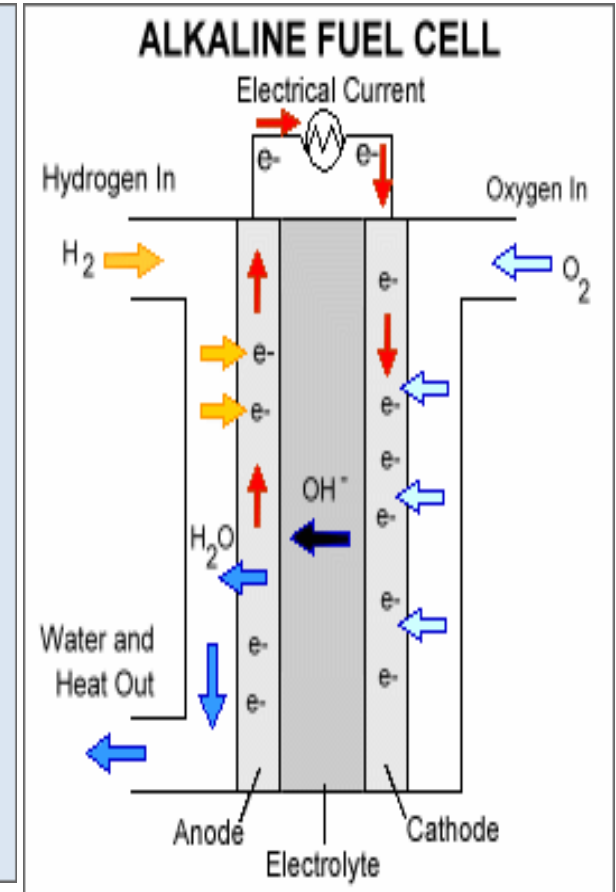
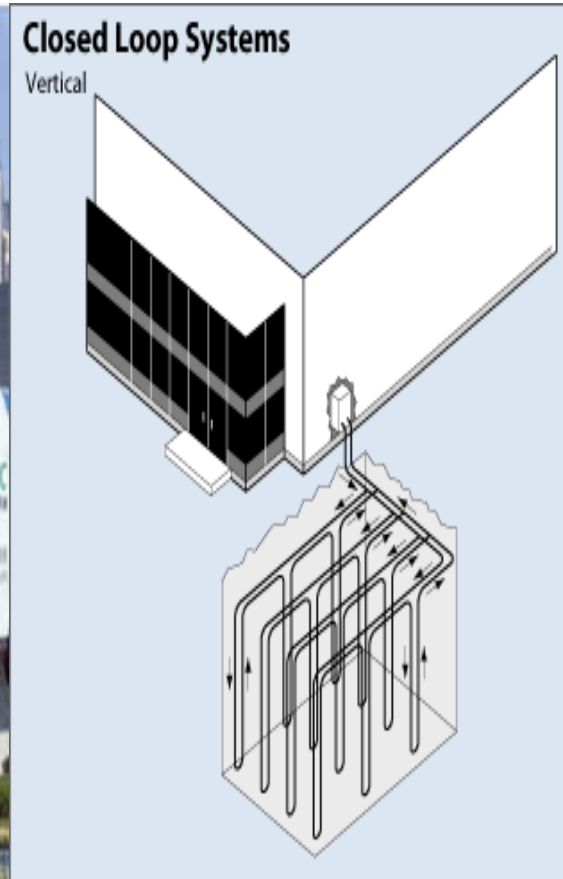


Private Activity Bonds - Zero Emission Heating & Cooling (ZEH/C)

 Solar Thermal

Geothermal

Fuel Cell



HR 3525- Rep Mike Thompson proposes to expand PAB categories!



Construction Financing or "lower cost financing":

- Renewable Energy
- Energy Efficiency
- Demand Side Management
- Energy Storage
- Electric Transmission
- Smart Grid
- Water Conservation
- ZEVs

For both Projects and Manufacturing Facilities




HR 3525 - Rep Mike Thompson proposes to address important PAB IRS restrictions



- Adds additional technology categories that communities will need to lower their carbon footprint
- Allows use of tax exempt bonds & federal tax credits (**double dipping**)
- Excludes new categories of tax exempt bonds from statewide volume cap (**just like hospitals, airports, schools etc.**)



Summary

-  California State Treasurer is committed to lowering the financing and deployment costs of GHG reduction technologies
- DOORS OPEN
- Look forward to working with all of you

