

ENERGY INVESTMENT DISTRICTS: A POLICY PROPOSAL

GOAL: Energy Investment Districts (EIDs) open opportunity for communities, particularly communities of color, to develop local renewable energy generation and energy efficiency programs that are accountable to the community and produce healthier neighborhoods, create good jobs, build the local economy and combat climate change.

OPPORTUNITIES: Recent developments that are spurring a new energy economy include improved technology which is driving down the costs of renewable energy; the recognition that community-scale renewable energy projects can be more efficient, economical and resilient than remote or large-scale renewable energy systems; a burgeoning movement to get college endowments and public pension funds to divest from fossil fuels and reinvest in community-scale renewable energy; and the widespread innovation already taking place in communities across the country.

OBSTACLES: Instead of seizing these opportunities, existing energy policies rely heavily on tax credits, which benefit higher-income homeowners and exclude tenants and lower-income households, who are more likely to be people of color. Communities of color are stymied by lack of financing; scarcity of technical, legal and business skills; and exclusion from planning and decision-making processes.

With America's current racial wealth gap and shifting demographics, inclusive policy solutions, are necessary to ensure a healthy and stable nation and planet. EIDs can help build a more equitable energy future that benefits all of us.

THE ENERGY INVESTMENT DISTRICT SOLUTION: Energy Investment District (EID) legislation at the state, county or municipal level **makes geographic areas that have suffered environmental and economic hardships eligible for funding and other financial and technical support** for community-scale energy efficiency and renewable generation projects. **An EID law:**

- 1) **Creates an Energy Investment Trust** to develop and channel public financing, private investment and technical assistance to EIDs. The Trust can be created as a quasi-governmental entity like the Delaware Sustainable Energy Utility or the Connecticut Clean Energy Finance and Investment Authority. Or it can be managed by a Community Development Finance Institution or a local non-profit organization. MACED in Kentucky offers a viable CDFI model, while Coop Power in Massachusetts offers a participatory anchor institution model.
- 2) **Sets criteria for designating an area to be an EID** taking into account economic and environmental hardships along with potential for renewable energy and energy efficiency development. For example, higher than average poverty and unemployment rates, plus more brownfields and other remediation sites that could be used for renewable generation would contribute to making an area eligible to be an EID.

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- 3) **Establishes participatory and accountable planning and decision-making processes** for the Energy Investment Trust and Energy Investment Districts. EIDs use democratic practices, like those employed in participatory budgeting, to maximize community involvement in choosing which energy projects are supported. EIDs are governed by Councils elected by those who live and work within the district, and EID Council members comprise the majority of board members of the Energy Investment Trust.
- 4) **Defines standards for projects to be developed.** EIDs should prioritize projects that address the multiple goals of cutting emissions, saving energy, spurring renewable generation, providing economic opportunity and building the wealth of communities that have been marginalized and suffered disinvestment. A few examples suggest the range of approaches EIDs might support:
 - An EID could support projects to install solar panels on schools and other community institutions, turn brownfields into solar farms, or develop community-owned wind farms.
 - An EID could make seed capital available to a worker-owned cooperative that conducts energy audits and retrofits for residences, government facilities, community institutions and small businesses.
 - An EID could offer incentives for clean energy companies to locate within its boundaries if they agree to hire locally and pay living wages.
 - An EID could help build the capacity of residents to engage in energy planning and business development through training and technical assistance.

EID FINANCING: Existing public funding sources for EIDs could include: infrastructure bonds; greenhouse gas funds; Feed-in-Tariff Programs (FiTs); Property Assessed Clean Energy (PACE) programs; local or state workforce, economic development and small business loans and grants; US Department of Energy (DOE) programs like Sunshot and Solar Decathlon; the US Department of Agriculture Renewable Energy for America Program (REAP); US Environmental Protection Agency programs like the Brownfield and Land Revitalization Program and Environmental Justice Small Grants Program; and the Community Development Financial Institutions Fund.

Private investment could come from divestment of college endowment and public pension funds from fossil fuels, pooling investors through online platforms like Mosaic, Direct Public Offerings, revolving loan funds, linked deposit programs, program related investments from foundations, and individual investors pooling tax credits through Limited Liability Corporations.

OPPORTUNITIES FOR CONGRESSIONAL ENGAGEMENT: By passing federal legislation allocating resources to local EIDs, Congress could help jumpstart the economy, spur innovation, support small businesses and deploy renewable energy in communities across the country. Two ideas already proposed by the Obama Administration—the Energy Security Trust and Energy Efficiency Race to the Top programs—could be crafted to support EID development.

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