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Testimony of Representative Melanie Sachs introducing
LD 1700, An Act to Create a Direct Investment Pilot Project Under the Maine Clean Energy and Sustainability Accelerator
Before the Joint Standing Committee on Energy, Utilities and Technology

Senator Lawrence and esteemed members of the Joint Standing Committee on Energy, Utilities and Technology, my name is Melanie Sachs, and I am honored to represent the community of Freeport in the Maine Legislature. I am before you today to introduce **LD 1700, An Act to Create a Direct Investment Pilot Project Under the Maine Clean Energy and Sustainability Accelerator**.

I testified in front of this committee almost exactly four years ago, during the 130th Legislature, to advocate for the establishment of a "green bank" here in Maine, as a co-sponsor of LD 1659, *An Act to Create the Maine Clean Energy and Sustainability Accelerator* (sponsored by the Honorable Paige Ziegler). A "green bank" is a dedicated, specialized finance program designed to drive private capital into market gaps for goods and services producing low or zero greenhouse gas emissions. Those efforts were successful. LD 1659 was signed into law, and the green bank is now housed within the Efficiency Maine Trust (the Trust).

As the green bank is currently structured, it may provide capital to qualified projects in the form of:

(1) Debt financing
(2) Credit enhancements, including loan loss reserves and loan guarantees
(3) Aggregation and warehousing
(4) Equity capital
(5) Any other financial product approved by the board
(6) Leases

Since its establishment, the Trust has primarily leveraged the funds to provide loans to residents, small businesses and municipalities for energy efficiency upgrades. The Commercial Property Assessed Clean Energy (C-PACE) program, a financing option that uses capital to pay for the upfront costs associated with energy efficiency or renewable energy improvements for commercial property owners, is one program that has been discussed in the committee this year.

While its enabling legislation allows it to do so, the Trust has not engaged significantly in deploying capital directly via loans or equity towards the development of clean energy generation and battery storage. State agency, municipal and private energy projects have complex and diverse financing needs. These projects may be delayed or stalled over challenges securing stable financing in the current high-interest rate environment. As our clean energy transition progresses, we will see a continuing need for cost-effective, low-risk capital to finance projects throughout Maine, especially as projects face delays from supply chain difficulties and lengthy grid studies. Targeted intervention by the Trust could also secure projects that, while economical, cannot access capital for their construction period or which face other unexpected cost increases as a result of uncertainties from federal policies, such as tariffs.

The accelerator, with its focus on "filling in the market gaps," is able to provide direct equity or loans for projects that enhance grid resiliency through support of microgrids, smart grid applications and distributed energy resources. These projects might also include on-site renewable energy or hybrid projects to improve power quality and reliability of electrical supply at the local level, utility-scale solar and storage installations and other grid-related upgrades.

Encouraging the Trust to play a role as an investor in renewable energy and battery storage is also a money-making opportunity. Investing as an equity holder would make the Trust a partial owner in these projects, a role that could help them steer project development and one that would lead to positive net revenue for reinvestment by the Trust. Any opportunity to use public funds to make more public funds is worthwhile.

A targeted directive from the Legislature as seen through this resolution allows the Trust to test, evaluate and report on the effectiveness of such direct investment strategies. Similar green bank models in other states, such as Connecticut, have successfully demonstrated the effectiveness of this approach of direct investment through concessional lending and equity.

Importantly, this effort utilizes existing Trust funds without hampering current programs. By offering a long-range investment timeline of two years, a relatively low value of $1,000,000 for their initial investments, and flexible language that allows them to hold off on such investments if their funding streams are disrupted further, this language empowers them to test a new role in the renewable energy sector at no cost to Maine taxpayers.