

## **Barrier-Free Clean Capital Market Act** (Straw Proposal Bullet Points)

### **Clean Asset Bonds (CABs) Build Big Clean Capital Markets, to Fuel Pollution-Free Enterprise**

CABs, more than any other incentive, remove tax and other barriers to capital and participation for pollution-free enterprise. No barriers = more participation = bigger clean capital markets. That means bigger opportunities and profits, cheaper clean energy, faster clean infrastructure deployment, more jobs, prosperity (and even tax revenue) and a cleaner planet. That's why CABs form the core of the Act.

#### **Clean Asset Bonds: Definition & Proposal**

- CABs would be federally tax-exempt corporate green bonds financing manufacture and deployment of legislatively pre-qualified clean assets historically known for high-impact pollution reduction.
- Guaranties green impact and public benefit – without complicating easy bond issuance.
- Proposed for all low/no-emission power & vehicles, all carbon capture, zero energy buildings, combined heat & power, hydrocarbon capture for O&G. (Could also apply, in future, to: plastic waste, water issues, recycling, regenerative farming, other conservation/pollution issues, etc.)
- Six-year federal pilot program with annual step-down re CAB percent of total financing, from 80% of project funding in the first year, to 40% in year five and six – to steadily increase federal tax revenue.

#### **Unique Design: Only incentive applying policy leverage to financial leverage – in the corp. bond market**

- Magnifies key leverage effects: drives cheaper cost of capital, faster growth, higher return on equity.
- Corporate bonds, because that is the world's biggest capital market, optimized for free enterprise.
- This drives multiple impacts that un-leveraged incentives cannot match (eg. muni bonds, tax equity).

#### **Clean Asset Bond Advantage 1: creates bigger, broader, more participatory markets vs other incentives**

- CABs offer a tax-free investment that millions of retiring baby boomers would want in their portfolios
- CABs also make capital cheaper, drive higher equity returns. That attracts ALL investors: millions of middle income investors, plus big corporate & institutional investors, to higher returns on the rest of the capital stack – including both taxable debt and equity. So CABs drive taxable investment too!
- Cheap capital make clean energy & products ~20% cheaper, driving demand. Everyone benefits.
- Cheaper clean energy boosts profits & tax revenue for all biz (any using energy)... like a broad tax cut.
- No muni illiquidity cost barriers (any muni appeals only to citizens of one city). Big national market
- CABs jumpstart clean project securitization, to include MANY investors other incentives exclude.
- Makes green investment easy & profitable for the public: increases participation, capital & support.

#### **Clean Asset Bond Advantage 2: creates jobs and economic growth while improving the environment**

- Unique design: cuts capital tax rates to both increase GDP *and* lower pollution harm & costs.
- Removes “deadweight loss” from taxes. Other incentives can't match that. Similar to a broad tax cut.
- Multiple incentives (plural) for ALL investors means more investment, more jobs. Everyone profits.

#### **Clean Asset Bond Advantage 3: VERY cost effective (even revenue positive via taxable leverage effects)**

- CABs use a cheap incentive on lower-return debt (USROD=4%) to drive more investment to both taxable debt & higher-return equity (USROE=13.6%): 340% more tax revenue per dollar of investment
- CABs actually could pay for themselves, with the right CAB/taxable debt/equity capital structure.
- Since the pilot program calls for declining CAB/capital ratios over six years, it is likely that some projects will produce positive tax revenue year 1, and more tax revenue than expense years 3 – 6.
- Key pilot program purpose: to study results, to optimize CAB/capital ratios for impact & revenue.

#### **Clean Asset Bond Advantage 4: creates a GLOBAL barrier-free clean capital market with US leadership**

- Senators and Reps can lead simply by inviting international reciprocity on CAB tax-emption
- Poverty breeds terrorism, war, environmental destruction, refugees and illegal immigration. CABs help solve such crises, build free market structures, and unlock new wealth... *without new pollution*.

#### **Clean Asset Bond Advantage 5: All-carrot tax cut alternative for the planet. Brings left & right to YES**