

# VCEIB Long-Term Investment Strategy

# 2027–2030

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# EXECUTIVE SUMMARY

From 2027 to 2030, the Virginia Clean Energy Innovation Bank (VCEIB) will strategically invest catalytic capital to mitigate financial barriers to the deployment of clean energy across the Commonwealth. Over the next four years, the Bank intends to fulfill its statutory mandate, which formally established VCEIB in the Code of Virginia as of July 1st, 2026. The paramount goal of the Bank is to invest in innovative technologies that will reduce greenhouse gas emissions in Virginia's energy sector. The Bank's strategy aligns with the 2026 Virginia Energy Plan, which identifies VCEIB as the Commonwealth's tool to expand catalytic financing for innovative clean resources under a clean-first, least-cost approach to a clean energy economy. With the priority investment themes identified below, VCEIB will directly invest in the rapid delivery of affordable, reliable, and local clean energy that benefits every community and Virginia's clean energy economy both now and in the long term.

## PRIORITY INVESTMENT THEMES

- Distributed Energy Resource Innovation
- Clean Firm Generation & Storage
- Electrification & Energy Efficiency
- Flood Resilience & Water Sustainability
- Clean Energy Supply Chain
- Advanced Transmission and Grid Enhancement

VCEIB serves as the Commonwealth's green bank, whose role is to co-invest and fill financing gaps in the market. The Bank seeks to mobilize and complement the

private sector, rather than competing with it. Bank capital is intended to be additive and catalytic in nature. As responsible stewards of taxpayer funds, the Bank will not deploy capital solely to reduce private sector risk, nor unilaterally cede underwriting of terms and conditions to private finance. VCEIB invests in projects with a reasonable likelihood of generating measurable benefits in every region of the Commonwealth and especially in historically economically disadvantaged communities (HEDCs). While loans will increasingly be the Bank's core financial instrument, replacing grants, VCEIB will develop innovative financing solutions such as equity, co-lending, credit enhancements, aggregation, and securitization over the next four years. The Bank will increasingly seek to leverage private and federal capital through its status as a State Energy Financing Institution (SEFI).

# BACKGROUND

VCEIB enters 2027 with two years of operation, in which time it has built a robust and diverse pipeline and a grant-based portfolio. The Bank was initially established in September 2024 and was codified by statute in July 2026. As a program within Virginia Energy's State Energy Office, VCEIB operates in accordance with its statutory mandate in Code, as well as the administrative priorities outlined in the 2026 Virginia Energy Plan. Additional narrative of the history of the Bank and its statutory mandate and role in Virginia's energy financing ecosystem can be found in the VCEIB Strategic Plan: Fiscal Years 2027 & 2028.

Virginia's current energy landscape is in a dynamic, pivotal moment. The Commonwealth has seen rapid growth in electricity demand, which has created economic opportunity but also affordability challenges for the average ratepayer. According to the Virginia Energy Plan, Virginia imports roughly 30-40% of its annual electricity use – the largest percentage in the nation – highlighting the need for local clean energy generation. Rising load growth due to large load users, such as data centers, creates an even greater need for investment in clean energy innovation. VCEIB will support Virginia Energy's vision in the Energy Plan to "deliver affordable, reliable, and local clean energy that works for every community in Virginia and powers a thriving economy, today and for generations to come." The Bank is poised to play a key role in helping Virginia meet its binding clean economy goal of having a

net-zero power sector by 2050 under the Virginia Clean Economy Act (VCEA). VCEIB is a key tool in accelerating commercialization of energy innovation and deployment of clean firm resources, long-duration storage, and grid-enhancing solutions. Additionally, the Bank can partner with organizations to promote accessible and affordable financing options for multi-family and single-family energy-efficiency programs and demand response incentives. Through strategic partnerships, the Bank will support early growth stage companies and develop the energy supply chain to support economic development and meet load growth.

## OVERVIEW OF VCEIB FROM INCEPTION TO PRESENT

- Nearly 200 Projects/Companies Reviewed
    - Most concentrated in solar, nuclear, and energy efficiency
- 12 Projects Funded
- 9 Letters of Support Written
- $9.21 million deployed
- $10.6 million leveraged
- 401 MW Generated
    - 400 MW will be from Fusion in the 2030s, 1.3 MW from Solar
- 382 New Full-Time Jobs
    - 350 FTEs will be from Fusion in the 2030s

From its first two years, the Bank has learned several important lessons in how to best serve Virginia and has developed a strong intake process. However, many proposals arrive at an early, pre-bankable stage. The several grants that the Bank provided in 2025 enabled early momentum, but are unable to return funds to the Bank to be recycled into future investments. In order to move towards becoming a self-sustaining institution, the Bank needs to pivot to underwriting mostly loans and co-investment products. Though the Bank's direct investment plays a central role, its greatest value has often come from facilitating projects by operating as a linchpin between industry, academia, and policymakers to enable greater synergies. The Bank has also developed strong due diligence protocols, learning how to operate more efficiently as it has matured.

# CAPITAL PLAN & PORTFOLIO MANAGEMENT

The table below provides a high-level map of how the Bank projects its funds to be used over the next four fiscal years. While this model has several assumptions incorporated, it is worth highlighting that funding for FY 2029 and FY 2030 is subject to appropriations from the 2028 General Assembly in that year's budget bill. VCEIB will need further appropriations as it scales its operations.

The Bank is actively shifting its portfolio toward repayable capital. To date, over 85% of the funds invested have been grants, which do not return funds. To become financially self-sustaining, the Bank has set a goal for at least 75% of new commitments over the next four years to be repayable financing, such as loans, equity, and credit enhancements. Thus, taxpayer funds via appropriations have greater impact, lasting longer in a revolving fund and reducing the need for large future appropriations. Critically, in order to recycle returned principal and investment income, Virginia Energy will need clarity and authorization to do so from the General Assembly and the Department of Planning & Budget.

| | FY 2027 | FY 2028 | FY 2029-2030 |
|---|---|---|---|
| Carry Forward from Previous FY | $7.3M | $4.4M | $1.6M |
| Appropriation | $5.0M | $5.0M | Subject to 2028 General Assembly |
| Administrative Costs | Up to $923k | Up to $923k | Subject to 2028 General Assembly |
| Amount Invested | $7.5M | $7.5M | TBD |
| Principal Returned | $322k | $325k | $3.4M |

| | | | |
|---|---|---|---|
| Investment Income (Interest & Fees, not Returned Principal) | $151k | $348k | $721k |

### RISK MANAGEMENT

The Bank will apply the post-investment monitoring framework outlined in its most recent Strategic Plan FY 27-28.

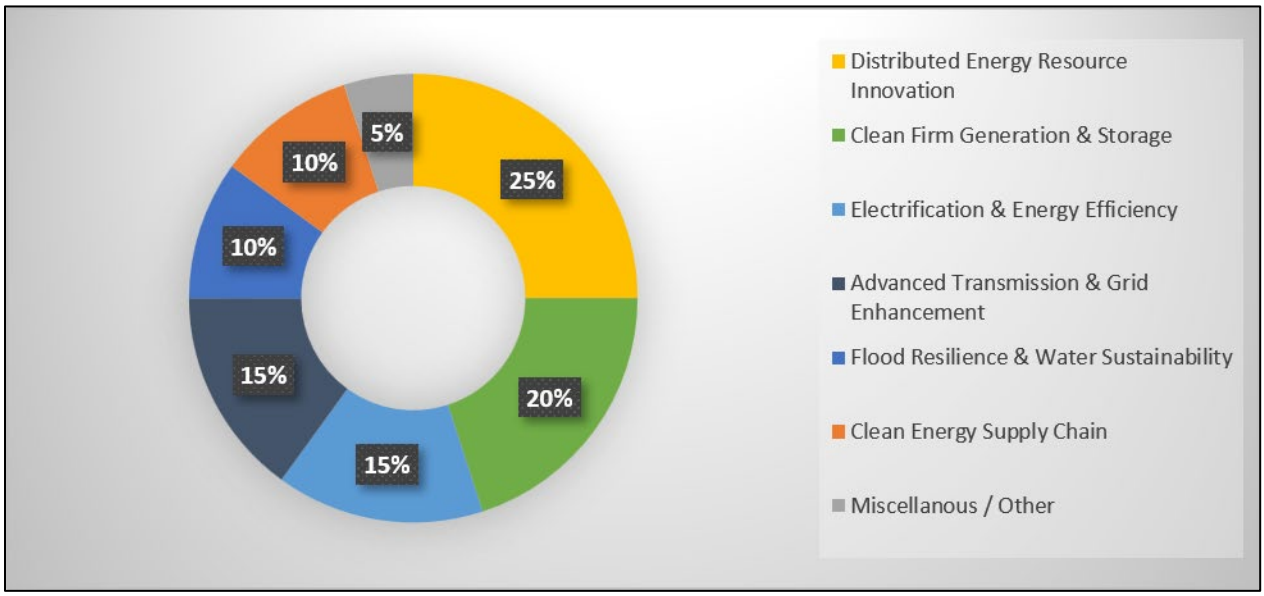
- Risk rating assigned to every investment at closing
- Quarterly or otherwise routine progress reports from primary project point of contact
- Covenant and deliverable tracking, with verification by invoices, photographs, and site visits.

For statutory compliance, the Bank will monitor how each project advancing towards approvals would fit within the 15% nuclear and coalbed methane cap and the impacts on HEDCs. Additionally, the Bank will collaborate with Virginia Energy's Office of Financial Services to develop an investment loss reserve policy for its portfolio. Additionally, based on annual audit findings from the Auditor of Public Accounts, the Bank will work with its Bank Advisory Board to incorporate recommendations (§ 45.2-121).

# PRIORITY INVESTMENT THEMES

VCEIB Staff and leadership have identified the following areas as key topics of focus in deploying the Bank's funds. In Code, the Bank has a broad definition of various types of "qualified projects" (§ 45.2-115). However, given current market conditions and priorities identified in the 2026 Virginia Energy Plan, it is necessary to outline investment themes to guide the Bank in selecting meaningful, transformative projects. The six themes below are interrelated rather than mutually exclusive, enabling successful projects to cross categorical boundaries. While this framework helps evaluate projects, all proposals, regardless of their technology's ability to fall

under any of these themes, will be considered for potential investment. Outside of these six themes, the Bank is allocating 5% of the portfolio for other technologies that may not cleanly fit within this framework. Within these themes, the Bank will favor first-of-a-kind or early commercial deployments that private lenders alone may not finance, as well as projects that can be scalable or aggregated across Virginia. Projects with measurable ratepayer savings or improvements to grid modernization will also be prioritized. The percentages associated with each theme are targets and serve as guidelines for structuring a diverse portfolio but are not binding. They are the share of new commitments in 2027 to 2030 by dollar value. Additionally, these targets are dependent on the Bank's capitalization, which is not determined after Fiscal Year 2028. As such, VCEIB remains flexible to adapt and revise these targets to Virginia's needs, market conditions, and substantive changes in federal and state policies over the next four years.




## DISTRIBUTED ENERGY RESOURCE INNOVATION

A. 2030 Target: 25% of Portfolio

Virginia law directing the creation of virtual power plants (VPPs) defines a Distributed Energy Resource (DER) as "a resource of up to five megawatts that is located on the customer's premises or is interconnected with the distribution system and produces or stores electricity or modifies the timing or amount of a customer's electricity consumption" (20VAC5-314-20) and the Bank has adopted this definition in

its consideration of DERs. DERs include distributed solar (including home solar and small shared/community solar), battery storage, electric vehicle (EV) chargers, and smart appliances such as thermostats and water heaters. DERs can be aggregated into VPPs, which can reduce the need for expensive, centralized generation infrastructure, like power plants. These technologies are flexible, cost-effective, market-proven, and quick to deploy at scale.

VCEIB will prioritize funding the deployment of innovative technologies to enhance DERs. For example, next-generation technologies that increase solar panel efficiency and lifespan or novel chemistries that increase battery duration or safety can improve DER effectiveness. Additionally, to promote grid resilience and reliability, the Bank looks to fund battery storage in combination with small-scale solar to create resilience hubs and microgrids. While VCEIB does not directly lend at the residential scale, the Bank can work with partners to aggregate several home solar and/or batteries into valuable financial products that increase residential and commercial access to these technologies.

## CLEAN FIRM GENERATION & STORAGE

A. 2030 Target: 20% of Portfolio

Clean firm resources are generation and storage technologies that do not emit greenhouse gases or pollutants into the air or water, but also provide large volumes of power at consistent levels. Examples of clean firm resources include advanced nuclear, fusion, hydroelectric, geothermal, offshore wind, and long-duration energy storage (LDES). These technologies are usually deployed at the utility scale. These resources complement DERs and serve to diversify Virginia's generation portfolio to effectively meet growing demand from large-load users.

VCEIB can leverage federal funds from the Department of Energy's Office of Energy Dominance Financing for large-scale development of clean firm resources. Additionally, the Bank can fund innovations that make these resources more efficient, cleaner, and affordable. The Bank's focus on innovation will be used to evaluate the deployment of technologically sound infrastructure that may not have yet been deployed in Virginia at scale, such as pumped hydro storage and geothermal. The Bank has already funded the Commonwealth Fusion System's planned ARC facility, intended to be the world's first grid-scale fusion power plant, and will seek to further develop Virginia as a leading state for the energy of the stars. Though the bank is limited in how much it can invest in nuclear fission, it can prioritize high-impact, catalytic investment to promote advanced nuclear

technologies such as small modular reactors and next-generation molten-salt reactors.

## ELECTRIFICATION & ENERGY EFFICIENCY

A. 2030 Target: 15% of Portfolio

While Virginia increases its homegrown generation capacity, it can also use its energy more efficiently by integrating new technologies, designing smarter buildings, and electrifying its assets from fossil fuels to electricity. In 2025, Virginia was ranked 20th on the American Council for an Energy-Efficient Economy's (ACEEE) Energy Efficiency Scorecard. End-use electrification is the replacement of equipment that directly burns gasoline, diesel, natural gas, propane, or fuel oil with equipment powered by electricity. When paired with energy-efficient technologies, such as EVs and heat pumps, greenhouse gas emissions and other air pollutants are reduced. Virginia has room for energy efficiency gains in transportation, buildings, and across the entire grid, which can ultimately reduce energy use and increase savings for homeowners and businesses. Key strategies include transitioning to EVs, weatherization, home retrofits, equipment improvements, and fuel efficiency.

The Bank can support the Commonwealth's energy efficiency and electrification goals by piloting new technologies with commercial and industrial clients. VCEIB can work with strategic partners to have a wide-reaching reduction in wasted energy usage in residential markets. The Bank has also reviewed projects seeking to incentivize electric school buses for Virginia school districts with vehicle-to-grid (V2G) technology and by increasing charging infrastructure in key areas.

## ADVANCED TRANSMISSION AND GRID ENHANCEMENT

A. 2030 Target: 15% of Portfolio

A critical issue facing Virginia and America at large when it comes to the deployment of DERs and clean firm resources is limitations of an aging grid. Much of our electricity infrastructure is near the end of its operational life and will need to be replaced with high-voltage power lines to effectively transport electricity from distributed and centralized generation sources to where it is needed. However, key hardware and software improvements can create a more efficient, smarter grid for the 21st century, such as Advanced Transmission Technologies (ATTs) and Grid-Enhancing Technologies (GETs). ATTs include high-performance conductors and advanced reconductoring. GETs are a subset of ATTs that include advanced power

flow control, topology optimization, and dynamic line rating (DLR). VCEIB can invest in commercializing novel ATTs and GETs by working with utilities, electric cooperatives, and other key stakeholders to pilot these technologies. A smarter grid will be able to more effectively balance the supply and demand of electricity and yield a more resilient and affordable grid.

## FLOOD RESILIENCE & WATER SUSTAINABILITY

A. 2030 Target: 10% of Portfolio

Recent years have revealed the critical need for investment in the Commonwealth's flood resilience infrastructure and sustainable management of freshwater resources. Nutrient runoff and other pollutants enter waterways, contaminating local groundwater and riverine resources and ultimately degrading the health of the Chesapeake Bay. Furthermore, given drought conditions and larger resource needs, Virginia must ensure that it will preserve freshwater resources for drinking, agriculture, recreation, and fisheries. Rising sea levels and flash floods due to stronger and more frequent storm events pose a threat to several communities across the Commonwealth.

As water sustainability is a relatively new focus area for the Bank, since it was included in the Bank's statutory mandate in July 2026, there has been little intake on that topic. The Bank can work with its sister agencies to market this policy change and develop this section of its pipeline. VCEIB can invest in solutions that ultimately reduce water usage at data centers and more efficiently purify water at wastewater treatment plants. Additionally, the Bank can help mobilize private capital to invest in flood resilience infrastructure in key areas, such as Hampton Roads and Southwest Virginia. Another opportunity is to invest in reduced contamination and water usage for energy assets, such as nuclear power plants.

## CLEAN ENERGY SUPPLY CHAIN

A. 2030 Target: 10% of Portfolio

To maximally capture all the benefits of deploying clean energy resources and DERs, Virginia needs to invest in its energy workforce and build out statewide supply chains. The Commonwealth has already developed an advanced nuclear and offshore wind supply chain and is opening up solar panel manufacturing plants. A key input in the national and global clean energy transition is the supply of processed critical minerals and rare earth elements (REEs). Virginia and the United

States have these valuable resources in varying degrees of abundance but largely lack the ability to process them. Another key issue in the supply chain of renewable energy assets is their decommissioning, reuse, and recycling at the end of their useful lives.

The Bank will work with VEDP and other strategic partners to attract manufacturing of the components used in energy assets, especially critical mineral processing and end of life recycling. Though VCEIB does not directly fund training programs, it seeks to invest in projects that will develop homegrown talent in Virginia for skilled, high-wage jobs and create opportunities for full-time employment and apprenticeships. The Bank has already provided grants with several Virginia public universities to finance the procurement of equipment that will support education and training for Virginia's advanced nuclear workforce of tomorrow. More details can be found in the Virginia Nuclear Reactor Simulator Capabilities Report.

## Areas of Limited Focus or Ineligible for Financing

(§45.2-116(A)(5))

Per Code, financing for nuclear and coalbed methane projects is limited to 15 percent of available funds in aggregate. Within the cap, it will prioritize pre-development, siting and supply-chain investments with the highest catalytic effect. Under the 2026 Virginia Energy Plan, nuclear is categorized as a clean-firm power generation source and is projected to increase output with new development in the Commonwealth, complementing utility-scale solar and DERs. Thus, VCEIB will categorize nuclear projects as clean-firm generation but ensure that no more than 15% of total available funds is invested in nuclear-related projects. Virginia Code defines fusion energy and nuclear energy as separate items for eligible-carbon free sources (§ 1-208.1), thus VCEIB at this time does not include fusion as a nuclear-related technology. VCEIB will review opportunities to leverage federal monies, such as Office of Energy Dominance Financing (EDF) products, to support the deployment of new nuclear facilities and other high-cost investments, but large-project investments may not be viable under the 15% spending cap. The Bank is prohibited from funding projects that contribute to greenhouse gas emissions; thus, fossil fuel projects are ineligible for financing. Coalbed methane capture is considered only where it delivers a net reduction in greenhouse gas emissions and falls within the statutory cap. Captured carbon that is used for oil and gas exploration via enhanced oil recovery rather than permanently sequestered will not be considered.

The Bank will not use its capital to subsidize the electricity costs of data centers or other large loads. Consistent with the policy positions outlined in the Virginia Energy Plan's Data Center Accountability Framework and Executive Order 22, VCEIB may finance technology providers and first-of-a-kind solutions that reduce the grid impact of large loads. Such projects may fall under energy efficiency, water sustainability, and grid-enhancing technologies and would need to directly reduce the resource burden of large load users, leading to a more affordable electric grid for Virginia ratepayers.

# MARKET OPPORTUNITIES

The most significant financing gaps in the current landscape in Virginia are in funding mid-sized, early-commercial, and distributed generation projects. These projects are too small or novel for utility-scale or federal finance, and too risky or unfamiliar for conventional lenders. Large clean energy projects can reach federal financing through the U.S. Department of Energy's Office of Energy Dominance Financing (EDF), formerly known as the Loan Programs Office, which can fund up to 80 percent of eligible projects above $100 million. Few Virginia sponsors are organized to use it. As a State Energy Financing Institution (SEFI), VCEIB can help them do so by taking a modest position that unlocks federal capital at scale. VCEIB's pipeline and the 2026 Virginia Energy Plan point to five gaps in energy finance.

## DISTRIBUTED ENERGY RESOURCES

Mid-sized distributed or shared solar and storage systems and standalone batteries are often too small of a ticket size ($150k-$5M) for many private sector project finance opportunities. Additionally, battery storage lacks an established track record, giving lenders more reason to pause. Revenues and commercial viability is contingent on ever-changing market conditions, such as tariffs. VCEIB can enter this gap by issuing senior or subordinated loans alongside third-party lessors or community lenders, to effectively share credit risk and mobilize more capital. By underwriting with standardized terms, VCEIB can help build the lending track record that can serve as the basis for larger private sector investment into battery storage in the near future.

## BRIDGE & CONSTRUCTION FINANCE

The market has left a gap in financing shorter-term debt instruments where developers wait for tax-credit transfers, incentive payments, or customer milestones prior to closing a permanent deal. VCEIB is able to underwrite bespoke loan products with flexible repayment terms, including shorter-term loans, limited to no prepayment penalties, and the ability to refinance as additional capital is unlocked. The Bank has experience securing such loans on incoming cash flows, such as milestone payments, new equity, or grants.

### PRE-DEVELOPMENT OF NOVEL CLEAN FIRM RESOURCES

The private sector has tended to be slow-moving to invest in early-stage development of utility-scale clean energy assets, such as advanced nuclear, fusion, geothermal, and storage plants. Siting, licensing, and engineering for such technologies face long timelines and carry a higher commercial and execution risk than solar and wind developments of a similar capacity. All of these items require increasing levels of investment as the project matures; however, VCEIB can invest via debt and equity at an early stage to trigger larger institutional investment needed for the full construction. For these advancing technologies, the Bank operates as a catalyst to position projects for private equity and federal funding.

### EARLY STAGE MANUFACTURING & GROWTH COMPANIES

Venture capital typically stops short of plant-scale capital, while banks tend to require an established history of operation. VCEIB can invest alongside sister institutions like VIPC, VEDP incentives, and federal programs like America's Seed Fund/SBIR. Equity investments can be made only where the risk is justified by a strong catalytic element.

### COASTAL & GRID RESILIENCE PROJECTS

Critical infrastructure to bolster community resilience to inclement weather, natural disasters, and sea level rise is of vital importance. The benefits of such infrastructure, such as avoided power outages, property damage, etc., are tangible and quantifiable, but difficult to monetize, leading to underinvestment. VCEIB is able to intervene to accelerate deployment by providing low-interest loans that pair with state and local resilience grants to fill in funding gaps.

# FINANCIAL TOOLS (§ 45.2-119(A)(4))

While the Bank initially heavily invested via grants, conventional loans will be the Bank's primary instrument of choice; however, over the next four years, VCEIB will add useful financing tools. As the Bank scales its operations, it will utilize new types of instruments authorized in Code (§ 45.2-114(A)). Such tools include credit enhancements, co-lending, and aggregation. In order to move towards becoming financially self-sufficient and reduce the need for future General Assembly appropriations, the Bank will reduce the concentration of grants in its portfolio. All VCEIB-funded projects are subject to regularly scheduled progress reports, typically at a quarterly frequency. The bulleted terms outlined per instrument serve as a guide, and, subject to approvals, terms may be amended.

## PROJECT LOANS

Project loans are the main financing intervention for VCEIB; these are designed to drive a specific project or activity to fruition and outcome. Typically, these are outcome-based and lead to a revenue/value-generating project or activity with a clear repayment source. VCEIB looks for collateralized security of return of funds and commercial viability, achieved through due diligence evaluation of the specific project.

- Amount: Up to $2M
- Term: Up to 10 Years
- Security: Senior Claim on Collateral Assets and/or Guarantees

## DEVELOPMENT LOANS

VCEIB can operate with flexibility to meet the needs of Virginian businesses. One option is for the Bank to offer a development loan. Development loans allow VCEIB to recoup funds that might otherwise be deployed as large-dollar grants. These loans are lower interest than project loans and tend to have shorter terms. The target borrowers for development loans are municipalities and established companies,

where credit risk is minimal. Thus, lower interest rates and a senior, unsecured lender position are justified for the Bank.

- Amount: Up to $500k
- Term: Up to 5 Years
- Security: Senior Position, No Collateral Required

## PREFERRED EQUITY

In 2026, VCEIB has been developing its first preferred equity investment, where the Bank takes a minority stake in a project-based special purpose vehicle with a clearly defined exit strategy. VCEIB may elect to invest via common equity, which offers larger upside potential with greater risk, but in order to effectively steward taxpayer dollars, the Bank prioritizes a preferred equity approach. Similar to debt instruments, the Bank can structure its equity investments to have dividends/interest payments deferred to the time of maturity / equity sale. While already under development, such investments will play a limited role in the Bank's portfolio.

- Amount: Up to $2M
- Term: Up to 5 Years
- Security: Senior/Preferred Position, No Collateral Required

## FEDERAL EDF LOAN LEVERAGE

As a SEFI, the Bank maintains a unique partnership with the federal EDF which can finance up to 80% of large-scale clean energy infrastructure projects exceeding $100 million. Through modest yet impactful financial support, VCEIB leverages federal dollars to fund substantial portions of project costs, amplifying its impact. To meet the minimum cost share to leverage EDF funds, VCEIB will have to work with Virginia, utilities, and private capital to raise the 20% non-federal cost share.

- Amount: At least $20M in Non-Federal Cost Share
- Term: Up to 30 Years
- Security: Subordinated Position

## BRIDGE LOANS

Bridge loans enable the Bank to provide short-term capital to carry a project to larger cash flows or investment. This instrument is usually assigned to projects awaiting permanent finance or cash infusions such as milestone payments or proceeds from tax incentives. VCEIB is looking to expand the number of bridge loans it issues from 2027 onwards.

- Amount: Up to $1M
- Term: Up to 18 Months
- Security: Senior Position on Collateral or Expected Cash Flows

## CO-LENDING / LOAN PARTICIPATIONS (§ 45.2-116(C)(2))

VCEIB has been able to co-lend with other financial institutions to directly meet financing gaps. The Bank may elect to modify its senior collateral position to a pari passu or subordinated position to reflect the role in the capital stack. Such structures enable the borrower to have a lower blended cost of capital and help derisk mid-sized projects to advance projects to deployment. While the Bank has successfully demonstrated its capabilities in entering a loan participation with Locus Impact Bank, VCEIB intends to expand the number of joint-loan products in 2027.

## CREDIT ENHANCEMENTS (§ 45.2-116(C)(1))

The Bank can employ credit enhancement mechanisms that reduce financial risk for financing entities by assuring 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. These are instruments to derisk situations where private lenders originate several small loans for residential and commercial efficiency, solar, or EVs. VCEIB intends to design a loan guarantee and/or loan loss reserve tool in 2027 with the intent of piloting it with a lender by 2028.

## AGGREGATION & SECURITIZATIONS (§ 45.2-116(C)(3))

The Bank is authorized to aggregate small and geographically dispersed qualified projects to diversify risk or secure additional private investment through securitization or similar resale of the Bank's interest in a completed project. These types of tools enable the Bank to support investment in multiple communities and homes in an efficient manner, avoiding administrative and transaction costs. VCEIB would look to explore this tool in 2029, once it has a sufficiently robust loan portfolio.

### SMALL GRANTS

Though not the primary focus of VCEIB funding, the Bank has a limited capacity to occasionally offer comparatively small-dollar grants. Grants will be evaluated and administered only if the amount needed is under $10k and there is no capacity for the project to take on subsidized debt. These projects might fund academic research or workforce development initiatives. Grants will make a minor share of the Bank's portfolio.

- Amount: Up to $10k
- Period of Performance: Up to 3 Years

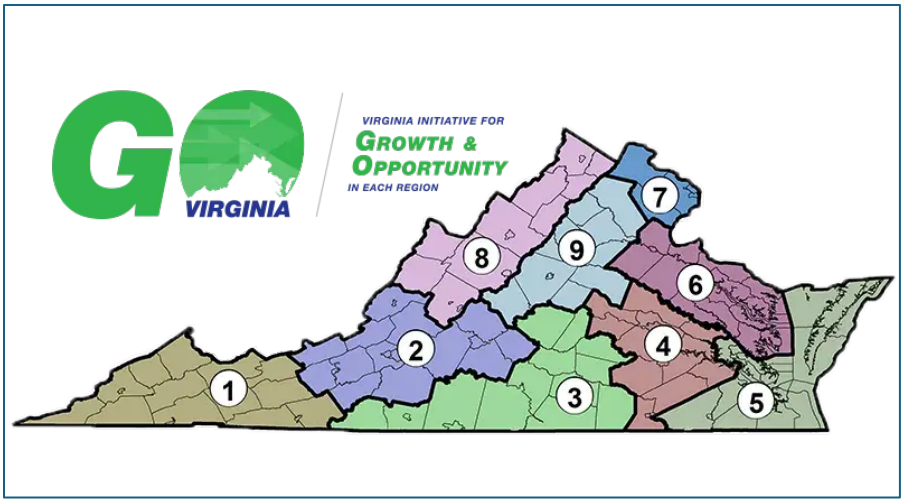
### PROGRAMMATIC FUNDS

Governor Spanberger's Executive Order 22 (2026) § D.2 directs the Office of the Chief Energy Officer to identify and pursue strategies that direct data center investments into local energy projects that improve the affordability of energy for Virginia communities and strengthen Virginia's grid. The Office of the Chief Energy Officer will partner with Virginia Energy, and VCEIB specifically, to channel voluntary contributions from data center companies into projects that further these objectives. VCEIB is authorized by statute to receive gifts or donations (§ 45.2-116(A)(2)).

# ECONOMIC & GEOGRAPHIC DIVERSIFICATION (§ 45.2-119(A)(6))

In addition to developing a diverse portfolio that spans several technologies and investment themes, the Bank also seeks to ensure economic and geographic balance in its portfolio. VCEIB's statutory mandate requires that it will finance projects in all regions of the Commonwealth (§ 45.2-116(A)(10)), and that at least 40% of the direct benefits from its activities flow to historically economically

disadvantaged communities (§ 45.2-118(D)). Currently, over 80% of the Bank's executed projects are located in or within 25 miles of a HEDC census tract or locality. To avoid concentration, the Bank will not fund a project that would require over 20% of its available capital. At project intake and early in the due diligence process, Bank Staff communicate with project developers the importance of equitable impact and diversifying project locations to benefit all Virginia communities.




To track geographic balance, VCEIB utilizes GO Virginia's regional framework, which encompasses all Virginia localities. The nine regions each consist of 9-18 localities that share similar economic development and workforce needs. The Bank will consider each region and community's energy needs, much of which was elicited during listening sessions in the creation of the 2026 Virginia Energy Plan. For example, Hampton Roads has a greater need for investment in coastal resilience, whereas the Southwest requires greater grid reliability infrastructure, and Northern and Central regions primarily cite the need for new generation to meet rising load growth. VCEIB will continue to partner with organizations with specialized knowledge of their regions, such as the Tobacco Regional Revitalization Commission, Hampton Roads Alliance, planning district commissions, and other community navigators. Leveraging these institutions' expertise of regional needs and their physical presence in those communities is key to building a geographically diverse pipeline of high-quality projects. VCEIB intends to finance one project in each GOVA region, subject to the number and quality of projects.

## Geographic Diversification of Current VCEIB Portfolio

| GOVA Region | Investments | Amount Invested | Technologies |
|---|---|---|---|
| 1) Southwest VA | 2 | $375,000.00 | Nuclear |
| 2) West Central VA | 1 | $868,505.60 | Solar |
| 3) Southside VA | 0 | | |
| 4) South Central VA | 5 | $2,190,676.00 | Fusion, Nuclear, Critical Minerals, Hydrogen |
| 5) Hampton Roads | 0 | | |
| 6) Eastern VA | 0 | | |
| 7) Northern VA | 3 | $2,775,000.00 | Nuclear, Software |
| 8) Valley VA | 0 | | |
| 9) Central VA | 1 | $3,000,000.00 | Battery |

VCEIB prioritizes projects that can credibly create high-skilled and high-wage employment and apprenticeship opportunities for local workers, defined as Virginia residents within 150 miles of the project. Projects that create full-time jobs and workforce development opportunities in or near HEDC census tracts are further prioritized (Virginia Energy HEDC Map). VCEIB also especially considers projects that develop brownfield sites and communities impacted by Superfund sites. Furthermore, the Bank aligns with the Department of Energy's focus on investment in Energy Communities, areas that have historically provided retiring power plants or traditional fossil fuel energy which benefit from additional investment tax credits (DOE Energy Communities Map). Additionally, projects that maximize federal investment tax credits and utilize Virginia or American-made supply chains are prioritized (§ 45.2-117(A)).

# MEASURING IMPACTS & REPORTING

The table below is a nonexhaustive list of direct benefits that are likely to result from the Bank's activity, based in part on the Bank's current portfolio and the reporting of fellow green banks. Best practices and industry-accepted methods for quantifying and monetizing these benefits will be used and verified by third parties where applicable. The Bank will publish the method it uses to assign these benefits to HEDCs in its first annual report under this strategy. Metrics will be estimated during due diligence and underwriting and verified using data from the client's quarterly and annual project reports. Every VCEIB Project Summary has an overview of applicable impacts and expected metrics.

| Direct Benefit | Metric |
|---|---|
| Reduction in Greenhouse Gas Emissions | • Metric Tons of CO2e Avoided, Offset, or Sequestered |
| Energy Generation, Storage, Efficiency, & Conservation | • MW of Clean Energy Generated<br>• MWh of Clean Energy Stored<br>• MWh of Energy Conserved<br>• Cost Savings to Ratepayers ($/year) |
| Economic Development | • Number of FTEs Created, Sustained, or Trained<br>• Economic Output Generated ($) |
| Fiscal Impact | • State & Local Tax Revenue ($)<br>• Investment Revenue ($) (i.e. Interest & Fees)<br>• Private & Federal Leverage Ratios |
| Improved Environmental Quality | • Air: Metric Tons of SOx, NOx, or PM Avoided, Offset, or Captured |

| | |
|---|---|
| | • Water: Gallons of Water Conserved or Purified/Treated |
| Resilience | • Number of Homes Protected<br>• Utilization of Microgrid Resilience Hubs |
| Diversification & Equity | • Amount Invested ($ and %) in each Theme and Technology Type<br>• Amount Invested ($ and %) in each GOVA region<br>• Amount Invested ($ and %) Within 25 miles of a HEDC census tract<br>• % of Direct Benefits to HEDCs |

## REPORTING CADENCE

**MONTHLY –** The Bank will actively monitor portfolio diversification and health, as measured by repayment rate, a watchlist of distressed assets, income, and losses.

**QUARTERLY –** VCEIB hosts quarterly public meetings, accessible online to the general public and interested parties, to report progress at meeting its strategic objectives and the health of its portfolio in the previous three months (§ 45.2-120).

**ANNUALLY –** Prior to each regular session of the General Assembly, the Bank submits an executive summary to the legislature and the Governor reporting the Bank's activity, breaking down its use of funds over the previous calendar year. The report will be posted on the General Assembly's website.

**BIENNIALLY –** Every two years, the Bank publishes its Strategic Plan, which serves as an opportunity to report progress on its strategic objectives. Using experience and data from the existing Plan and the effectiveness of the previous two years, the Bank

will establish new annual targets for its instruments. The Bank will also review this Investment Strategy at this interval and amend as necessary.

# STRATEGIC PARTNERSHIPS (§ 45.2-119(A)(5))

The Bank's modest balance sheet is maximized when paired with strategic partners that offer capital, project referrals, technical expertise, or local reach. In its first two years of operation, VCEIB has developed deep collaborative relationships with its sister agencies under the Secretary of Commerce & Trade and other key partners. In 2027-2030, the Bank will continue to formalize these partnerships to have clearly defined pathways for collaboration. Below is a non-exhaustive list of new and existing relationships and how the Bank intends to advance its priority investment themes with their help. A more detailed exposition can be found in the Interagency Collaboration section of the VCEIB Strategic Plan: FY 2027-2028.

### AGENCIES IN THE COMMERCE & TRADE SECRETARIAT

VCEIB frequently works with agencies like Virginia Economic Development Partnership (VEDP), Tobacco Region Revitalization Commission (TRRC), and Virginia Innovation Partnership Corporation (VIPC), among others. Together, these agencies support a jointly developed pipeline and approach to business and economic development. Each agency provides specialized expertise that covers a unique element of the Bank's mandate, including start-up co-investment, energy efficiency for affordable housing, and supporting small businesses.

### OTHER VIRGINIA AGENCIES

Several other departments have proven to be helpful in understanding Virginia's environmental and resilience needs, including the Department of Environmental Quality (DEQ), Department of Conservation & Recreation (DCR), and Department of Emergency Management (VDEM). VCEIB intends to continue to further these relationships specifically for building out an active pipeline for flood resilience, water sustainability, energy asset recycling, brownfield energy development, and battery storage resilience hubs.

## FEDERAL AGENCIES

At the federal level, the Bank intends to further develop relationships with key programs, such as DOE's Office of Energy Dominance Financing and USDA's Rural Energy Savings Program (RESP).

## UTILITIES

VCEIB can partner with the Commonwealth's electric utility providers and independent power producers with DER deployment and aggregation programs. These collaborations can include programs to promote energy efficiency, demand response, and virtual power plants. The Bank can also work with electric cooperatives and municipal utilities to evaluate the potential for pilot projects which the Bank might finance.

## GREEN BANK PEERS

In 2026, VCEIB officially became a member of the U.S. Green Bank 50 (GB50), the leading national trade association of green banks. The coalition has 56 member organizations across 45 states that have mobilized $30 billion in capital, 45% of which was invested in low-income and disadvantaged communities. As a relatively nascent green bank, VCEIB stands to leverage key institutional knowledge from this network, including product templates, shared due diligence, and the potential to co-lend in projects that cross state lines. The coalition also enables the Bank to closely monitor regional and national trends in the clean energy finance market.

## COMMUNITIES & LOCAL LEADERSHIP

The Bank can engage with communities directly or via key partners such as planning district commissions, local government, and energy- and sustainability-focused nonprofits. These partners are critical for outreach and project identification in underserved markets, as well as providing valuable local knowledge of the areas' needs.

### PRIVATE & COMMUNITY LENDERS

VCEIB has previously worked with private banks, community development finance institutions (CDFIs), and community lenders. As the Bank continues its operations it will work more closely with other financial institutions such as credit unions, community banks, and tax-equity investors. These institutions can be partners for co-lending, originating credit-enhanced programs, and refinancing proven Bank loans.

## Priority Partnership Actions

1. Execute a Collaboration Framework or other formal agreement with VEDP and VIPC outlining a coordinated approach to developing energy supply chains and early-stage energy innovation start-ups, respectively. (2027)
2. Develop a standing referral and collaboration protocol with DEQ and DCR for flood resilience and water sustainability projects. (2027)
3. Deepen engagement with peer green banks via GB50 for philanthropic capitalization, instrument development, and co-investment by attending virtual monthly member meetings and in-person conferences (i.e. NY Climate Week, GB50 Annual Convening). (2027)
4. Select at least one lending partner to pilot a credit-enhancement instrument. (2028)
5. Establish a working relationship with EDF for at least one viable Virginia project. (2028)

# MARKET POSITION & INVESTMENT PRINCIPLES (§ 45.2-119(A)(3) & (C))

VCEIB maximizes impact by being additional, only investing where its capital makes a project deploy more rapidly, at a larger scale, or at a better impact and deal for the

public. The Bank does not and will not displace private lenders, subsidize counterfactual returns, or wholly absorb commercial credit risk. In a project's capital stack, the Bank's default position is as a co-investor, rather than the sole financier. VCEIB will typically provide a minority share of total project cost, complementing rather than competing with private, utility, federal, public, and philanthropic capital. Higher-risk positions, such as subordinated debt, first-loss or common equity, are reserved for projects that unlock a significantly larger commitment from the private sector and are priced appropriately to that risk.

## Investment Principles

The following investment principles will be applied to the Bank's underwriting standards and deal documents.

**Additionality Test** – Each Project Summary must state why the project may not proceed in entirety, at scale, on time, or to the public's detriment without direct VCEIB financial intervention.

1. **Public Benefit** - No investment may be made solely to lower risk for a private party (§ 45.2-119(C)(1)). Each project must have a reasonable likelihood of delivering realizable public benefits. Such benefits include but are not limited to emissions reductions, customer savings, resilience, employment or workforce opportunities, and improved environmental quality, with a preference for these benefits flowing to HEDC areas.

2. **Pooled Risk** – All risks associated with a project (i.e. execution, credit, liquidity, etc.) are equitably shared amongst third-party investors and stakeholders. The private sector must retain a meaningful exposure to success or failure of the project. Credit enhancements are structured to protect Virginia's interests by covering only a limited share of losses and have the private sector exposed to losses first, where practical.

3. **Underwriting Authority** – Private financing entities may not unilaterally dictate or alter the terms of any VCEIB-financed intervention (§ 45.2-119(C)(2)). The Bank shall negotiate and approve its own pricing, security, covenants, and reporting requirements, subject to all necessary government approvals. Material amendments to investment terms and conditions require the Bank's written consent.

4. **Market-Informed Pricing** – The rates and fees charged by the Bank appropriately reflect risk and avoid undercutting available private finance. Flexibility and concessions in underwriting are used sparingly where capital proves to be highly additional or catalytic.

5. **Mobilization Over Subsidy** – VCEIB investments are designed to mobilize and unlock external capital. Each investment reports its private-to-public leverage ratio (§ 45.2-116(A)(7)).

6. **Complementary, Not Competitive Finance** – VCEIB Staff evaluate whether no existing federal, state, local, or utility program would fully or more appropriately serve the project's needs (§ 45.2-116(A)(8)).

7. **Exit & Recycling** – Where possible, the Bank structures its investments with a planned maturity date or exit strategy that allows for public capital to be returned for reinvestment. Funds can be returned via principal repayments, interest, fees, dividends, equity sale, or private sector refinance (§ 45.2-116(A)(12) & (C)(6)).

# ACKNOWLEDGEMENTS

{To be added at the conclusion of the 30-day public comment window and stakeholder engagement with Virginia agencies, VCEIB Advisory Board, and relevant organizations}

VCEIB Staff would like to offer its sincere appreciation to all of the stakeholders who provided valuable feedback on the drafting of this document and the Bank's long-term strategic direction. This Strategy was informed by a 30-day public comment window with active participation from interested citizens and organizations. We are grateful for the opportunity to collaborate and gain technical expertise from the VA Department of Environmental Quality and the VA Department of Conservation & Recreation to better incorporate flood resilience and water quality projects into this Strategy. Lastly, we are appreciative of the advice and continued support of the VCEIB Advisory Board.