Bank of America's green hustle

Rory Crump

Outside of a few fake plastic trees, the lobby of a Bank of America branch does not resemble an organic farmer's market or a warm place for an earth-saving entrepreneur. But with a recent announcement of $50 billion tagged for new environmental investments, Bank of America has turned green and joined the banking run to companies engaged in renewable energy, energy efficiency and carbon-light transportation. Wells Fargo and Goldman Sachs have made similar commitments to a jagged industry under siege from China, cheap natural gas and tepid moral support. With allegations of posturing and greenwashing tainting big banking's altruism, it is hard to forget these are the same folks that brought us the mortgage crisis.

Most things green and tech are capital-intensive with uncertain paybacks. And exchanging subprimes for solar panels would inspire conspiracy theories based on PR motives and soulless marketing. The reputations of big U.S. banks could use a serious whitewashing. However, based on lessons learned from the U.S. housing bubble, Bank of America, Wells Fargo and Goldman Sachs must have a more profitable trick up their sleeves. Maybe all this sustainable behavior indicates green business is now just a good investment.

John Doerr -- legendary venture capitalist best known for backing Amazon, Google, Intuit and Netscape -- once said green technology could be the largest economic opportunity of the 21st century. Back in 2007 when the Silicon Valley prognosticator used TED to galvanize influencers and evangelize green business, the landscape was rich with pricey oil, transforming technology and an optimistic attitude in Washington. VC money dove in and out of solar, wind, batteries and electric vehicles -- anything green that moved. Energy bills created tax credits and loan guarantees boosting investor's interest. Clean tech was attracting capital, which attracted entrepreneurs. Yes, the supply side of clean energy was difficult to scale, but other doors were opening in corporate sustainability and creative financing for solar projects. Despite some naive fundamentals and a lack of a homerun IPO -- a "Netscape moment" -- to infect the average investor, Doerr's vision had a foundation.

Then Solyndra happened.

Solyndra's expensive photovoltaic design and shoddy reporting led to a 2011 bankruptcy that stalled clean tech's momentum. Solyndra became a cautionary tale for both investors and would-be pioneers. The environment was left to the Richard Bransons and the Googles hell bent on making a difference -- and with the resources to do so. In the background, the core of the U.S. clean tech industry kept grinding away, immune to risk and void of headlines. But many of the green dreamers and DIY scientists were back on the street looking for the next big thing. Throw in Chinese manufacturing and a rudderless economy, and clean tech -- as far as the general public knew -- had gone back underground.

A Cleaner Profile

All things considered, why would big banking want to hop on the clean tech rollercoaster? After a few false starts, a heavy dose of unrealized potential, and a campaign climate not exactly bursting with positive green vibes, why now? The timing and display are curious. All three announcements – totaling $120 billion – were made on the heels of the United Nations Rio+20 Conference, a global mix of government and industry planning a greener economy built by sustainable practices. Bank of America brass will be in attendance and sound eager to discuss their new initiative focused on lending, equipment finance, carbon finance and general market advisory for environmental business opportunities.

Rio+20 is the twenty-year reunion of the 1992 Earth Summit that not only sparked meaningful collaboration, but also helped fuel the Kyoto Protocol and tangible targets for carbon reduction. Rio+20 is like the Academy Awards of the environment, and a choice platform for Bank of America to heal macro wounds caused by the mortgage crisis and other missteps. Perhaps the timing of the announcement is a publicity stunt to reach a new audience, or recondition a jaded one. Maybe a damage-control mission aimed at vulnerable world leaders confronted with the latest global warming statistics. Bank of America's $50 billion can also be viewed – even in the most cynical circles - as a victory lap for the environment and the economy. And a much-needed shot in the arm for both startups and survivors meeting Bank of America's lending requirements.

Accusations of Greenwashing

"Address climate change, reduce demands on natural resources and advance lower-carbon economic solutions." That is Bank of America's environmental business goal. And a symptom of greenwashing is not practicing what you preach. Ensuring day-to-day operations reflect the greater goal communicated in your company's eco-friendly message is paramount to adoption. Alongside their investment commitment, Bank of America announced significant reductions in energy, paper and water consumption due by 2015. In fact, these revised goals build on a 2011 plan for LEED certification and a 30 percent reduction in global greenhouse gas emissions. So BOA, for the record, is walking the talk.

However, devout environmentalists have attacked Bank of America's continued investment in coal, considered one of the dirtiest fossil fuels in production. This conflict of interests bothered the Rainforest Action Network enough to actually issue a rebuttal to Bank of America's new environmental initiative. "Coal is the elephant in Bank of America's environmental commitments. Between 2010 and 2011, Bank of America provided $6.4 billion in underwriting for U.S. coal," said RAN's Amanda Starbuck.

So we give a little to coal, and a little to biomass. According to impassioned advocates, that kind of voodoo math sabotages Bank of America's pledge and makes them greenwashers. The "cake and eat it too" argument is simply too egregious to overlook. For banks to embrace the concept, become more transparent, and convince a lump of coal they mean business, portfolios - now angled at a more virtuous lot - must be revisited and purged of damning evidence. The earthier voices are going to have to see it to believe it.

Return on Investment

But Bank of America isn't sponsoring an elementary school carnival for $50 billion, or sacrificing lucrative coal investments to help build a brand. They see attractive ROIs somewhere in John Doerr's green utopia. And investment-grade ROIs right now are probably not attached to large-scale, speculative projects like Solyndra. A conservative look at the plan, and a snapshot of today's green business landscape reveal Bank of America's more modest targets may be part of the green building movement, or redesigning and retrofitting energy efficiency into both new and existing infrastructures. And practical aspirations like helping people get back and forth from more energy-efficient buildings in more energy-efficient vehicles.

Let GE, Siemens and Dow engineer cleaner power grids, cast offshore wind farms, and build self-sustaining cities. Instead, back companies developing technologies and services around energy efficient windows, insulation, light bulbs and heating and cooling systems. That's the low-hanging fruit with a faster, more quantifiable return. The cost of residential solar systems and installations are continuing to fall and align better with traditional forms of electricity, making the distribution, installation and financing of solar panels a more competitive proposition -- even if China is making most of the panels. And lithium-ion batteries have had some growing pains, but could still make EVs and hybrids a main-street reality.

Whether you believe the clean tech bubble has already burst, or real capital is getting in on the ground floor, Bank of America, Wells Fargo and Goldman Sachs aren't carving new paths and, regardless of intentions, will be applying proven principles to a still raw market. Just don't expect Bank of America to offer you a pesticide-free apple with your next deposit.