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State of Nevada Assembly

Eighty-Second Session

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RE: RIN: 3064-AF29

To Whom It May Concern:

I am writing to share my concerns about the proposal to increase the minimum capital requirements that banks must hold in reserve. As both an individual legislator and chair of the Nevada Assembly's committee that deals with energy policy, I'm committed to seizing the unique opportunity provided by the Inflation Reduction Act to diversify our economy and expand our leadership in the clean energy economy. While I also strongly support guardrails to promote responsibility in our financial system, I want to see a balance that does not hinder our ability to attract needed clean energy investments.

Your proposal would have banks raise the amount of capital they set aside in the event of a potential economic downturn. Since banks are a critical source of financing for developers looking to build out clean energy projects, increased reserve requirements means less money to loan out and tighter lending conditions. As a result, this may lead to delayed or shelved solar and wind power projects. With certain incentives available for a limited time and the urgent calls of the scientific community to reduce climate pollution as much and as fast as possible, we cannot afford to have these projects be prolonged by months or years.

Again, while the purpose of the proposal is admirable, many financial experts have found that such an increase in capital requirements for our nation's banks is overly conservative given the lower risk profile of tax equity compared to other forms of private equity. The United States already holds banks to higher capital requirements than Europe, and Treasury Secretary Janet Yellen has even noted that "our banking system is well capitalized...There is adequate capital and liquidity in America's banking system." We should not increase capital requirements in this case unless the current standards are inadequate, and that simply has not been demonstrated at this time.

The Biden administration has made the development of clean energy sources a priority, and we need to ensure we don't create unintentional or arbitrary barriers to those efforts. Please help our clean energy developers and financiers, and do not adopt increased capital requirements for banks.

Respectfully submitted,

Howard Watts III