



**Government of the Virgin Islands of the United States**  
**VIRGIN ISLANDS ENERGY OFFICE**  
**COMMITTEE ON DISASTER RECOVERY AND INFRASTRUCTURE**  
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Good morning, Senator James. Thank you for the opportunity to appear before you today to provide testimony on Bill No. 36-0248, which seeks to establish a Commercial Property Assessed Clean Energy, or C-PACE, program in the Virgin Islands. I am Kyle Fleming, Director of the Virgin Islands Energy Office, and I appreciate the Legislature's continued focus on identifying innovative mechanisms to reduce energy costs and improve the resilience of our built environment.

At the Virgin Islands Energy Office, we have spent the last several years aggressively pursuing solutions that move our territory away from complete dependence on imported fossil fuels. Efforts to unlock private capital to support energy efficiency, renewable energy, and resiliency improvements are necessary and aligned with our mission. However, while the goals of this legislation are commendable, the structure of the C-PACE model, particularly as proposed in this bill, presents significant risks when applied to the realities of the Virgin Islands.

The most critical issue remains the lien structure at the core of the program. As drafted, the bill establishes a C-PACE assessment as a lien on the property that is junior only to property taxes, but senior to all other encumbrances, including mortgages. This structure is standard in many mainland jurisdictions, but it has consistently created friction with lenders, constrained refinancing opportunities, and increased borrowing costs. In a market like the Virgin Islands, where access to capital is already limited and heavily dependent on a small group of regional lenders, introducing a financing instrument that effectively supersedes existing mortgages could further restrict lending activity and place additional pressure on property owners. Even in cases where properties are owned

outright, this lien structure introduces the risk that an external capital provider could ultimately pursue foreclosure if obligations are not met.

The revised bill also clarifies that C-PACE assessments will be placed on the annual property tax bill and collected in the same manner and timing. This clarification is significant, particularly in the Virgin Islands context. Our property tax system operates on a once-per-year billing cycle, which means that property owners would be required to make large, lump-sum payments annually rather than manageable periodic payments. This creates a fundamental mismatch between incremental energy savings and a single point of repayment once a year. Property owners would be forced to manage cash flow throughout the year to meet this obligation, and a single missed payment could result in a full year of delinquency, significantly increasing default risk for both the property owner and the capital provider.

Compounding this issue is the bill's reliance on the existing property tax collection and enforcement framework. The legislation explicitly integrates C-PACE assessments into the tax lien system, including potential inclusion in tax lien sales in the event of delinquency. This would be less concerning in a jurisdiction with a highly reliable and efficient tax system. However, the Virgin Islands has historically faced challenges in property tax assessment, billing, and collection. Additionally, the absence of a statute of limitations on tax collection creates the potential for latent liabilities to surface long after a transaction is completed. Anchoring a new financing mechanism to this system introduces uncertainty that undermines the very repayment security that C-PACE is designed to provide.

The bill also assumes that energy savings generated by financed improvements will naturally offset repayment obligations. While this is an appealing premise, it does not always reflect operational

reality in the Virgin Islands. Utility billing inconsistencies, variability in building performance, and behavioral factors can all affect whether projected savings are actually realized.

It is also important to recognize that alternative financing models have proven effective in remote and islanded markets similar to our own. Programs that leverage utility billing systems, such as on-bill financing, as well as revolving loan funds, green bank structures, and performance-based contracts, have demonstrated greater alignment with the operational realities of island economies. These models tie repayment more directly to energy consumption or verified savings and avoid the structural complexities and risks associated with property tax-based lien mechanisms.

If the Legislature chooses to move forward with a C-PACE framework, I strongly encourage modifications that would better align the program with the Territory's conditions. These include ensuring that mortgage lender consent is clearly required, reconsidering the priority of the C-PACE lien relative to existing mortgages, providing flexibility for alternative billing and collection mechanisms beyond the property tax system, tailoring program requirements to ensure accessibility for small businesses, and requiring independent validation of projected energy savings to protect property owners from overestimated performance.

In closing, while C-PACE is a well-established financing tool in many parts of the United States, it was developed in markets with stable tax systems, deep capital markets, and different risk profiles than what we face in the Virgin Islands. Our responsibility is not simply to adopt models that work elsewhere, but to design solutions and repackage them within our local context.

Thank you again for the opportunity to testify. I am available to answer any questions the Committee may have.