

FINAL APPROVED EFAB CHARGE  
Financing Small Manufacturer Pollution Prevention Projects  
Proposed by: EPA Office of Pollution Prevention and Toxics

**Problem / Question Statement**

Pollution prevention (P2) is any practice that reduces, eliminates, or prevents pollution at its source. Financially, it's often cheaper to prevent the creation of pollution than to clean it up afterwards or pay for control, treatment, and disposal of waste products. For businesses, all forms of waste represent inefficient expenditures. If a business can reduce or eliminate such expenditures, that immediately translates to the bottom-line by reducing operating, regulatory, and liability costs.

P2 projects (e.g., new equipment, contractor services) often require cash disbursements upfront, with potential savings (avoided costs) accruing over time. These projects must often compete for limited resources with other internal business priorities that are essential for revenue generation. Small businesses may not be used to borrowing money from external sources or they may not think that they are able to do so at affordable terms.

EPA has recently convened P2 technical assistance providers to discuss: if/how manufacturers are financing P2 projects, what challenges small businesses face in attracting lenders, what existing environmental financing approaches could be modeled/expanded for a broader array of pollution prevention projects; and what could EPA's role be in facilitating small business access to private sector financing. As a start, EPA has conducted background research on the types of financing and funding approaches available to manufacturers to implement P2 projects. (EPA will provide this research to the EFAB.) EPA is specifically interested in learning more about is the structures, models, and extension services that could be employed to successfully finance P2 projects. Possible questions could be:

- i. How would different financing structures and models work for small manufacturer P2 projects?
- ii. How would a sector-based approach to manufacturers inform economies of scale in financing?
- iii. How could EPA best support expansion of financing and assistance programs?

**EFAB Mission Fit**

EFAB's mission is to explore ways to lower costs and increase investments in environmental protection. P2 reduces financial costs (waste management and cleanup) and environmental costs (health problems and environmental damage), while conserving and protecting natural resources. P2 strengthens economic growth through more efficient production, and reduces active management by businesses, households, and communities of post-industrial pollution.

**EPA Mission Fit**

EPA's mission is to protect the environment through the enforcement of the nation's environmental regulations, scientific research, and public education. Often this means working with regulated communities to determine the best pathways to achieve compliance in a cost-effective manner.

## Type of EFAB Engagement

EFAB is positioned to assist EPA through providing focused guidance to EPA on **strategies for developing financing partnerships** and **EPA's defined roles** to help small business manufacturers finance P2 projects.

**Approach:** Leveraging the expertise of the EFAB and its networks, the EFAB proposes orchestrating a series of up to six (6) public workshops/webinars that explore in detail three critical pieces of a P2 program framework, that address key questions and ground-truth best practices.

- i. **Financial Structures:** *What financing structures will help reduce barriers to risk and create economies of scale for P2 financing?*
  - a. **Proposed Workshop(s):** Tax, insurance, bundling, etc.
- ii. **Models:** *What other financing models can we learn from and adapt for the P2 market?*
  - a. **Proposed Workshop(s):** CDFIs, green banks, development banks, innovation funds.
- iii. **Extension Programs:** *What technical assistance/extension programs could EPA leverage to support program expansion and delivery?*
  - a. **Proposed Workshop(s):** Associations, EPA Finance Centers, state, and university-based extension centers, etc.

**Charge Timeline:** November 2021 - October 2022, in line with expanded P2 funding under the pending Infrastructure Bill and cycle of new grantees for P2 program.

**Target EFAB Outcome:** Make recommendations to EPA - potentially expressed as a framework for engagement, to be presented to EPA in October 2022.

**Primary Audience:** EPA P2 program and extension programs (e.g., P2 assistance providers and other key stakeholders).

**Secondary Audiences:** Priority segments of US manufacturing sector (aerospace/defense, automotive, others), financial service sectors with capacity for innovation in hard-to-reach markets.

## EFAB P2 Workgroup

Kerry O'Neill – EFAB Chair, CEO, Inclusive Prosperity Capital  
Ashley Allen Jones – Workgroup Chair, CEO, i2 Capital  
Stacy Brown – President & CEO, Freberg Environmental  
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## EPA Client

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