

Public Comments Received for Environmental Financial Advisory Board

December 1, 2022 Virtual Meeting

Written Comments

- Moonyoung Ko, Americans for Financial Reform Education Fund and Americans for Financial Reform
COMMENT: (attached)
- Angela Adduci, Aon
COMMENT: (attached)
- Nick Mitchell-Bennett, cdcb | come dream. come build.
COMMENT: (attached)
- Coalition for Green Capital
COMMENT: (attached)
- Sean Spear, Community HousingWorks
COMMENT: (attached)
- Ecority
COMMENT: (attached)
- Enervee
COMMENT: (attached)
- Robin Hughes, Housing Partnership Network
COMMENT: (attached)
- Cathleen A. Mahon, Inclusiv
COMMENT: (attached)
- IRA Collaboration Partners
COMMENT: (attached)
- Rip Rapson, The Kresge Foundation, and Joe Sciortino, The Schmidt Family Foundation
COMMENT: (attached)
- Brad Guy, Material Reuse
COMMENT: (attached)
- Ohio EPA and Ohio Air Quality Development Authority
COMMENT: (attached)

- Nicole Tai, Reuse Alliance
COMMENT: (attached)
- Rewiring America
COMMENT: (attached)
- Daniel Reilly, VEIC
COMMENT: (attached)

From: [Moonyoung Ko](#)
To: [EFAB](#)
Cc: [Jessica Garcia](#); [Monica Palmeira](#)
Subject: Resources for the Greenhouse Gas Reduction Fund
Date: Wednesday, November 23, 2022 11:18:02 AM
Attachments: [\[Memo\] EFAB November 2022.pdf](#)

Good morning,

I'm writing to share a memo that Americans for Financial Reform Education Fund and The Greenlining Institute put together to help the Environmental Financial Advisory Board (EFAB) in applying and exercising key considerations for recommendations to the Environmental Protection Agency (EPA) on implementation of the Greenhouse Gas Reduction Fund (GHGRF).

The memo offers resources on the following topics - (1) environmental justice and why impacted community voices must be prioritized, (2) a need to use proven emissions-reducing technologies, and (3) lessons learned from government programs to prevent previous design, implementation, and oversight pitfalls.

Americans for Financial Reform Education Fund is a nonprofit organization that fights to protect the public from financial harms caused by banks and other financial institutions, and promote financial regulations that can help build a more fair, equitable, racially just, and sustainable economy.

The Greenlining Institute is a nonprofit organization that works toward a future where communities of color can build wealth, live in healthy places filled with economic opportunity, and are ready to meet the challenges posed by climate change.

Should you have any follow-up questions about the memo, please contact moonyoung@ourfinancialsecurity.org.

I hope you have a wonderful, long weekend.

Warmly,
Moonyoung

--

Moonyoung Ko (she/her)
Climate Finance Campaign Manager
Americans for Financial Reform Education Fund and Americans for Financial Reform
On occupied Piscataway and Nacotchtank land (Washington, DC)

Resources for the Greenhouse Gas Reduction Fund:

Understanding Communities' Needs Around Environmental Justice, the Need to Deploy Proven Emissions-Reducing Technologies for Communities, and Applying Lessons Learned from Financing Programs

Summary

This memo is designed to help guide the Environmental Financial Advisory Board (EFAB) in applying and exercising key considerations for recommendations to the Environmental Protection Agency (EPA) on implementation of the Greenhouse Gas Reduction Fund (GHGRF), including - (1) a thorough understanding of environmental justice and why impacted community voices must be prioritized, (2) a need to use proven emissions-reducing technologies, and (3) apply lessons learned from government programs to prevent previous design, implementation, and oversight pitfalls.

Environmental Justice and Why Green Investments Require Centering Community Partnerships

Black, Indigenous, and People of Color (BIPOC) communities are disproportionately impacted by environmental injustices. Its long lasting harms range from adverse impacts to a community's financial stability and natural resources, the community's overall health, infrastructure and more. We encourage the EPA to learn directly from impacted communities and apply lessons learned from historic and current harms to ensure that the GHGRF does not replicate harms but rather meets the urgent needs of communities impacted by the compound crises of environmental and climate injustices.

- **Blogs**
 - [7 Reasons Why Asthma is an Environmental Justice Crisis](#) by WE ACT for Environmental Justice (2007)
 - [The Benefits of Solar from a Resident's Perspective](#) by Asian Pacific Environmental Network
 - [Environmental Racism: How Historic Redlining Continues to Affect Communities](#)
- **Maps**
 - [National Community Reinvestment Coalition: Redlining and Neighborhood Health](#)
- **Research**
 - [Historical Redlining Is Associated with Present-Day Air Pollution Disparities in U.S. Cities](#)

- **Articles**
 - [Black towns, established by freed slaves after the Civil War, are dying out](#) (The Washington Post)
- **Reports**
 - [Environmental Justice and the Green Economy: A Vision Statement and Case Studies for Just and Sustainable Communities](#) by WE ACT for Environmental Justice
 - [Mapping Resilience: A Blueprint for Thriving in the Face of Climate Disasters](#) by Asian Pacific Environmental Network
 - [Resilience Before Disaster: The Need to Build Equitable, Community-Driven Social Infrastructure](#) by Asian Pacific Environmental Network, SEIU 2015, SEIU California, and BlueGreen Alliance
 - [Green Renaissance - Guide to Healthy, Sustainable Urban Development: A View From Harlem](#) by WE ACT for Environmental Justice
 - [Green Jobs Report](#) by WE ACT for Environmental Justice

Carbon Capture and Storage Technologies and Carbon Capture and Sequestration, Carbon Markets, and Carbon Offsets

EFAB and the EPA should only promote the use of proven emissions-reducing technologies in the GHGRF that improve the health and livelihoods of communities, as opposed to technologies that continue oil and gas extraction processes that disproportionately burden disadvantaged communities such as Carbon Capture and Sequestration (CCS) and Carbon Capture, Utilization, and Storage (CCUS).

- **Academic Studies**
 - Barbara Haya, Danny Cullenward, Aaron L. Strong, Emily Grubert, Robert Heilmayr, Deborah A. Sivas & Michael Wara (2020) Managing uncertainty in carbon offsets: insights from California’s standardized approach, *Climate Policy*, 20:9, 1112-1126, DOI: [10.1080/14693062.2020.1781035](#)
- **Reports**
 - [Carbon Markets and Agriculture: Why offsetting is putting us on the wrong track](#) (Nov 2022)
 - [The Carbon Capture Crux – Lessons Learned](#) by Institute for Energy Economics and Financial Analysis (Sep 2022)
 - [Center for International Environmental Law: Confronting the Myth of Carbon-Free Fossil Fuels: Why Carbon Capture Is Not a Climate Solution](#) (Jul 2021)

- [Chasing Carbon Unicorns: The deception of carbon markets and “net zero”](#) (Apr 2021)
- [Institute for Agriculture and Trade Policy and National Family Farm Coalition Report on Carbon Markets and Climate Policy](#) (Feb 2020)
- **Letters**
 - [Coalition Letter: Oppose Carbon Offset Scams Like the Growing Climate Solutions Act](#) (Apr 2021)
- **Fact Sheets**
 - [Fact Sheet: Carbon Taxes: The Oil Industry’s Favorite Climate Solution](#) (June 2021)
 - [Fact Sheet: Off Course: Carbon Pricing Myths and Dirty Truths](#) (June 2021)
- **Articles**
 - [Bloomberg: Junk Carbon Offsets Are What Make These Big Companies ‘Carbon Neutral’](#) (Nov 2022)
- **Blogs**
 - [Carbon Capture: The Fossil Fuel Industry’s False Climate Solution by EarthJustice](#) (Sep 2022)
- **Event Recordings**
 - [Institute for Agricultural Trade Policy: Watch the replay the webinar "Carbon Offsets at COP: A poison pill for the planet, farmers and communities"](#)
 - **Panelists:**
 - Thomas Joseph, Indigenous Environmental Network
 - Antonio Tovar, National Family Farm Coalition
 - Allan Zabel and Laurie Williams, Public Employees for Environmental Sustainability
 - Dr. Doreen Stabinsky, College of the Atlantic
 - Ben Lilliston, Institute for Agriculture and Trade Policy

Lessons Learned from the Paycheck Protection Program (PPP)

The Paycheck Protection Program (PPP) was established in the CARES Act of 2020 to provide emergency relief to small businesses struggling to retain employees at the start of the COVID-19 pandemic. The program was supposed to be an innovative emergency lending program that would not only help small businesses but also ensure public dollars went to the workers most in need of support, but it did not live up to its promise. Instead, the program was exploited by major corporations and plagued with racial disparities that inhibited minority-owned small businesses from receiving access to the funds.

Racial disparity in PPP

- [Coronavirus Pandemic Hits Minority-Owned Small Businesses Disproportionately Hard, New Poll Shows](#) by The Chamber of Commerce
- [Lending Discrimination Within the Paycheck Protection Program](#) by National Community Reinvestment Coalition
- [Underserved and Unprotected: How the Trump Administration Neglected the Neediest Small Businesses in the PPP](#) by House Select Subcommittee on the Coronavirus Crisis
- [Congressional Districts With Highest Percentage Of Black Residents Shortchanged By Paycheck Protection Program](#) by Accountable.US
- [Rampant racial disparities plagued how billions of dollars in PPP loans were distributed in the U.S.](#) by Reveal News
- [How the COVID-19 Stimulus Has Threatened Your Neighborhood and Mine](#) by Next City
- [Up to 90% of minority and women owners shut out of Paycheck Protection Program, experts fear](#) by CBS News

Data Transparency

- Americans for Financial Reform Education Fund joined a [letter](#) to the Small Business Administration (SBA) calling for the release of data pertaining to Paycheck Protection Program recipients' loan forgiveness requests, which represents \$194.5 billion of taxpayer money, most of which has already been forgiven. The letter urges the SBA to release the number of jobs borrowers supported with PPP funds, information on any pay reductions experienced by workers employed by borrowers, whether the borrower applied for or received a second draw PPP loan, among other important data points.

On PPP Lending Data Underlining Uneven Lending:

- [15% of Paycheck Protection Program Loans Could Be Fraudulent, Study Shows](#) by New York Times
- [Tracking the money: Bid to make business rescue more inclusive undercut by lack of data](#) by Politico

Lessons Learned from the Paycheck Protection Program: A Way Forward for an Equitable COVID Recovery ([Report](#))

- The COVID Oversight Coalition, a set of civil society groups that joined forces to monitor the response to the COVID crisis through emergency relief programs like the PPP, monitored PPP from its inception. In addition to calling for key reforms to future emergency programs, the Coalition calls on the SBA to use its statutory power to claw back improperly issued or misused loans, including cases where PPP loan recipients failed to spend at least 60% of their loan proceeds on employee wages, and cases where recipients used the money to issue stockholder dividends, buy back stock, or award executive bonuses.

- The [report](#) offers six recommendations to improve PPP outcomes and ensure the improved operation of any future emergency lending program:
 - Imposing more robust loan guardrails upfront to screen borrowers more carefully;
 - Improving the selection of lenders to ensure a more equitable distribution of loans;
 - Conducting better loan audits to prevent waste, fraud, and abuse;
 - Establishing stricter standards for loan forgiveness, particularly over \$150,000;
 - Increasing public loan data to enable more program transparency; and
 - Including more funding to conduct needed loan oversight.

How Private Equity Has Siphoned off CARES Act and other Biden Legislation:

- Reports
 - [Public Money For Private Equity: Pandemic Relief Went To Companies Backed By Private Equity Titans](#) by Americans for Financial Reform Education Fund, Anti-Corruption Data Collective, and Public Citizen
- Articles
 - [Rescue Cash Too Hot for KKR Proves Irresistible to Many Private Equity Peers](#) (Bloomberg)
 - [Private Equity Hijacks Infrastructure Plan](#) (The American Prospect)
 - [Red flags ignored as federal loans flew out the door](#) (The Atlanta Journal-Constitution)

Corporations Siphoning PPP:

- [This Company Got a \\$10 Million PPP Loan, Then Closed Its Plant and Moved Manufacturing Jobs to Mexico](#)
- [McDonald's franchises planned to pay tens of millions in PPP loan dollars to corporate HQ](#)
- [UNITE HERE Local 11: Congress Questions \\$696 Billion in Paycheck Protection Program Loans Forgiven by the Small Business Administration Ahead of House Oversight Hearing](#)

Lessons Learned from the Homeowner Assistance Fund (HAF)

We recommend that EFAB review and learn from the successes and pitfalls of the Homeowner Assistance Fund (HAF), a \$9.96 billion federal program designed to help homeowners who have been financially impacted by COVID-19 to pay for their mortgages and other housing-related costs such as utility bills. Similar to the Greenhouse Gas Reduction Fund, a federal agency, in

this case the U.S. Department of Treasury, oversees the program and funds are administered by the states, territories, and tribes.

Implementation

- [Recommendations by Americans For Financial Reform Coalition for Treasury Department Implementation of the Homeowner Assistance Fund](#) (Mar 2021)
- [Why Title Reviews Should Not Create Unnecessary Barriers to HAF Assistance](#) (Aug 2021)

Model Language

- [NCLC Model Language to Protect Homeowners Applying for HAF Funds](#) (Feb 2022)

Racial Disparity in HAF

- [Why Homeowner Assistance Fund Programs Should Be Accessible to Homeowners in Bankruptcy](#) (Jan 2021)
- [Letter Supporting Inclusion of Homeowner Relief in COVID Stimulus Relief Package](#) (Feb 2021)

Taxes

- [Federal Income Tax Consequences of Receiving Assistance from a State Homeowner Assistance Fund Program](#) (July 2021)

Data Collection

- [Coalition Letter to Treasury Urging Improvement to Staffing, Transparency & Data Collection for the Homeowner Assistance Fund](#) (Sep 2021)

From: [Angela Adduci](#)
To: [EFAB](#)
Subject: EFAB comments
Date: Sunday, November 20, 2022 11:12:29 AM

Good afternoon,

I am writing to submit the brief comment below to the Environmental Finance Advisory Board (EFAB). Aon plans to submit more comprehensive comments in response to EPA's Greenhouse Gas Reduction Fund RFI ahead of the December 5th deadline. The below is an abbreviated overview of our comments on the structure of this program.

We would suggest that an interview between Aon subject matter experts and a working group(s) within EFAB would be advantageous in order to fully discuss how financial structures we have created alongside government partners can be utilized to increase the additionality, leverage, and recyclability of these funds and increase their impact.

Comment:

Credit risk transfer (CRT) is a financial transaction structure wherein the credit risk of all or a tranche of a portfolio of financial assets is transferred to the capital markets. CRT has most notably been leveraged by the government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, to mitigate systemic risk to the housing market and economy. Through an Aon-led effort, which brought together FHFA, state insurance regulators, legal, risk, compliance and other (re)insurance experts, Fannie Mae and Freddie Mac were able to develop robust and highly replicable risk transfer structures that allow the GSEs to access worldwide (re)insurance capital and diversify their counterparty risk.

As trusted advisor to the public sector, Aon brought a unique and innovative solution to the GSEs and to (re)insurers, creating a market that had not previously existed and helping to mitigate a major systemic risk. The Greenhouse Gas Reduction Fund presents a similar and fundamentally existential opportunity to mitigate the systemic risk of climate change. We see CRT as a powerful tool that can maximize the impact of every dollar deployed by the Fund while ensuring additionality, capital recycling, private sector leverage, and attention to historically marginalized communities.

This comment proposes that EFAB recommend that EPA permit the use of risk transfer by the ultimate lender(s) of these funds to facilitate high private-sector leverage and ensure capital recycling, while avoiding reduction of risk tolerance and requiring lower liquid capital allowance for losses. The GHGRF presents a one-in-a-generation opportunity to create scale and standardization around clean energy loan products. These components are crucial to the energy transition for many reasons, including the fact that these loans can be more easily packaged and reinsured, decreasing their overall risk. This will encourage private players to engage in co-financing, bringing in more capital than a non-standardized, non-reinsured portfolio. Moreover, the decreased risk of these packaged products will require less capital allowance for losses, improving the capital ratio of the GHGRF grantee(s)/lender(s) and allowing for a greater percentage of the Fund to be deployed at any given time.

Risk transfer has been used on many occasions to allow historically underserved communities – often broadly deemed “risky” - access to credit and financing. One such example is the GSEs’ credit risk transfer program, wherein loans of varying risk are grouped together and their collective risk is transferred to the private market. The implementation of a similar structure by the EPA and its grantee(s) would help to ensure that these funds flow to historically underserved communities in a way that is efficient and provides an affordable cost of capital to energy projects these communities. We envision that CRT can be a powerful tool in deploying these funds to marginalized and low-income communities at a reasonable cost of capital.

We recommend that EFAB coordinate an interview between Aon and one or more EFAB working groups to discuss this topic in further detail.

Kind regards,
Angela

Angela Adduci

Associate Director, Public Sector Partnership
(she/her/hers)

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November 29, 2022

Michael S. Regan
Administrator
U.S. Environmental Protection Agency
Electronically submitted via www.regulations.gov

Re: Request for Information – Greenhouse Gas Reduction Fund; Docket ID No. EPA-HQ-OA-2022-0859

Dear Administrator Regan,

cdcb | come dream. come build. appreciates the opportunity to provide comments on the Greenhouse Gas Reduction Fund (GGRF) program design and implementation.

cdcb | come dream. come build. is a multifaceted affordable housing organization devoted to utilizing collaborative partnerships to create sustainable communities across the Rio Grande Valley through quality education, model financing, efficient home design, and superior construction.

cdcb | come dream. come build. welcomes the GGRF as an historic opportunity to further accelerate clean energy investments across the United States, and particularly welcomes the Fund's emphasis on low-income and disadvantaged communities. This directly aligns with cdcb's commitment to supporting these communities.

With respect to the design and implementation of the GGRF, we encourage the Environmental Protection Agency (EPA) to consider the following priorities:

Eligible Recipients:

We would ask that the EPA **prioritize Community Development Financial Institutions (CDFIs)** as the primary capital deployment vehicle for the GGRF. We believe that CDFIs would be ideal stewards of GGRF funding because of their long-standing track record of mission lending. There are more than 1,300 Treasury-certified CDFIs investing in all 50 states. Having developed the trust, deep familiarity and connection with low-income and disadvantaged communities, CDFIs already have the infrastructure in place to rapidly deploy funding that will accelerate decarbonization and effectuate the EPA's greenhouse gas reduction goals.

Eligible Projects:

We encourage the EPA to include funding that is **targeted to affordable housing in the set of eligible activities.**

Decarbonizing housing stock is a critical piece of reducing greenhouse gas. Decarbonization is not just about decreasing carbon emissions. It is also about energy and resource efficiency, improved health through better indoor air quality, addressing inequities through reducing energy burdens and building climate resiliency. Residential energy use produces roughly 20% of greenhouse gas emissions in the United States. If U.S. residential buildings were a country, they would be the



sixth-highest emitter of greenhouse gases in the world. Historically, low-income and disadvantaged communities have been disproportionately impacted. The GGRF provides a unique opportunity to center these communities by lowering housing cost burdens, positioning them to take advantage of the innovations in the energy sector, and creating safe and healthy indoor environments.

Definition of Low-Income and Disadvantaged Communities:

There exist several definitions for low-income and disadvantaged communities within current Federal programs. For example, the **CDFI Fund established definition** of an eligible “Target Market” as well as the New Markets Tax Credit program and existing HUD housing programs provide guidance that meaningfully captures low-income and underserved communities. These definitions include consideration of individual borrower characteristics as well as the communities where borrowers and projects are located. Adopting these definitions would create standardization and lower costs of compliance, as government program awardees already track and report their activity based upon these definitions.

Structure of Funding:

It is critical that the **GGRF funds be as flexible as possible** to meet the needs of low-income individuals living in disadvantaged communities and the front-line practitioners who serve them. Providing a mix of grants, forgivable grants and equity-like investments will help ensure affordability for the end users. Specifically, low- and moderate-income homebuyers cannot absorb any additional debt to cover the increased costs related to green and sustainable materials and features. Further, existing multifamily residential portfolios have already leveraged debt and cannot afford to pile on additional debt and remain financially viable for owners and affordable to residents as the properties undergo green retrofits. This challenge also extends to community facilities and community-serving retail uses that are already leveraging as much hard debt as possible. All these projects need concessionary financing and by allowing a flexible structure, these investments will ultimately determine how deeply projects can go in terms of greenhouse gas reduction improvements while ensuring the equitable deployment of GGRF funds.

Thank you for the opportunity to provide comments and highlight our priorities in executing the GGRF. We look forward to working with you to ensure the Greenhouse Gas Reduction Fund is a success.

Sincerely,

A handwritten signature in black ink, consisting of a large, stylized 'N' followed by a horizontal line extending to the right.

Nick Mitchell-Bennett
Executive Director
cdcb | come dream. come build.

Coalition for Green Capital d/b/a American Green Bank Consortium: Creating the National Green Bank

Comments to the U.S. Environmental Protection Agency's
Environmental Financial Advisory Board on the benefits of a National Green
Bank

November 30, 2022

About the Coalition for Green Capital and American Green Bank Consortium



Coalition for
Green Capital

AMERICAN
GREEN BANK
CONSORTIUM

Our Mission

Drive rapid clean energy market penetration and an equitable climate transition through catalytic finance and Green Bank institutions.

Our Work

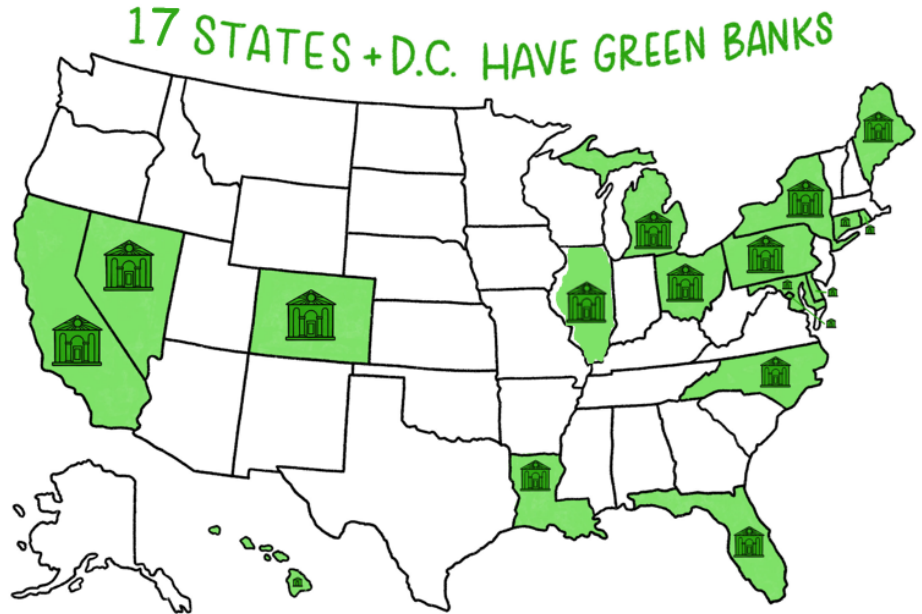
- Expand & Strengthen the Network of Green Banks & Mission-Driven Institutions
- American Green Bank Consortium is the group of 23 U.S Green Banks and 20+ green financial institutions including nascent green banks and other investors
- Meaningfully Embed Climate & Energy Justice and DEI Into Network Activities
- Pursue Capital on Behalf of Network Members to Scale Total Investment
- Support Industry Growth through Awareness and Thought Leadership

Green banks prove merit for last decade

23 green banks in 17 states & D.C.
during last 10 years.

Have spent \$2.5 billion, causing **\$9 billion total investment** as of 2021
in clean power platform.

Cumulative default rate under 0.5%.

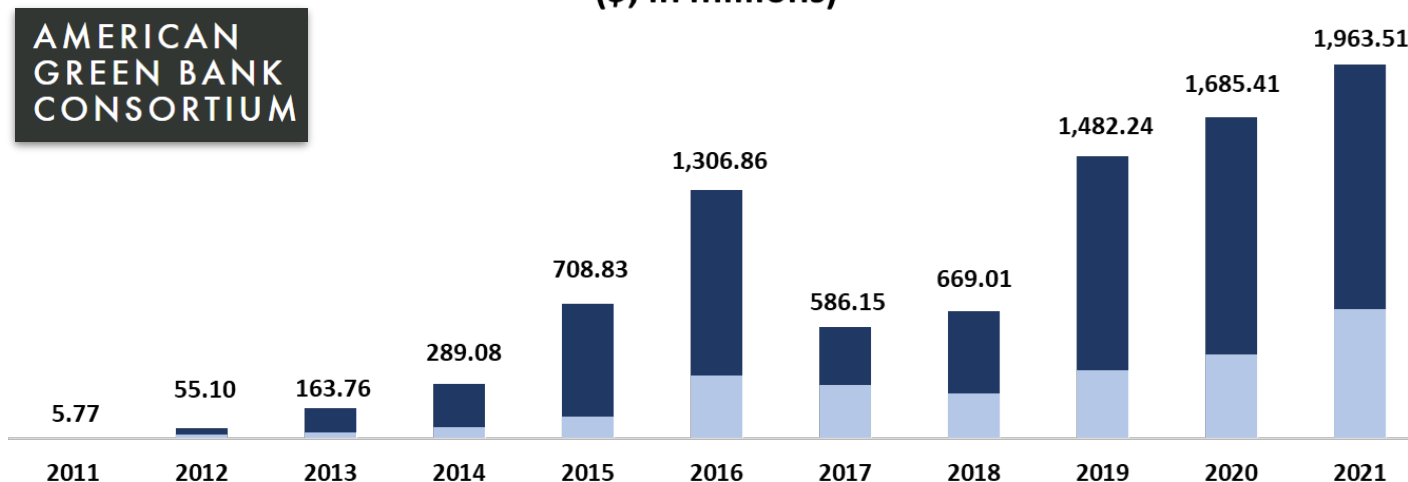




CGC-built American Green Bank Consortium drives \$9b of green investment over ten years

Proven green bank model is ready to scale nationally for significant climate impact

American Green Bank Consortium Investment by Year (\$, in millions)

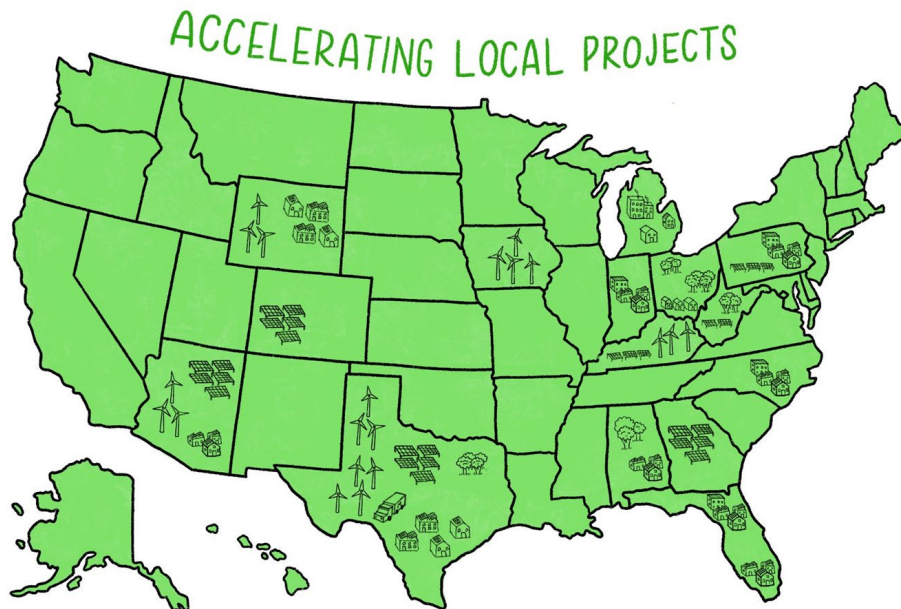


AMERICAN GREEN BANK CONSORTIUM

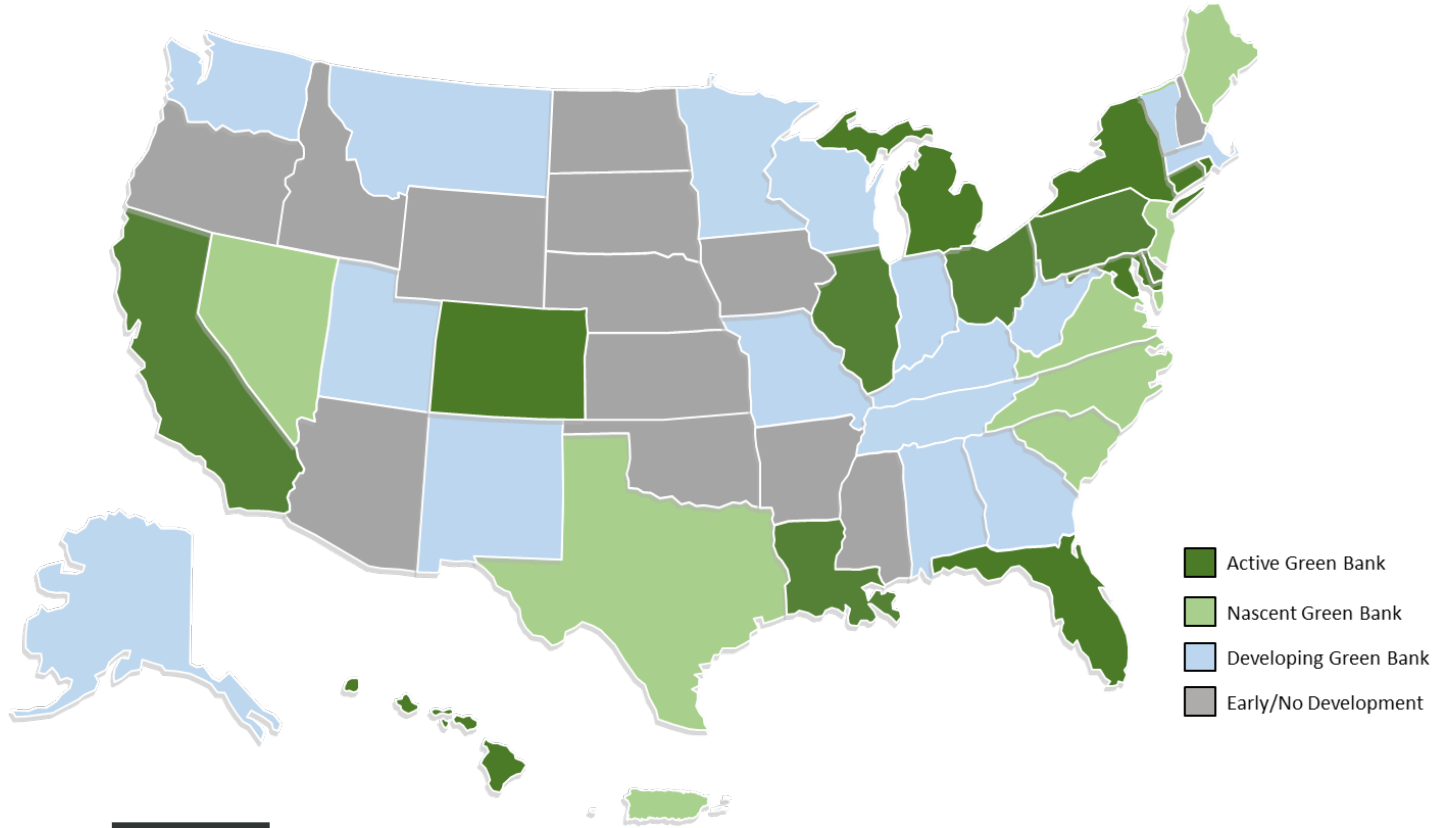
National Green Bank would build a robust national network

If selected, the National Green Bank would:

- Recruit existing CDFIs, minority-owned banks, nonprofits, and other mission-aligned finance institutions
- Involve mayors, governors, city councils to create new government-sponsored institutions where appropriate
- Stand up and financially support new institutions led by local actors
- Involve private investors, utilities, contractors to build climate finance ecosystems in every state



Many more states poised to create green banks



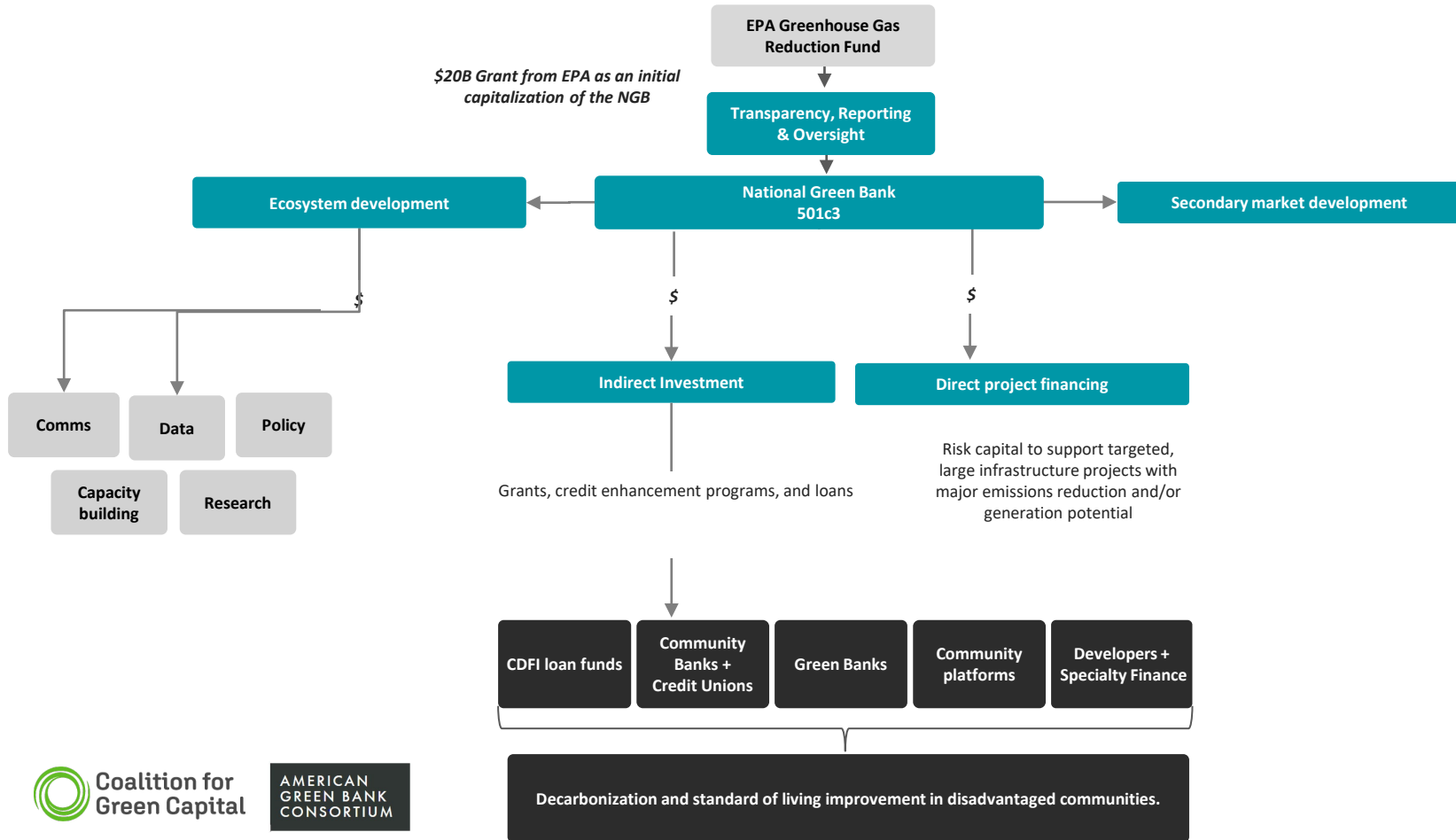
National Green Bank concept developed over years of legislative efforts and real-world experience

- **2009 - 10: First National Green Bank Act introduced, passed House with bipartisan support** as Clean Energy Deployment Administration, amendment to cap-and-trade bill. Bipartisan support and passage through in Senate ENR, but cap-and-trade never reached floor for vote.
- **2009 - 2013: First state green banks are formed.** Michigan creates non-profit green bank in 2009, Connecticut creates quasi-public green bank in 2011, and New York creates green bank directly within state government in 2013.
- **2014 - 2017: Federal green bank legislation introduced 3 more times in 2014, 2016 and 2017.** Each bill is updated reflecting evolution and real world-experiences of state green bank and CGC.
 - Moved from USG directly funding state entities to funding central national green bank
 - Role evolved from solely funding state green banks to also directly financing projects
 - National green bank moved towards non-governmental structure based on state experience.
- **2019: National Climate Bank Act introduced to fund independent non-profit national green bank.**
 - Led by Rep. Debbie Dingell and Sens. Markey and Van Hollen.

2021-2022: Policy intent translated into reconciliation language

- **2020: NGB legislation to fund newly-named Accelerator passed House twice with \$20B, gains broad support.**
 - Directed funding to a nonprofit called the Clean Energy & Sustainability Accelerator
 - Climate Crisis Committee says, “Congress should establish a national climate bank”
 - Bill co-sponsored by then-Senator and now-VP Harris
- **Feb 2021: NGB “Accelerator” bill reintroduced with bipartisan support at \$100B funding level (H.R.806 & S. 283).**
 - Environmental justice investment requirement raised from 20% to 40%
 - Included in House E&C Chairman Pallone’s CLEAN Future Act
- **March 2021: President Biden’s American Jobs Plan includes \$27B for “Accelerator” (called out by name).**
- **April 2021: Senate Environment and Public Works Committee held a hearing on S.283.**
 - CGC’s CEO Reed Hundt testifies alongside American Green Bank Consortium CDFI member SELF represented by CFO Duanne Andrade
- **June 2021: House passes NGB “Accelerator” legislation for the third time.**
- **September 2021: “GHG Reduction Fund” legislative language translates NGB policy intent into reconciliation package.**
 - Defines a class of “eligible recipients” for \$20 billion that mirrors the Accelerator entity
 - Preserves the 40% environmental justice commitment
 - EPA to award grant within 180 days of enactment
- **August 2022: GHG Reduction Fund passes Congress as part of Inflation Reduction Act.**

National Green Bank's conceptual network structure





November 30, 2022

Mr. Michael S. Regan
Administrator
U.S. Environmental Protection Agency
Electronically submitted via www.regulations.gov

Re: Request for Information – Greenhouse Gas Reduction Fund; Docket ID No. EPA-HQ-OA-2022-0859

Dear Administrator Regan:

Community HousingWorks appreciates the opportunity to provide comments on the Greenhouse Gas Reduction Fund (GGRF) program design and implementation. Community HousingWorks welcomes the GGRF as an historic opportunity to further accelerate clean energy investments across the United States, and particularly welcomes the Fund's emphasis on low-income and disadvantaged communities. This directly aligns with our commitment to supporting these communities.

Community HousingWorks (CHW) is a 34-year old nonprofit, headquartered in San Diego and working across California and in Texas in development and ownership of affordable apartments coupled with impactful resident services. CHW has been nationally recognized as a pioneer and leader in sustainable development, dating back to 2007 when our landmark affordable apartment community was first effort at net zero and was the first apartment community in California that was fully powered by photovoltaic as verified by the California Energy Commission.

With respect to the design and implementation of the GGRF, we encourage the Environmental Protection Agency (EPA) to consider the following priorities:

▪ **Eligible Recipients:**

We would ask that the EPA **prioritize Community Development Financial Institutions (CDFIs)** as the primary capital deployment vehicle for the GGRF. We believe that CDFIs would be ideal stewards of GGRF funding because of their long-standing track record of mission lending. There are more than 1,300 Treasury-certified CDFIs investing in all 50 states. Having developed trust, deep familiarity and connection with low-income and disadvantaged communities, CDFIs already have the infrastructure in place to rapidly deploy funding that will accelerate decarbonization and effectuate the EPAs greenhouse gas reduction goals.

▪ **Eligible Projects:**

We encourage the EPA to include funding that is **targeted to affordable housing in the set of eligible activities**. Decarbonizing the housing stock is a critical piece of reducing greenhouse gas. Decarbonization is not just about decreasing carbon emissions. It is also about energy and resource efficiency, improved health through better indoor air quality, addressing inequities through reducing energy burdens and building climate resiliency. Residential energy

use produces roughly 20% of greenhouse gas emissions in the United States. If U.S. residential buildings were a country, they would be the sixth-highest emitter of greenhouse gases in the world. Historically, low-income and disadvantaged communities have been disproportionately impacted. The GGRF provides a unique opportunity to center these communities by lowering housing cost burdens, positioning them to take advantage of the innovations in the energy sector, and creating safe and healthy indoor environments.

▪ **Definition of Low-Income and Disadvantaged Communities:**

There exist several definitions for low-income and disadvantaged communities within current Federal programs. For example, the **CDFI Fund established definition** of an eligible “Target Market” as well as the New Markets Tax Credit program and existing HUD housing programs provide guidance that meaningfully captures low-income and underserved communities. These definitions include consideration of individual borrower characteristics as well as the communities where borrowers and projects are located. Adopting these definitions would create standardization and lower costs of compliance, as government program awardees already track and report their activity based upon these definitions.

▪ **Structure of Funding:**

It is critical that the **GGRF funds be as flexible as possible** to meet the needs of low-income individuals living in disadvantaged communities and the front-line practitioners who serve them. Providing a mix of grants, forgivable grants and equity-like investments will help ensure affordability for the end users. Specifically, low- and moderate-income homebuyers cannot absorb any additional debt to cover the increased costs related to green and sustainable materials and features. Further, existing multifamily residential portfolios have already leveraged debt and cannot afford to pile on additional debt and remain financially viable for owners and affordable to residents as the properties undergo green retrofits. This challenge also extends to community facilities and community-serving retail uses that are already leveraging as much hard debt as possible. All these projects need concessionary financing and by allowing a flexible structure, these investments will ultimately determine how deeply projects can go in terms of greenhouse gas reduction improvements while ensuring the equitable deployment of GGRF funds.

Thank you for the opportunity to provide comments and highlight our priorities in executing the GGRF. We look forward to working with you to ensure the success of the Greenhouse Gas Reduction Fund.

Sincerely,



Sean Spear
President and CEO

Cc: Environmental Financial Advisory Board (EFAB) email to: efab@epa.gov



November 23, 2022

U.S. Environmental Protection Agency
Environmental Financial Advisory Board
1200 Pennsylvania Avenue, NW
Washington, DC 20460

RE: Greenhouse Gas Reduction Fund, Recommendations on EFAB Charge Questions

Ecority is pleased to provide the following responses to the questions that the Environmental Protection Agency (EPA) raised with the Environmental Financial Advisor Board (EFAB) in its draft charge document dated October 17, 2022, regarding the implementation of the Greenhouse Gas Reduction Fund (GHGR Fund or Fund) established by the Inflation Reduction Act (IRA).

For your reference, Ecority is a consortium of independent operating credit unions from across the nation that collectively have over \$100 billion in assets. A critical strength of credit unions, including those who are members of Ecority, is their demonstrated ability to develop and provide financial products at a large scale and in a manner that achieves public trust, exceptional regulatory performance, and accountability while also providing much-needed credit and investment in local communities, including low income and financially underserved people, that promote positive social impacts.

Ecority has based the responses provided below upon its experience as a consortium of credit unions and community development financial institutions (CDFIs) working together to design and successfully implement financing solutions in different consumer product markets. The corollary to EPA's GHGR Fund is the need for consumers and businesses to purchase capital assets that can improve their quality of life and incentivize green products that align with EPA's ambitious greenhouse gas reduction goals. Such asset purchases require financing solutions and must be delivered as efficiently as possible in competitive markets.

Finally, Ecority believes that there are several financial mechanisms that the EPA can use to incent the rapid, efficient, and effective deployment of clean energy technologies and measures to reduce GHG emissions and other air pollutants. The proposed approach discussed below can achieve these objectives with the lowest financing costs, reduced risk, public trust, accountability, and maximum potential financial leverage. As such, the EPA should include these mechanisms in its toolkit for distributing the federal funding benefits provided under the GHGR Fund Program.

Responses to Questions Raised in EFAB White Paper

The following are the responses of Ecority to critical questions that the EFAB has raised in its Workgroup Draft Paper.

Question I.A.1: *What considerations should EPA take into account in defining "low-income" and/or "disadvantaged" communities in order to ensure fair access/that the funding benefits disadvantaged communities?*

Response: There are many federal regulations and guidance on the definitions of these terms for "low-income and disadvantaged communities." As a general matter, Ecority recommends that EPA interpret these terms for purposes of the GHGR Fund in a manner consistent with the definitions used in other federal regulations and guidance to the maximum extent practicable. This coordinated approach should minimize conflict and confusion in determining how EPA will apply these terms in implementing the GHGR Fund.

The advantage of this approach is that it enables existing federal regulations applicable to credit unions and CDFIs to be applied efficiently when EPA is defining terms similarly used. For example, a credit union that the National Credit Union Administration designs as "Low Income Designation" (12 CFR Chapter VII Subchapter A Part 701.34) describe those credit unions that serve a majority of their membership considered low income with 80% of household income for their respective service area. As a result, if EPA chooses to leverage existing financial sector institutions, Low Income Designated credit unions to have a confirmed service area, as defined by a federal agency, in serving disadvantaged households with income levels at and below the 80% household income levels.

Question I.A.2: *How can EPA ensure that communities and organizations who have received little or no funds in the past receive priority consideration for funding? How could EPA identify the low-income and disadvantaged communities it should prioritize for greenhouse gas and other air pollution reduction investments?*

Response: EPA can create new pathways for capital access with funding benefits from the new GHGR Fund. Eliminating barriers to access of funds, minimizing transaction costs associated with obtaining funds, and leveraging existing programs and processes can make it easier for new participants to implement measures and install technologies that will reduce GHG emissions and other air pollutants. Ecority's member credit unions have a long track record of serving otherwise underserved populations, thereby removing the same barriers that the GHGR Fund aims to eliminate.

Ecority proposes to assist the EPA in meeting the legal obligations and prerequisites outlined in the IRA through a well-established and proven consortium of credit unions and CDFIs. Ecority will create a low-risk loan origination and servicing platform that participating credit unions and CDFIs can offer to their respective communities, backed by a federally supported loan guaranty managed by Ecority as the eligible EPA grant recipient. The platform would not be an exclusive mechanism for distributing funding benefits from the GHGR Fund. Instead, it would be an open platform available to all credit unions and CDFIs who seek to participate in Ecority's federally supported program. And, because all financial institutions on the consortium platform are currently regulated, the system would immediately comply with all applicable lending and

consumer financial protection laws. As a start, Ecority's 19 founding credit unions bring market access to a marketplace of 7.3 million credit union members, including 3.1 million people of low income served by Low Income Designated Credit Unions across 560 retail bank branches in 43 states. Based on our past experiences building other consumer lending platforms, Ecority's consortium will expand rapidly across the nation in 2023 once our national operating platform is activated. In the end, EPA can be assured of our ability to bring an intelligent, fully compliant credit solution that leverages EPA grant funding with the lowest cost to borrowers through existing financial sector networks.

Financial assistance needs are determined according to the financial situation of each community member. The most efficient financial assistance for most households will be the reduction of direct costs on families (or small businesses) over the currently limited opportunities available for projects to reduce GHG emissions. Household income is the primary consideration, followed by the minimum economic benefit needed (e.g., lower utility bills) to incent qualifying investments in GHG emission reduction measures and technologies. Census data can generally classify communities. However, fair allocation of the appropriate amount of financial assistance necessary can only be determined by underwriting at the applicant level. Thus, tracking loan-level underwriting is essential for program success.

Question I.A.3: *What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund provide to ensure that low-income and disadvantaged communities are able to be direct or indirect beneficiaries of Greenhouse Gas Reduction Fund funding? Please identify supports that could help communities with project implementation.*

Response: There are three broad categories of options for the EPA to provide financial assistance directly to applicants seeking to make emission reduction investments. These three categories can be summarized as follows: (1) direct grants to applicants to reduce the purchase costs of the investments; (2) interest rate subsidies to applicants to reduce the financing costs; and (3) loan guarantees to creditors to reduce risk and increase the supply of loanable funds (i.e., private sector leverage). Using credit union service organizations can enable the financial sector participants most efficiently and effectively to work in an integrated way across all communities to leverage regulated and insured deposits through each option.

Most household and small business GHG asset purchases and credit granting will occur through "point of sale" financing with contractor networks (on-the-ground installers of mechanical systems such as heat pumps and solar). Our experience designing lending for various consumer markets (e.g., housing, automotive, student lending) informs us that these networks will grow with end demand and credit availability. Local credit unions, CDFIs, and related financial sector entities will all play a vital role.

Question I.B.1: *How can the Greenhouse Gas Reduction Fund grant competition be designed so that funding is highly leveraged (i.e., each dollar of federal funding mobilizes multiple dollars of private funding)? How can the funding be used to maximize "additionality" (i.e. the extent to which funding catalyzes new projects that would not otherwise occur)? How can EPA balance the need for grants for capacity-building and short-term results with financial structures that will allow that capital to be recycled over time? Where (if at all) it is appropriate to impose*

sustainability requirements on direct or indirect beneficiaries of Greenhouse Gas Reduction Fund funding?

Response: From our extensive experience over many years, increasing the supply of loanable funds through loan guarantees to creditors offers the most leverage and ability to expand participation in loans for implementing GHG projects and technologies. As participation grows, EPA will secure the additionality that it needs to assure new GHG reductions that would not otherwise have occurred. Furthermore, the increases in demand for these GHG reduction projects will also accelerate the implementation timeframe for these green projects.

An adequately designed loan guarantee program by an eligible recipient integrated with a consortium of credit unions (such as Ecority) can rapidly expand the supply of loanable funds to the low-income marketplace by 10 to 30 times the funds allocated to such a program. The credit union regulatory structure allows a credit union service organization entity (as defined in 12 CFR Chapter VII Subchapter A Part 712) to integrate with an EPA-eligible recipient and consortiums of credit unions and CDFIs. Doing so results in providing abundant, low-cost liquidity to create a competitive loan marketplace in credit-challenged communities.

This approach can achieve several essential program requirements, including full regulatory compliance with consumer financial protection laws, public confidence, funds accountability, operating efficiency with minimal layers of entities, and delivering low-cost financing options with a national scope. Ecority and our consortium of experienced credit unions have organized themselves with this design in mind. The attached addendum to our responses provides a brief overview of the technical design and the many advantages of this proposed approach. As explained in the attached addendum, a loan default insurance structure can be one effective way for EPA to use the grant dollars quickly and efficiently for incentivizing clean energy technologies and measures at the lowest cost and risk.

Capital recycling can only be achieved over the long term by parity pricing of income to the eligible recipient that matches the loan losses and grants to achieve a steady state of fund balance. Ecority proposes a loan guarantee program that seeks to price the guarantee to cover loan losses from defaults, any grants offered, and administrative costs. We will use a portfolio management approach that ensures a balanced and well-diversified loan portfolio. As learning occurs through the ongoing implementation of loan programs, we can reduce risks and costs. Over time, the market becomes more competitive, with financial institutions more willing to assume additional risks without credit risk enhancement programs. At this point of market evolution, recycling can become more difficult given that loan portfolios can become concentrated and less diverse, effectively shifting risks while losing marginally beneficial revenue. This inflection point will be essential for the EPA and eligible recipients in their planning. Based upon our extensive experience with several public and private sector guarantee programs, this could occur within ten years of market saturation.

EPA could impose upon recipients of funds obligations to continue recycling funding from the initial grant to fulfill the program's original goals—essentially creating a mission statement for loan recipients. However, EPA should be cautious of being overly prescriptive in setting the parameters for recycled grant fund uses, as the potential lifespan of the funds could allow them to exist as technologies and associated consumer needs change.

In the case of many borrowers (particularly those from low- or middle-income constrained households), it may be necessary for EPA to include in the loan package additional ways to lower the cost of the loan through other types of loan subsidies to incentivize these borrowers to make investments in the clean energy projects covered under the loan program. There may be little or no cost savings for implementing the clean energy technology or measure over the life of the loan (for which there may be even higher cash deficits during the loan's early years). As a result, EPA must consider the need for providing an additional subsidy beyond the low-interest loans under the GHGR Fund Program and the other federal financial benefits provided to consumers in the IRA. Ecority will follow up with EFAB on this matter in follow-up outreach to the EFAB and its upcoming comments to EPA in response to the Request for Information.

Question I.B.2: *Are there programs/structures at the federal or state level that could effectively complement the Greenhouse Gas Reduction Fund? How can EPA best leverage the Greenhouse Gas Reduction Fund to support lasting, long-term (beyond 2024) transformation of the clean energy and climate finance ecosystem, especially for disadvantaged communities, and greenhouse gas and other air pollution reductions?*

Response: The existing credit union system can provide a highly effective, efficient, and low-risk avenue for EPA to leverage funding benefits from the GHGR program. Utilizing credit union service organizations (as authorized at 12 CFR Chapter VII Subchapter A Part 712) in an integrated system of credit unions and CDFIs, EPA-eligible recipients will produce the most effective platform for leveraging capital, ensuring regulatory compliance with consumer financial protections laws with full accountability, public trust, and minimal middlemen – all of which will deliver low-cost, efficient loan underwriting and servicing on a regional and national scale. Importantly, if EPA chooses to leverage existing financial sector institutions, Low Income Designated credit unions have a federal agency-confirmed service area serving households at and below the 80% household income levels in communities. Ecority is proposing to build and implement such a system for distribution of funding benefits from the GHGR Fund based upon extensive prior experience in designing and implementing these networks in other loan product markets.

Question II.A.1: *Who could be eligible entities and/or indirect recipients under the Greenhouse Gas Reduction Fund? What should be the thresholds for deployment—both amount and timing—for Greenhouse Gas Reduction Fund funding by these entities? Please provide references regarding the total capital deployed by these entities into clean energy and climate projects.*

The statute provides a general definition of "eligible recipients." Still, it gives the EPA considerable discretion in defining this key term and how such eligible recipients shall provide funding and technical assistance under the GHGR Fund program. Notwithstanding attempts to advance interpretations that require establishing a single national green bank to distribute funding benefits from the GHGR Fund, the statute places no constraints or limitations on EPA's authority. Rather, IRA Section 134 provides EPA with broad authority to determine the eligible entities and indirect recipients and thereby authorizes the Agency to make appropriate policy decisions on the most efficient and effective way to distribute the funding benefits. As a result, EPA has the discretion to provide grants to any non-profit entity so long as that entity meets the

criteria outlined in the definition of "eligible recipient" set forth in IRA Section 1034(c)(1). This is an important point as there are valid reasons for EPA to consider providing grants directly to organizations rather than going through an intermediary, such as lowering transaction costs.

As EPA assesses issuing grants, EPA will need to establish compliance systems to ensure that these non-regulated entities comply with the plethora of federal and state consumer protection laws that all creditors must adhere to (e.g., Equal Credit Opportunity Act, Fair Credit Reporting Act, Truth-in-Lending, Servicemembers Civil Relief Act, etc.) for lending money directly in the consumer marketplace. EPA should balance (1) the design to include non-regulated lenders to deliver capital and leverage efficiently with (2) the need to regulate these EPA-authorized entities. Failing to do so, the targeted communities face higher costs associated with the need for more intermediaries and EPA regulatory units in other areas of federal and state government regulators.

Indirect recipients should be those that can effectively and efficiently deploy capital with full regulatory compliance, public trust, accountability, and competitive market impact. It is without question that community banks, credit unions, credit union service organizations, CDFIs, and other regulated financial institutions that generally grant credit to the public meet all of these criteria and, therefore, should be eligible to receive funding under this program.

Question II.B.1: *What types of projects/sectors/market segments could EPA prioritize for funding through the eligible recipients?*

Response: Large-scale projects have access to multiple financial resources today and, when coupled with new federal energy tax credits, should have little difficulty finding qualified and interested lenders. Smaller investments (typically made by small businesses and households and purchased from local contractors) will benefit most from this Fund due to the smaller nature of the investments traditionally transacted in a point-of-sale financing system due to some communities no longer having local community bank presence due to bank consolidation in recent years. This is especially true of disadvantaged communities across the United States.

Question II.B.3: *What types of contracting vehicles and structures will best support rapid deployment of clean technology solutions and direct involvement of the private sector, including in supporting disadvantaged communities?*

Response: The infrastructure for reducing and avoiding GHG emissions can often be capital-intensive to produce and deploy. The supply chain must be coordinated from raw materials to end-user installation and commissioning. Electric utility projects can take years to complete. Smaller decentralized projects can be done more quickly if community contractors and energy efficiency experts are in good supply. Enabling rapid deployment will require enabling supply chain providers to grow their capacities and competencies. New business formations can be catalyzed with a portion of the grant funds in the form of new small business financing on those entities that focus on energy efficiency, particularly in communities with old building stock. The banking sector can assist with deploying commercial and small business loans to this class of businesses.

Question II.C: *Are there any potential program design requirements that would impact the ability of recipients to use the Greenhouse Gas Reduction Fund program funds? How could EPA address these issues through program design? How could recipients comply with relevant federal requirements? How can the EPA streamline the distribution of funds so that applicable federal and state review can be accomplished in a coordinated and efficient manner?*

Response: To the extent that the GHGR Fund will be used for credit creation purposes, a plethora of existing consumer financial protection laws must be followed by recipients receiving program funds. Any recipient not under the jurisdiction of a banking regulator would need to be regulated for compliance by EPA, particularly given that the program funds are designed to go to communities that need the financial protection afforded by these laws. The Consumer Financial Protection Bureau may automatically step in as a jurisdictional matter for any eligible entity not currently regulated more than \$10 billion.

Considering these critical considerations, Ecority recommends that EPA, to the extent possible, avoid establishing redundant regulatory compliance units that other federal agencies currently provide for consumer protection compliance. Using regulated entities to the extent possible will reduce EPA compliance requirements and overall administration costs.

Question III.A: *Given the tight timeline for implementation of the funds, what are key steps that EPA could take in the short- (next 180 days), medium- (next two years before funds expire in 2024), and long-term?*

Response: EPA should take all possible steps to diversify near-term risks by selecting a minimum number of qualified entities with the scale and resources to deploy funds into targeted communities. This diversification will enable the marketplace to sort through successful and unsuccessful market products without the risk of a single point of failure. Also, market innovation will take several iterations before learning curves produce new knowledge and effective products. This market innovation process cannot occur within a structure that is not competitive and is limited to the ideas of a single or few entities. EPA should leverage the known elements to focus innovation on what is unknown. The U.S. financial sector knows how to lend money successfully, so EPA should focus on learning how to increase demand within low-income and disadvantaged communities rather than reinventing the financial industry.

Our experience suggests that financial uncertainties will take about seven years to know through a large volume of transactions and repayments. Deployed constructively, grant funds will easily support that element of financial assistance learning.

We suggest that EPA focus its efforts with eligible recipients on the more difficult task of learning, over the long run, how to create end demand for GHG emission reduction infrastructure in the aged building stock. The pace of decay and replacement in this asset category can take decades, regardless of financial incentives. As a result, enabling financing from competent and qualified creditors along with tax credit incentives provided for within the IRA will only create the conditions for demand, but it will not necessarily generate the demand required in the target communities. So a real focus on the balance of grant recycling and monetization—the easy part, in our view—that can create end demand by those with the most impact should weigh heavily on the EPA's long-term focus.

Question III.B: *What types of requirements could EPA establish to ensure the responsible implementation and oversight of the funding?*

Response: EPA should avoid any risks that are not essential as there are many risks associated with creating a new industry. The Agency should adopt frameworks and designs that build on proven and reliable financial structures. Avoid rebuilding financial sector characteristics that already assist with leveraging, monetizing, and deploying funds cost-effectively while maintaining cost public trust and accountability. Regulated financial institutions should be used throughout the design, especially where there is a decision to select a non-regulated entity to explore market innovation. Also, the designs and structures should avoid building redundancies in consumer financial protection compliance functions as they already exist in the financial regulators and can be relied upon without EPA having to spend public money and resources.

Question III.C: *What mechanisms could eligible recipients adopt, including governance as well as other mechanisms, to ensure that their applications and subsequent implementation efforts ensure: (i) accountability to low-income and disadvantaged communities; (ii) GHG emission reductions; (iii) leverage and recycling of the grants?*

Response: Using regulated legal structures—such as credit union service organizations that create collaborative solutions among credit unions and CDFIs – will ensure effective governance and regulatory oversight while gaining immediate access to large numbers of credit union members, including low-income and disadvantaged households served by Low-Income Designated credit unions.

To the extent possible, EPA should promulgate standards for GHG emissions by infrastructure type to prevent dissonance in how to measure and what impact mass market energy efficient products offer. This reduces operational confusion in the financial sector as we work to scale up loan origination and servicing operations.

Leveraging and recycling efficiency is a function of EPA's (1) desire to stimulate end demand through borrower subsidies, (2) EPA's desired leverage ratio to attract private sector capital and insured deposits in the financial sector, and (3) the time horizon before EPA grant funds are depleted. Greater reliance on non-recycled subsidies will directly affect the time horizon of available grants and leveraged capital. Balancing these EPA desired tradeoff goals will dictate the financial sector's scale and reach and development of the mass-market demand throughout the country. Financial sector organizations like credit unions can work with EPA to allocate funds to appropriately balance stimulating end-use demand through grants and other support mechanisms with the desire to recycle funds.

ADDENDUM

Overview of Proposed Structure for Rapid, Low-Risk, and Efficient Distribution of Loan Funds

The following discussion provides a brief overview of one potential mechanism the EPA could use to achieve the efficient and low-risk distribution of loan funds and maximize its available Fund's leverage for incentivizing the rapid deployment of clean energy technologies and measures for reducing GHG emissions and other air pollutants.

Based upon the experience of the consortium credit unions, Ecority believes that a loan default insurance approach creates the lowest cost and maximum scale of available grant dollars allocated to enable consumer projects.

Under such a scenario, Ecority would:

1. Create a guaranteed loan loss reserve using a portion of allocated grant dollars to cover loan defaults for credit unions financing GHG projects. In so doing, financial institutions would be motivated to provide abundant liquidity to the market without fear of incurring financial losses.
2. For the borrower, the interest rate offered to potential borrowers for such projects would be priced according to the limited risk such institutions would incur.
3. Equally important, since credit unions source funding at the lowest cost in the market, the financing benefits would flow through to consumers. Reducing interest costs is significant to the target market of low-income and disadvantaged communities with income and investment constraints.

Managing the insurance reserve across a broad portfolio of projects and multiple institutions also provides the diversification benefits to optimize and reduce risk.

At inception, Ecority would take a balanced view of loss risk that preserves and recycles GHGRF grant money, creating end demand to achieve program objectives. Over time, as the portfolio grows in transactions, amounts and actual loss experience become more certain, reducing the reserve requirement, which will further increase the available capital.

The following table provides a simple illustration of the scale of leverage easily achievable that such an approach could provide.

Funds Available for Lending Under GHG Grant Based Insurance Reserve Construct

		Amount of Grant Based Insurance Reserve (\$MM)				
		\$ 500	\$ 750	\$ 1,000	\$ 1,500	\$ 2,000
Cumulative Portfolio Default	3%	\$ 16,667	\$ 25,000	\$ 33,333	\$ 50,000	\$ 66,667
	5%	\$ 10,000	\$ 15,000	\$ 20,000	\$ 30,000	\$ 40,000
	7%	\$ 7,143	\$ 10,714	\$ 14,286	\$ 21,429	\$ 28,571
	10%	\$ 5,000	\$ 7,500	\$ 10,000	\$ 15,000	\$ 20,000

The approach outlined above also addresses the significant headwinds the EPA will confront in seeking rapid deployment given current economic conditions. Specifically, the current monetary policy direction from the Federal Reserve is likely to contract liquidity and increase interest rates during EPA's GHGR Fund deployment period. The Federal Reserve's actions are likely to increase unemployment, reduce the supply and demand of money, and reduce borrower creditworthiness, especially for those targeted by this Fund.

As Federal Reserve monetary policy effects reduce liquidity available in the market, EPA should design its program to position the GHGR Fund for maximum attractiveness to the banking sector. Doing so will help EPA achieve its program leverage objectives and ensure abundant credit is available to low-income and disadvantaged communities.

GHG Reduction Fund Charge to EFAB

Enervee Comments

November 25, 2022

Enervee is an innovative climate tech company bringing behind-the-meter clean energy solutions to individual consumers, with an emphasis on energy efficiency, demand response and electrification. Our approach is to transform markets by eliminating persistent and pervasive barriers, thereby empowering consumers to buy clean and efficient consumer products and driving equitable decarbonization at scale. Our Eco Financing loan product allows consumers to pay for clean and efficient online retail purchases with affordable monthly payments, overcoming the up-front purchase price barrier. We have successfully partnered with utilities, state energy offices and state green banks to reach underserved borrowers in several states, and are looking forward to the opportunity that the GHGRF presents to offer this online retail financing program nationwide.

The voices of Americans participating in Enervee's Eco Financing program (85% of whom are LMI and/or credit-challenged) attest to the importance of supporting 1-off retail purchases with a simple user experience (link to 2-minute video): enervee.com/decarbonize

Enervee therefore welcomes the opportunity to provide input to the Environmental Financial Advisory Board (EFAB) on the Greenhouse Gas Reduction Fund and respectfully submits these comments for the Board's consideration. To summarize our priority points:

- The *Long-Term Strategy of the United States: Pathways to Net-Zero Greenhouse Gas Emissions by 2050*, published in November 2021, highlights the importance of driving better buying decisions and increasing the sales share of clean and efficient appliances, while ensuring equitable access to efficient appliances. GHGRF resources should support this federal GHG reduction priority.
- Ensuring that natural replacement purchases for energy-using consumer products are clean and efficient is a cost-effective way to scale impact, as it meets consumers where they are and leverages private investment dollars that would otherwise be spent locking in the use of wasteful products over a decade. Americans spend roughly \$50 billion annually on plug loads. This is the largest GHG reduction opportunity in the residential sector out to at least 2030. GHGRF support can ensure that every purchase reduces GHG emissions and energy bills.
- Appliances and other plug-in devices are predominantly bought at retail, not through contractors, because the vast majority don't require installation by a licensed contractor. It is therefore critical for the GHG Reduction Fund to support retail point-of-sale consumer lending, as some state green banks have begun to do. This includes ensuring that program rules are viable in the online retail setting.
- The DOE Loan Programs Office was not set up to provide loan guarantees for consumer loans. Several state green banks have recognized this gap and are providing this type of credit enhancement, but a national LLR facility is needed to scale.
- When considering any program design guidance, EPA should ensure that it is applicable to "qualified projects", inclusive of distributed energy projects that are undertaken as programs serving multiple individual end consumers at multiple locations and spanning a wide variety of technologies over a multi-year program period. Under Title XVII of the DOE Loan Guarantee Program, a narrow framing of "project" has resulted in rules that are

not suited to the distributed consumer lending programs that are so needed to ensure equitable outcomes.

I. Objectives

a. Environmental Justice / Definition of “low-income and disadvantaged communities”

i. What considerations should EPA take into account in defining “low-income” and/or “disadvantaged” communities in order to ensure fair access/that the funding benefits disadvantaged communities?

There are many definitions of LI and DAC already in use. Ideally, EPA would create universal default definitions for these terms that support real-time determination from publicly-available data of participant LI and DAC status. This can be achieved by providing geographical definitions, based on zip code or census tract data. DOE has already defined geographies that meet Justice40 requirements, so we suggest using those geographies to define disadvantaged communities.

Census tract data should also be used to define low-income. We recommend using the same method used by DOE to prioritize high-poverty census tracts as part of their definition of disadvantaged communities, for the components of the GHGRF that are earmarked exclusively for DAC and LI. Data tables and APIs to access the qualified census tracts should be made available for targeting these customer segments, performing real-time income qualification and tracking LI and DAC outcomes.

Ideally, the same census tracts that define LI for GHGRF purposes will be an acceptable method to verify income qualification for the IRA’s High-Efficiency Electric Home Rebate program low-income tier, and the same basic method will be used for the moderate-income tier, with a higher percentage income threshold (150%).

Using geographical definitions based on proxy data will simplify targeting, tracking, achieving and assessing benefits for LI and DAC.

ii. How can EPA ensure that communities and organizations who have received little or no funds in the past receive priority consideration for funding? How could EPA identify the low-income and disadvantaged communities it should prioritize for greenhouse gas and other air pollution reduction investments?

Programs that enable underserved borrowers to access affordable capital should be prioritized, as lack of access to capital is a persistent and pervasive barrier to clean and efficient appliance purchases, which are ubiquitous across the country and would result in utility bill savings. A focus on equitable access to efficient electrical end-use equipment and increasing the sales share of such technologies is a strategic priority of the US Long-Term Strategy of the United States to achieve net-zero GHG emissions by 2050.

If there are any priority sub-segments within or in addition to LI and DAC, these should be defined geographically or in another way that is unambiguous and easy to operationalize in a real-time digital lending setting. In the case of prioritizing underserved borrowers, for example, EPA could encourage programs that lend to people with credit scores below 680.

iii. What kinds of technical and/or financial assistance should GHGRF funding recipients provide to ensure that low-income and disadvantaged communities are able to be direct or indirect

beneficiaries of GHGRF funding? Please identify supports that could help communities with project implementation.

The private sector can offer turnkey lending programs that target and deliver benefits for low-income and disadvantaged communities nationwide, making use of ecommerce platforms, existing partnerships and GHGRF support to finance consumer product purchases. Loan loss reserves are critical for private sector lending programs to be as inclusive as possible; access to low-cost capital for re-lending and funding to pay for interest rate buy-downs can ensure affordable rates and monthly payments. With ecommerce being cloud-based and order fulfillment through existing industry partnerships that provide local coverage of installers and contractors, program implementation is turnkey and can reach disadvantaged communities, low-income households and underserved segments of the population across the country. Partnerships with local energy providers can be added over time to leverage additional funding (incentives, marketing).

In addition, GHGRF could provide resources to enable community-based organizations to make their constituents aware of and support their participation in such program opportunities.

b. Program Efficiency

i. How can the GHGRF grant competition be designed so that funding is highly leveraged (i.e., each dollar of federal funding mobilizes multiple dollars of private funding)? How can the funding be used to maximize “additionality” (i.e., the extent to which funding catalyzes new projects that would not otherwise occur)? How can EPA balance the need for grants for capacity building and short-term results with financial structures that will allow capital to be recycled over time? Where (if at all) is it appropriate to impose sustainability requirements on direct or indirect beneficiaries of GHGRF funding?

The entities selected to disperse GHGRF funds should have the flexibility to develop portfolios that serve a mix of equity segments (LI/DAC) and others, while balancing a funds perdu grants, loan loss reserves, interest rate buy-downs that are not repaid. with the need to ensure a sound financial base through revenue generated from things like line-of-credit style loan funds that get repaid and can deliver a return to the entity, as well as bringing in new sources of capital. The GHGRF has \$8 billion earmarked specifically for LI/DAC and another \$19.97 billion that is not earmarked, so portfolios can be crafted to ensure long-term sustainability.

When focusing on equitable outcomes, we should accept that it may be necessary to continue to support private capital providers for the foreseeable future, given the needs and risk profile of the target audiences. But it is important to consider the alternative. Utilities, federal agencies and states invest billions of dollars annually into no cost direct-install weatherization and energy efficiency programs, but only meet a small share of needs. These programs do not tap into natural replacement cycles, nor leverage private capital or require any co-pay, so are quite costly. Alternatively, the availability of a loan loss reserve provided through the GHGRF could make every dollar go multiple times further, by sharing the risk of loan defaults with private lenders and allowing people to pay with affordable monthly payments.

Programs offered by state green banks, in partnership with private sector lenders, have proven their ability to mobilize private capital for consumer lending and drive investment by households. Most of these programs targeted home upgrades. Several have begun to support microloans for the 1-off purchase of appliances and other plug loads at retail, tackling a major gap in

programming to benefit LI and DAC with demonstrated equity outcomes and potential to reach many more households, but these types of consumer loans have a different risk-reward profile for private capital providers than larger loans. The eligible entities need the flexibility to provide the type of supports needed to leverage private capital for such programs.

In terms of additionality, EPA should instruct eligible recipients to adopt the same approaches that state green banks have relied on, which focus on consumer benefits. For example, loan loss reserve programs have required that:

- Private sector partners provide an explanation of how a loan loss reserve will be utilized to provide benefits to Borrowers compared to the applicant's typical product offerings, or alternative offerings in the retail space, in one or more of the following ways: broadened approval criteria; longer terms; larger amounts available to finance; better rates; and/or other advantageous terms. This is taken from the GoGreen Home program administered by CAATFA.
- Ongoing support is contingent on a residential sector consumer loan portfolio maintaining a minimum of 35% of loans by dollar amount 1) to credit-challenged residential borrowers with a credit score less than or equal to 680, or 2) to low- and moderate-income borrowers in census tracts where the Median Family Income % does not exceed 150% of the corresponding MSA/MD/non-MSA/MD Median Family Income. This is taken from the NYSERDA LLR Program.

The same approach could be applied to requests for low-cost capital and/or funding for interest rate buy-downs.

ii. Are there programs/structures at the federal or state level that could effectively complement the GHGRF? How can EPA best leverage the GHGRF to support lasting, long-term (beyond 2024) transformation of the clean energy and climate finance ecosystem, especially for disadvantaged communities, and greenhouse gas and other air pollution reductions?

Providing a loan loss reserve has a transformative impact on the finance ecosystem, because it allows private capital to support underserved market segments and benefit disadvantaged communities, when they otherwise would not be able to.

The availability of a nationwide LLR facility funded by the GHGRF would allow us to massively scale consumer lending for 1-off purchases of technologies that reduce GHG emissions by traditionally underserved borrowers, including LMI, people with credit scores as low as 580 and renters. We could attract private capital to support consumers across the country, as opposed to just a few states at present. Over the past 18 months, we have proven out this innovative model and its equity outcomes.

With an LLR in place, we have also been able to crowd in other sources of support to drive equity outcomes via our ecommerce platform, including special promotions negotiated with retail/manufacturer partners, utility program incentives, and state/local government resources for a wide range of costs (e.g., installation, haul away/recycling, warranties). The point-of-sale LMI electrification rebates available through the federal IRA High-Efficiency Electric Home Rebate program can also be channeled through our ecommerce platform, which would allow financing of any remaining purchase and installation costs.

II. Program Structure
a. Eligible Recipients

ii. What eligible entities and/or indirect recipients would best enable funds to reach disadvantaged communities? What are their challenges and opportunities and how can EPA maximize the use of these channels?

One way to ensure nationwide investment and deployment is to encourage the national green bank entity(ies) to directly invest significant funds in activities that drive efficient electric end-use equipment purchases across the country, since such equipment is ubiquitous and can be transacted online with national delivery coverage. If a nationwide loan loss reserve facility is made available via a green bank entity, Enervee intends to make Eco Financing, embedded in the online ecommerce experience, available across the country.

By partnering directly with private lenders facilitating efficient electric appliance purchases, the national green bank can ensure comprehensive coverage in disadvantaged communities. Under the GoGreen Home Energy Financing Program administered by CAEATFA, which provides credit enhancements in the form of a loan loss reserve, Enervee’s Eco Financing microloans delivered the following outcomes:

- 73% of gas savings and 72% of electric savings to LMI
- 32% of gas savings and 31% of electric savings to DAC
- Roughly half of loans to credit-challenged borrowers with credit scores below 640
- 27% of loans to renters

These results were achieved without specifically targeting marketing towards these traditionally underserved consumer segments, so program optimization could yield even greater equity benefits.

This strategy is consistent with the “Long-Term Strategy of the United States: Pathways to Net-Zero Greenhouse Gas Emissions by 2050”, which places priority on increasing the sales share of clean and efficient appliances, while ensuring equitable access to efficient appliances.

b. Eligible Projects

i. What types of projects/sectors/market segments could EPA prioritize for funding through the eligible recipients?

Term loan programs for individuals making 1-off purchases of technologies that reduce/avoid GHG emissions should be prioritized. Equitably increasing the sales share of efficient electric appliances is a US climate priority and a major gap in existing LMI and DAC programming.

ii. Considering each major project type/sector/market segment, discuss:

1. What are the barriers to private sector capital?

Barriers include: small loan size, risk profile of underserved borrowers, compliance with program requirements, integration of financing into the retail purchasing user experience, reaching in-market shoppers

2. Please provide any citations to relevant case studies in low-income and disadvantaged communities, in terms of emissions reductions and other benefits, including cost effectiveness, wealth creation, economic empowerment, workforce development, etc.

Deemed Energy Savings: 2022 Mid-Year Report
GoGreen Home Energy Financing | Q3 2016 – Q2 2022 | Published September 2022

<https://www.treasurer.ca.gov/caeatfa/cheef/energysavings/deemed-ggh-report-q2-2022.pdf>

Eco Financing Case Study

<https://hubspot.enervue.com/ef-case-study>

Arquit Niederberger, A. 2022. Efficient Shopping For All: Achieving Climate Goals with Online Retail Eco Financing. In Proceedings of the 2022 ACEEE Summer Study on Energy Efficiency in Buildings. Washington DC: ACEEE, 2-142 to 2-156.

https://aceee2022.conferencespot.org/event-data/pdf/catalyst_activity_32352/catalyst_activity_paper_20220810190442786_8326b024_4c79_4f61_9843_692bbb3c1b3a

Unsung Heroes of Decarbonization: People & Plug Loads

<https://www.enervue.com/blog/unsung-heroes-of-decarbonization-people-and-plug-loads>

Renter (Mis)perceptions

<https://www.enervue.com/blog/renter-mis-perceptions>

3. What project-level gaps could the GHGRF fill for each type of project? What form could capital take to fill these gaps? Please provide references that analyze the deal-level economics for the various types of projects, including whether and how these may vary by geography.

The GHGRF could provide 1) loan loss reserves that back term loans to consumers (essential to achieve equity outcomes), 2) low-cost capital for re-lending purposes, preferably in the form of “line-of-credit”-type facilities and 3) perhaps funds to buy down interest rates for income qualified borrowers.

4. Beyond assembling the capital stack for a deal, what other barriers and constraints exist that could constrict the pipeline of successful projects? What program strategies are needed to respond to these barriers and constraints?

As mentioned above, there are many barriers that prevent the private sector from financing consumer loans for 1-off appliance purchases, including small loan size, risk profile of underserved borrowers, compliance with program requirements, integration of financing into the retail purchasing user experience, and reaching in-market shoppers.

Market intermediaries that rely on digital solutions and existing partnerships will play a key role in overcoming these barriers.

Working with several state green banks that have provided loan loss reserves, Enervee has overcome these barriers by serving as an aggregator and delivery channel for consumer lending. This involves a wide array of implementation partnerships managed by Enervee, including with fulfillment partners (retailers, contractors, distributors), manufacturers, utilities, state energy offices, and green banks. By providing an ecommerce platform for individuals to research and buy efficient products and offering microloans, private capital providers are able to deploy capital for these small transactions and consumers are able to pay for them with affordable monthly payments, overcoming the up-front purchase price barrier and reducing their energy bills on an ongoing basis.

Email marketing is the most cost-effective way to engage in-market shoppers to buy energy efficient products and raise awareness among underserved borrowers of the opportunity to pay for them with affordable monthly payments. When an LLR facility is available, Enervee has been able to engage utility partners, providing access to customer emails for marketing purposes and integrating ratepayer-funded incentives.

iii. What types of contracting vehicles and structures will best support rapid deployment of clean technology solutions and direct involvement of the private sector, including in supporting disadvantaged communities?

Loan loss reserves provided by state green banks have typically been available to private lenders through an open-ended application process. If the private entity meets the qualification requirements, the green bank approves the entity's application to participate in the LLR program, according to program terms. Examples include the GoGreen Home Energy Financing program administered by CAEATFA and the NYSERDA LLR program.

c. Structure of Funding

i. Are there any potential program design requirements that would impact the ability of recipients to use the GHGRF program funds? How could EPA address these issues through program design? How could recipients comply with relevant federal requirements? How can EPA streamline the distribution of funds so that applicable federal and state review can be accomplished in a coordinated and efficient manner?

It is difficult to provide a meaningful response without more specificity about possible program, federal and state requirements. Private sector entities with an interest in offering financing programs to drive equitable decarbonization should have the opportunity to comment on proposed program requirements before they are adopted.



November 28, 2022

Hon. Edward H. Chu,
Designated Federal Officer
Environmental Financial Advisory Board
U.S. Environmental Protection Agency

Hon. Kerry O'Neill,
Board Chair
Environmental Financial Advisory Board
U.S. Environmental Protection Agency

Via Electronic Mail - EPA Environmental Financial Advisory Board efab@epa.gov

RE: Greenhouse Gas Reduction Fund

Dear Mr. Chu, Ms. O'Neill, and Members of the U.S. Environmental Protection Agency's
Environmental Financial Advisory Board

On behalf of the Housing Partnership Network (HPN), I am writing to emphasize the opportunity the EPA has to ensure that decarbonizing affordable housing is a priority use for the Greenhouse Gas Reduction Fund (GGRF) and to emphasize that community development finance institutions (CDFIs) be eligible and priority recipients of funding to ensure it reaches the most vulnerable communities.

HPN, an award-winning nonprofit collaborative of 100+ of the nation's leading affordable housing and community development organizations, appreciates the opportunity to provide comments on the GGRF program design and implementation. HPN members operate in all 50 states in urban, suburban, and rural markets, oversee \$175 billion of affordable residential real estate, and reach 14 million people (about twice the population of Arizona) with housing. GGRF is a bold and crucial step to moving the U.S. to a cleaner economy and we are especially thankful that much of this funding is to be used in for the benefit of low-income and disadvantaged communities who risk being disproportionately left behind in the transition to a clean economy and whose communities—because of this program—have the chance to thrive in greener healthier environments.

General Comments

Decarbonizing America's Affordable Housing

Before providing our specific comments on the EFAB charge, HPN and our members want to draw the EPA's attention to the large scale decarbonization opportunity presented by the affordable housing sector. Thirty-nine percent (39%) of greenhouse gas emissions come from buildings, in fact if buildings were a country, they would be the sixth largest greenhouse gas emitting country in the world. In the U.S., multifamily housing has a prominent role in emissions, responsible for 13.9% of all greenhouse gas emissions (CO₂ equivalent). Significant decarbonization efforts with the buildings that house 12.5 million U.S. households could reduce CO₂ emissions by an estimated 38 million metric tons, a 41% reduction from current emission levels. The decarbonization opportunity in this sector will continue to grow, as our nation starts to address the current shortage of 7 million rental units. Efforts to begin to decarbonize the affordable residential built environment using funding from the GGRF would have a catalytic effect that would resonate in the construction, maintenance, and operations of affordable residential buildings for years to come.

Ensuring Equity, Inclusion, and Healthy Vibrant Communities

Focusing on decarbonizing affordable housing also assures a focus on low-income and disadvantaged communities. For example, approximately 50% of HPN's member properties fall into census tracts that surpass at least one threshold of the Biden-Harris administration Justice40 Initiative criteria using the beta version of the Climate and Economic Justice Screening Tool methodology. A third of HPN member properties exceed six or more category thresholds. Indeed, most of America's households earning at or below 80% of area median income (AMI) are renters in multi-family housing. Therefore, a focus on decarbonizing affordable housing buildings would ensure low-income and disadvantaged communities benefit from GGRF and help in the transition of the US to a clean economy. It is important that low-income multifamily renters do not miss out on the co-benefits of decarbonization, namely the economic and health benefits of reduced carbon monoxide, nitrogen compounds, and other indoor air pollutants that research confirms contributes to premature deaths and billions in costs each year.

Community Development Finance Infrastructure

The affordable housing sector is supported by a strong and thriving community development finance industry with a deep record of accomplishment achieving community trust. The community development finance industry also brings experience in leveraging private sector capital, estimated by the Department of Treasury to be close to a 10 to 1 ratio of private sector leverage that has

accumulated to over \$200 billion of critical investment in low income and disadvantaged communities. Long-established proven methods to attract private sector investment via Low-Income Housing Tax Credits (LIHTC) and New Markets Tax Credit (NMTC) create powerful leverage opportunities for GGRF funding.

Comments on EFAB Charge Questions:

HPN's responses to specific questions posed by EFAB below:

A. Environmental Justice / Definition of "low-income and disadvantaged communities"

- i. *What considerations should EPA take into account in defining "low-income" and/or "disadvantaged" communities in order to ensure fair access/that the funding benefits disadvantaged communities?*

HPN suggests the EPA utilize existing mechanisms and frameworks for defining low-income and disadvantaged communities. To that end, HPN suggests the EPA consider aligning with U.S. Department of Treasury definition for CDFI scope, to avoid duplication of existing efforts and to take advantage of existing targeting of resources that has proven effective. In doing so, the EPA will emphasize those living at or below 80% of Area Median Income and will be aligned with the goals of the Justice40 Initiative by confronting and addressing decades of underinvestment in disadvantaged communities. The EPA should provide flexibility and alternative means of aligning with funding opportunities to accommodate the limitations of utilizing census tracts, given that such frameworks do not adequately capture all low income and disadvantaged communities.

- ii. *How can EPA ensure that communities and organizations who have received little or no funds in the past receive priority consideration for funding? How could EPA identify the low-income and disadvantaged communities it should prioritize for greenhouse gas and other air pollution reduction investments?*

- In developing the structure and operation of the GHGR Fund, the EPA should apply principles of equity and a just energy transition throughout all aspects of the program including how grants are awarded to applicants.

- It is not enough that a program aims to place capital inside low-income and disadvantaged communities if the intent is to grow economic and climate investments in these targeted areas. The program must also focus on the organizations that receive funds for investment and identify whether those organizations are sufficiently tied to the targeted communities they propose to serve.
- Failure to substantively include these community-based lenders now as this new market begins to develop in their communities, due to the seed capital of the GHGR Fund, will likely ensure that these community lenders will be at a competitive disadvantage as the green market matures— impacting their ability to access private and other capital and ultimately their ability to participate in meaningful, sustainable development— in their communities.
- A strategy to ensure that these community lenders are full participants in current and future green/sustainable development markets is to support a proposal that 40% of GHGR Fund awards go to these community service providers.
- This can occur in several ways, but an efficient strategy would be for EPA to identify a limited number of organizations as direct awardees, who will then be responsible for making indirect awards to other community lenders around the country.

iii. *What kinds of technical and/or financial assistance should GHGRF funding recipients provide to ensure that low-income and disadvantaged communities are able to be direct or indirect beneficiaries of GHGRF funding? Please identify supports that could help communities with project implementation.*

HPN recommends that to reach low-income and disadvantaged communities, a flexible blend of low-cost capital, grants and technical assistance funding can be effective. In order to maximize the investment that flows to these communities, the EPA must ensure that funds flow down to low-income and disadvantaged communities with terms that make sense in these markets. As such, the additional flow of capital will prove to be catalytic and help to transform and create markets to deliver tangible benefits to communities long overlooked. Further, this approach will allow for organizations already working and investing in these communities to use the additionality to complement investments in ways that provide decarbonization opportunities. For example, HPN and our CDFI members have provided \$64 billion in debt financing to communities for multi-family housing and community facilities (e.g., schools, health centers, community centers, etc.) largely through CDFI banks and loan funds. These products, as illustrated below, can be adapted to support

deeper energy efficiency and net zero properties with the help of low-cost capital, technical assistance, credit enhancement, and grants from the GGRF.

Examples of leveraging existing products for decarbonization:

1. **Current Product:** Pre-development and acquisition financing

Decarbonization Modification: Pre-development and acquisition financing to support new construction or preservation of affordable housing with pricing incentives to develop to net-zero or near net-zero standards
2. **Current Product:** Construction financing for new construction or substantial renovation.

Decarbonization Modification: Loans to support new construction or substantial renovation of affordable housing buildings with pricing incentives to develop to net-zero or near net-zero standards
3. **Current Product:** Permanent financing for buildings

Decarbonization Modification: “Green” mortgages that provide pricing incentives for buildings that agree to meet certain net-zero or near net-zero standards and commit to ongoing improvements to lower emissions. In addition to new lending for construction or substantial rehabilitation, there is a large opportunity to take the existing housing portfolios of community-based lenders and developers to incentivize energy efficiency and clean energy upgrades through targeted grant programs. This would provide fast and direct access to reduced energy costs for hundreds of thousands of units of affordable housing through a pre-identified and trusted distribution network.
4. **Current Product:** Recapitalization to modify and upgrade multifamily building.

Decarbonization Modification: Grants for gap funding of energy efficiency, electrification, and green improvements to multi-family buildings. For example, unsubsidized affordable multi-family housing, which traditionally operate on thin margins, are unable to carry additional debt since they must maintain affordability standards which can limit decarbonization upgrades. Grants may be appropriate in these circumstances to bridge the gap, and intermediaries, like the Housing Partnership Network, have experience in establishing programs to effectively award grant funding utilizing criteria that advance priorities such as decarbonization and racial equity.
5. **Current Product:** Construction and Retrofits of single-family homes.

Decarbonization: Grants or loan products to assist in decarbonization of homeownership units. There are existing products to help existing or prospective homeowners improve their housing and/or improve the energy efficiency of housing. These funds could be utilized to



enhance existing product offerings as well as to ensure we are addressing decarbonization along with any other repairs. CDFI lenders also understand how to provide financing or grants to homeownership in a way that doesn't adversely encumber their property. Funding should also be available to support grants and financing for developers of homeownership, especially those that would qualify as low- to moderate-income people, emphasizing people of color, in communities designated as high-priority under the Administration's Justice40 initiative.

B. Program Efficiency

- i. *How can the GHGRF grant competition be designed so that funding is highly leveraged (i.e., each dollar of federal funding mobilizes multiple dollars of private funding)? How can the funding be used to maximize "additionality" (i.e., the extent to which funding catalyzes new projects that would not otherwise occur)? How can EPA balance the need for grants for capacity building and short-term results with financial structures that will allow capital to be recycled over time? Where (if at all) is it appropriate to impose sustainability requirements on direct or indirect beneficiaries of GHGRF funding?*

HPN recommends that the EPA take advantage of the CDFIs and affordable housing developers sectors' track record in leveraging public and private capital. The U.S. Department of Treasury has recognized that CDFIs leverage investments of 8 to 1¹ by obtaining private sector investment from banks, investment firms, and foundations. The EPA should consider existing programs that provide significant private sector investment and leverage opportunities (NMTC, LIHTC) and that GGRF funding should augment and complement those programs where possible.

For example, the EPA could leverage private sector capital by awarding entities proposing to provide low-cost subordinated debt that allows for the creation of a blended rate for the higher cost of net-zero upgrades and electrification. This leverage approach could become more sustainable and a common business practice as it is learned by traditional mortgage markets and real estate lenders, who are becoming more interested in climate risks and ESG investing.

It is also important to recognize that leverage and matching requirements can disadvantage under resourced communities, particularly communities of color. To ensure equitable access to GRRF resources, EPA should recognize that grants may be more appropriate for some projects and communities, and utilize entities like CDFIs that demonstrate overall leverage, while also creating products that are viable in underserved and under resourced communities.



- ii. *Are there programs/structures at the federal or state level that could effectively complement the GHGRF? How can EPA best leverage the GHGRF to support lasting, long-term (beyond 2024) transformation of the clean energy and climate finance ecosystem, especially for disadvantaged communities, and greenhouse gas and other air pollution reductions?*

To effectively leverage capital from other sources, the affordable housing and community development sector has a history of “braiding and stacking” complex sources of capital. This catalytic effect of crowding in multiple sources of capital will be important to maximizing and leveraging the greenhouse gas reduction impact. The EPA should anticipate and encourage the use of GGRF funding with other sources of state and local available funding and try to make this as easy as possible to add to other funding sources, see response to Section 2, Question 6 above as well.

There is also leverage opportunities to seek alignment with existing funding streams such as:

- Rebates to State Energy Offices
- HUD’s Green and Resilient Retrofit Program
- Treasury Tax Credits (particularly 25C, 25D, 45L, 179D for multi-family affordable housing sector)

II. *Program Structure*

a. *Eligible Recipients*

- i. *Who could be eligible entities and/or indirect recipients under the GHGRF? What should the threshold for deployment be – both amount and timing – for GHGRF funding by these entities? Please provide references regarding the total capital deployed by these entities into clean energy and climate projects.*

Community Development Financial Institutions (CDFIs) already meet this statutory definition of eligible recipient and should qualify to directly apply to the EPA individually or as part of a consortium. CDFIs are mission-based lenders and investors that provide financial services to individuals, organizations and businesses operating in low-income communities to support and stimulate economic development and neighborhood revitalization. CDFIs include regulated institutions such as community development banks and credit unions, and non-regulated institutions like loan and venture capital funds. CDFI Certification is a designation given by the US Treasury CDFI Fund. The Housing Partnership Network already works with its 100+ members to deliver needed funding to their communities across the United States.

With respect to section 134 of the Clean Air Act, HPN would like to emphasize the importance of eligible actors with potential to reduce greenhouse gas emissions within the built environment, specifically those that have an opportunity to improve the energy efficiency and clean air quality of

properties serving people with low-incomes and disadvantaged communities, especially those communities of color and others prioritized in the Administration’s Justice40 Initiative. Section 134 specifically mentions the prioritization of projects that replace “older less efficient units” in the use of multifamily affordable housing, with the benefits accruing to those communities being lower energy bills, healthier local environments, and cleaner air in their properties and communities.

ii. What eligible entities and/or indirect recipients would best enable funds to reach disadvantaged communities? What are their challenges and opportunities and how can EPA maximize the use of these channels?

Community development practitioners including CDFIs and non-profit affordable housing developers (both rental and for-sale owners), operators, and their related companies are well positioned to deploy at scale to an existing pipeline of greenhouse gas reduction opportunities in low-income and disadvantaged communities. CDFIs have a combined \$25B in assets and are already in place providing financial services and products to their target markets. As part of the Department of Treasury certification, CDFIs are required to provide over 60% of their affordable financial products and services to their target market, so they are already well positioned to immediately deploy and leverage the current EPA opportunity. As noted above, HPN is well positioned to deliver resources to its 108 members across the United States.

b. Eligible Projects

1. What types of projects/sectors/market segments could EPA prioritize for funding through the eligible recipients?

As a business collaborative of more than one hundred high-performing nonprofits that develop, own, manage, and finance affordable housing and community development projects, the Housing Partnership Network is keenly attuned to the potential benefits that can be realized by low-income and disadvantaged communities through direct and indirect investments in greenhouse gas emissions-reducing projects to the residential built environment. HPN members work in all 50 states, currently own more than 339,000 affordable rental units, and have significant development pipelines to meet the demand given the shortage of high-quality affordable housing. The additional reach of our CDFI members can support decarbonization projects in the commercial and single-family residential sectors of low-income and disadvantaged communities. Investing in measures that reduce GHG emissions in the residential sector, particularly in multifamily housing in low-income and disadvantaged communities, can drive disproportionate co-benefits to health,

economic inequality, comfort, quality of life improvements, and resilience in the face of extreme weather. Ensuring that the existing multi-family housing stock decarbonizes in an effective manner depends on the strategic deployment of resources in ways that are flexible enough to enable projects at key timetables in building lifecycles, such as unit-turns, during targeted retrofits, and during substantial rehab or recapitalization projects.

Buildings are long-lived structures and most of the buildings that exist today will continue to rely upon energy infrastructure throughout the time-horizon within which it is essential to decarbonize. While there are many similarities to the critical projects associated with decarbonizing the housing stock, HPN recommends that the EPA provides sufficiently flexible resources to support the geographic variability in equipment needs and the unique nature of building infrastructure that often depends on building age, size, design, and local building codes.

HPN strongly recommends that the EPA considers prioritizing GGRF resources to directly invest in both properties that serve people with low incomes as well as properties that exist in low-income and disadvantaged communities, and not to projects that may result in ancillary benefits to such communities, such as projects that reduce emissions and pollutants at power generation stations. This will dramatically increase the opportunities to serve the Administrations Justice40 Initiative and have a larger positive impact on communities of color. While HPN acknowledges that such energy infrastructure is critical to decarbonize, we feel that due to the levels of historic disinvestment in affordable housing and the commensurate investment in energy infrastructure, particularly fossil fuel-based energy infrastructure, the EPA should avoid providing general assistance to entities that do not face financing barriers and avoid providing assistance for technologies that are sufficiently supported through policy, tax, or other incentives.

ii. Considering each major project type/sector/market segment, discuss:

1. What are the barriers to private sector capital?

Private capital markets' current economics do not support the extra cost of decarbonization, particularly with the recent spike in interest rates. Given this, mortgage capital for housing, subsidized affordable housing, naturally occurring affordable and market rate housing, all need access to more funding so buildings can be decarbonized.

2. Please provide any citations to relevant case studies in low-income and disadvantaged communities, in terms of emissions reductions and other benefits, including cost effectiveness, wealth creation, economic empowerment, workforce development, etc.

An October 2021 publication from RMI titled [Decarbonizing Homes](#) outlines the health and financial benefits that accrue to households and communities as a result of decarbonizing affordable housing. Those include positive health and environmental impact that are important for improving health disparities of overburdened and underserved communities and communities of color. Decarbonizing affordable housing in the study pointed to evidence in reduced disparities in health outcomes, reduced location-based exposure to pollutants and climate risks, reduced exposure to pollutants and allergens, and reduced financial vulnerabilities faced by many households who must choose between “heating or eating.”

Decarbonizing the US economy is a process that will require the creation of over 2 million jobs, and those in decarbonizing buildings and affordable housing are inherently place-based and there is great opportunity to ensure communities benefit from those opportunities and the skill building opportunity for the transition to a clean economy.

3. What project-level gaps could the GHGRF fill for each type of project? What form could capital take to fill these gaps? Please provide references that analyze the deal-level economics for the various types of projects, including whether and how these may vary by geography.

Examples of gaps that could be filled EPA funding and action:

1. Current Product: Pre-development and acquisition financing

Decarbonization Modification: Pre-development and acquisition financing to support new construction or preservation of affordable housing with pricing incentives to develop to net-zero or near net-zero standards

2. Current Product: Construction financing for new construction or substantial renovation.

Decarbonization Modification: Loans to support new construction or substantial renovation of affordable housing buildings with pricing incentives to develop to net-zero or near net-zero standards.

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Decarbonization Modification: “Green” mortgages that provide pricing incentives for buildings that agree to meet certain net-zero or near net-zero standards and commit to ongoing improvements to lower emissions. In addition to new lending for construction or

substantial rehabilitation, there is a large opportunity to take the existing housing portfolios of community-based lenders and developers to incentivize energy efficiency and clean energy upgrades through targeted grant programs. This would provide fast and direct access to reduced energy costs for hundreds of thousands of units of affordable housing through a pre-identified and trusted distribution network.

4. Current Product: Recapitalization to modify and upgrade multifamily building.

Decarbonization Modification: Grants for gap funding of energy efficiency, electrification, and green improvements to multi-family buildings. For example, unsubsidized affordable multi-family housing, which traditionally operate on thin margins, are unable to carry additional debt since they must maintain affordability standards which can limit decarbonization upgrades. Grants may be appropriate in these circumstances to bridge the gap, and intermediaries, like Housing Partnership Network, have experience in establishing programs to effectively award grant funding utilizing criteria that advance priorities such as decarbonization and racial equity.

5. Current Product: Construction and Retrofits of single-family homes.

Decarbonization Modification: Grants or loan products to assist in decarbonization of homeownership units. There are existing products to help existing or prospective homeowners improve their housing and/or improve the energy efficiency of housing. These funds could be utilized to enhance existing product offerings as well as to ensure we are addressing decarbonization along with any other repairs. CDFI lenders also understand how to provide financing or grants to homeownership in a way that doesn't adversely encumber their property. Funding should also be available to support grants and financing for developers of homeownership, especially those that would qualify as low- to moderate-income people, emphasizing people of color, in communities designated as high-priority under the Administration's Justice40 initiative.

4. Beyond assembling the capital stack for a deal, what other barriers and constraints exist that could constrict the pipeline of successful projects? What program strategies are needed to respond to these barriers and constraints?

- Technical assistance, capacity building, and the development of scalable technology to measure and identify investment and greenhouse gas reduction opportunities.

- Technical assistance to support affordable housing organizations and property management companies to conduct building assessments to develop energy improvement capital plans for decarbonization and energy efficiency upgrades and grants to support the acquisition and ongoing use of said technologies.
- Developing and expanding financial coaching for homeowners and building managers to improve financial performance through cost reduction.

C. Structure of Funding

a. Given the tight timeline for implementation of the funds, what are key steps that EPA could take in the short- (next 180 days), medium- (next two years before funds expire in 2024), and long-term (beyond 2024)?

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b. What types of requirements could EPA establish to ensure the responsible implementation and oversight of the funding?

HPN believes there are efficiencies gained by aggregating reporting requirements at the primary recipient level.

c. What mechanisms could eligible recipients adopt, including governance as well as other mechanisms, to ensure that their applications and subsequent implementation efforts ensure: (1) accountability to low-income and disadvantaged communities; (2) greenhouse gas emission reductions; and (3) the leveraging and recycling of the grants?

HPN supports the CDFI Fund’s Target Market Accountability Criteria as an appropriate accountability mechanism. HPN would also suggest flexibility to accept both project-level leverage and enterprise-level leverage (so the capital can immediately be leveraged, and the impact multiplied).

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In conclusion, HPN recommends that the EPA prioritize GGRF funding for use by the affordable housing industry with CDFIs acting as the deployment vehicle. The decarbonization of affordable housing in the U.S. provides a unique and timely opportunity to reduce greenhouse gas emissions, reduce operational costs and utility bills of low-income people and disadvantaged communities, and contribute to healthier more vibrant living spaces and communities where people can thrive. CDFIs have a performance record of being able to effectively deploy funds and to build public private partnerships that leverage additional sources of capital and innovation. Having developed the trust, deep familiarity, and connection with low-income and disadvantaged communities, CDFIs already have the infrastructure in place to rapidly deploy funding that will accelerate decarbonization and effectuate the EPAs greenhouse gas reduction goals.

We would be happy to provide additional information on our comments. Please contact me at hughes@housingpartnership.net) or Kim Fry Fry@housingpartnership.net with any questions.

Sincerely,

Robin Hughes
President & CEO, Housing Partnership Network #

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November 23, 2022

Environmental Financial Advisory Board
U.S. Environmental Protection Agency
1200 Pennsylvania Ave NW
Washington DC, 20460

Re: Comments for EPA on Greenhouse Gas Reduction Fund

Dear EFAB Members,

Inclusiv appreciates the opportunity to share our perspective on the implementation of the Greenhouse Gas Reduction Fund at the EPA. This letter serves as an overview to our recommendations on proposed structure and activities of the Fund. We are working closely with our members to formulate detailed responses to the EFAB charge questions and the EPA's Request for Information. The program is intended to provide competitive grants to mobilize financing and leverage private capital for clean energy and climate projects that reduce greenhouse gas emissions – with an emphasis on projects that benefit low-income and disadvantaged communities – and further the Administration's commitment to environmental justice. As such, we believe it is critical for EPA to channel capital to intermediaries that are inclusive, diverse and accountable to communities most negatively impacted by pollution and climate change.

About Inclusiv

Inclusiv is a nonprofit CDFI Intermediary, and a national network of more than 490 community development credit unions serving more than 18 million Americans. Community development credit unions are financial cooperatives, formed by low- and moderate-income people predominantly in communities of color to meet the financial needs of their members and communities. As such they have deep ties to their local economies, extensive experience developing financial products to meet the needs of lower-income households and people who have been excluded from the mainstream financial system, **and have a strong track record of green and clean energy-focused lending.** In the past 12 months, alumni of the Inclusiv\UNH Solar Finance Training Program invested more than \$2.24 billion in green loans that lower greenhouse gas emissions and drive the clean energy transition in LMI and BIPOC communities. These lenders provide both loan products (consumer, EV, residential, commercial RE, small business and project finance) and technical supports (financial and homeownership coaching, entrepreneurial assistance) to make sure borrowers are set up for success.

Structure and Eligibility

The EPA should implement the Greenhouse Gas Reduction Fund to invest in Direct Recipient intermediaries with a proven track for reaching low-to-moderate income and disadvantaged communities. Concentrating all resources into a single national green bank runs a high risk of excluding community development and green finance intermediaries and increases the risk that funds will not be deployed on a timely basis and to the populations the GHGRF is designed to serve.

Applicants should be inclusive, diverse, and accountable with a demonstrated record of accomplishment investing in climate solutions with an environmental justice focus. Leadership (at Board and management level) should be diverse and inclusive; democratic with clear community accountability in the investment of these dollars, with a transparent and fair process at all levels.

Purpose and Goals of Fund

To mobilize financing and maximize leverage for clean energy and climate focused products that reduce greenhouse gas emissions that target low-income and disadvantaged communities we recommend EPA explicitly state in the NOFO a preference for:

- Direct financing and technical assistance to areas, communities and activities that reduce greenhouse gas emissions not otherwise achieved through market solutions.
- Build the capacity of direct lenders and financing entities to reach and serve their markets.
- Prioritize local (and hyper-local) financing solutions to achieve equitable outcomes in greenhouse gas reduction over large-scale development projects.
- Support communities of color developing their own solutions to reducing harmful effects of climate change and greenhouse gas emissions in their communities.
- Prioritize applicants that can demonstrate comprehensive solutions that include residents, businesses, developers\contractors, financing entities and investors working together to build strong ecosystems creating synergies between the delivery and optimal use of energy reducing systems, tools and products.
- Outcomes that both reduce emissions and generate economic opportunity for LMI and BIPOC communities.

Financial Assistance and Technical Assistance

Financial assistance should be as flexible as possible including low/no cost financing and committed for as long a period as possible, if not (effectively) permanent. Flexible, low/no cost and long-term (even near-equity) financial support can be leveraged with private sector funds (e.g., banks or other institutional lenders in the case of loan funds; individual and investor deposits in the case of banks and credit unions).

GHGRF should structure financial assistance to achieve the greatest leverage and impact in both emission reduction and in reaching Justice40 goals; not to build the balance sheets of large intermediary financing entities. Community based lenders are most effective in leveraging capital and lending deeply in their communities should be provided as flexible capital terms as possible to drive results. Every dollar of equity or equity like capital in a community credit union can be leveraged 10:1 in new deposits raised. An Inclusiv analysis of the Treasury's Community Development Capital Initiative (implemented under ARRA) found that credit unions leveraged and revolved investments 60 times over in a 5-year period. These funds can enable community lenders to do what they do best; build local ecosystems to embrace the adoption of emission reduction strategies. The Fund should allow for a full range of lending and financing activities from developing energy efficient appliance loan programs for LMI households, to the purchase of electric vehicles and the development of infrastructure to support that to the investment in renewable energy generation on single-family homes, multifamily housing and commercial real estate investment. Moreover, these institutions will complement that with targeted financing to develop green businesses led by and operating in LMI and BIPOC communities.

The EPA should evaluate successful applicants on the clarity of the strategy for delivery of financial products with a specific focus on market-building activities. Congress' intent is clear in the IRA's plain language: federal funds must flow for technical assistance as well as grants, loans, and other forms of financial assistance. Without a clear strategy to build the capacity of on-the-ground lenders *and* borrowers, financial products will sit on intermediary balance sheets and not be fully deployed. These supports include financial coaching, entrepreneurial assistance but also could include down payment assistance, loan loss reserves and infrastructure development to ensure the financing activities to ensure people can use this financing well to reduce their emissions and better engage in their local greening economy.

Accountability to markets and communities

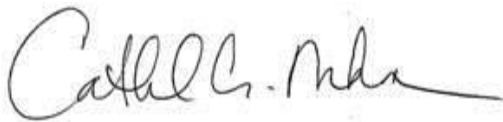
GHGRF presents an opportunity to take a comprehensive approach to reducing greenhouse gas emissions with a particular focus on those communities most negatively impacted. It is not enough that a program aims to place capital inside low-income and disadvantaged communities if the intent is to grow economic and climate investments in these targeted areas. The program must also focus on the organizations that receive funds for investment and identify whether those organizations are sufficiently tied to the targeted communities they propose to serve. Credit unions are ideally suited with their structure as financial cooperatives with leaders directed from the members receiving direct input and feedback on directions, products and needs.

Targeting of low-income and disadvantaged communities

As you grapple with definitions for "low-income" and disadvantaged communities, we urge EPA to draw upon definitions already used by government agencies like Treasury CDFI Fund in the identification of investment areas and low-income populations, and the regulators in defining minority-lending institutions. Definitions used for the CDFI Fund's ERP program focused on "majority minority" areas will enable targeting to communities of color most negatively impacted by pollution and gas emissions. For lenders that are already tracking and reporting data to meet government definitions of low-income communities it will be critical that the GHGRF be aligned so that lending data can be easily tracked and report and impacts measured. Where there may be differences between existing governments agency definitions – ideally EPA would allow flexibility for the lenders to choose which definitions and metrics they track.

As we continue to foster discussion across the vast network of community development lenders, we look forward to providing more detailed feedback on the many questions that you are working through. In addition, we are gathering specific details on successful best-practice strategies that are yielding results in reducing greenhouse gas emissions through equity and inclusion. We are grateful for the opportunity to share this summary and for subsequent comments to come.

Sincerely,

A handwritten signature in black ink, appearing to read "Cathleen A. Mahon". The signature is fluid and cursive, written over a light grey rectangular background.

Cathleen A. Mahon
President\CEO

From: [Danielle Arigoni](#)
To: [EFAB](#)
Cc: ahowe@communityp.com; mary@poua.org; elevin@veic.org; [Elisabeth Coats](#); [Mark Kresowik](#); [Srinidhi Sampath Kumar](#); tnedwick@nhtinc.org; [Leslie Zarker](#); [Ellie White](#); [Mike Hennen](#); hclark@rmi.org; [Stephanie Sosa-Kalter](#); [Kerry O'Neill](#)
Subject: Input for EFAB from IRA Collaborative (Affordable Housing/EJ/Climate Interests)
Date: Wednesday, November 30, 2022 12:29:39 PM
Attachments: [image001.png](#)
[EFAB letter from IRA Collaborative Nov 30.pdf](#)

Dear EFAB members,

We appreciate the opportunity to provide input to you as you formulate recommendations for EPA on its implementation of the Greenhouse Gas Reduction Fund (GGRF), authorized in the Inflation Reduction Act (IRA). We represent a group of national nonprofit organizations committed to affordable housing preservation, energy transformation, climate mitigation, and environmental justice.

Collectively, we recognize the transformation opportunities made possible by the funding resources and tools from the IRA. Done well, IRA and the GGRF are opportunities to help our country transition from fossil fuels to renewable sources, make needed investments in affordable housing that otherwise lack adequate public funding, and perhaps most importantly direct these benefits in ways that repair the damage to low-income individuals and historically-disadvantaged communities that has resulted from systemic racism in land use, housing, and industrial practices.

We believe that **affordable housing remains a paramount opportunity for investment in greenhouse gas reduction** in order to reduce energy burden for low-income tenants, address the share of emissions attributable to housing, advance racial equity by increasing health and wealth of residents, and spur greater market transformation. Therefore, we strongly urge EPA to allocate the vast majority of GHGRF funds to address housing and building retrofits, rather than utility-scale uses. We also acknowledge that the complexity of affordable housing – particularly multifamily rental housing – is likely to present challenges that must be overcome at the outset if GGRF resources are to most effectively reach their intended beneficiaries.

To that end, more than 40 national and local groups convened on November 10 in Washington, DC to identify areas where collaboration is needed and to surface areas of common goals. This memo summarizes for you some of the insights emerging from that convening that will drive our future work as a collaborative. It will certainly be expanded upon in our combined and individual responses to the EPA RFI, but expect that it can be helpful to you as well as you formulate your recommendations to EPA.

Principles for implementation of IRA

- **IRA should be a mechanism to achieve long-term goals of shifting power** to local and frontline environmental justice groups and sustaining that shift over time. That can be enhanced by a commitment to capacity building among community-based organizations, creation of high-road jobs, and compensation for resident engagement contributions.

- **IRA programs provide a means to advance holistic community solutions.** Improved health, greater resilience, and stronger workforce training especially for disproportionately impacted communities are all possible outcomes that can be achieved with careful and thoughtful investment of GGRF and other efforts.

- **IRA should not seek to “reinvent the wheel”** especially in the case of GGRF which EPA has precious little time to design and launch. Whenever possible, IRA provisions should leverage existing program provisions and requirements already in use by other federal programs. For example, income verification for programs targeting low-income households could use HUD’s categorical eligibility to ensure that means-tested programs are used to qualify buildings so that every tenant doesn’t need to be individually income-verified.
- **IRA programs will need to balance simplicity, flexibility, and equity** in order to allow for lower-capacity entities – such as affordable housing developers, or smaller Community Development Financial Institutions (CDFIs) – to participate. Doing so recognizes that these partners will unlock pathways to more sustained and impactful investment in disadvantaged communities.
- **Ensure that GGRF funding can be braided and stacked with other resources**, particularly in affordable housing where clean energy, decarbonization, and resilience investments are difficult to finance. GGRF should be designed to be layered with other resources and serve as gap-filler to spur preservation and construction of climate-smart affordable housing.

Technical assistance

- **Technical assistance will be critical to implementation**, so that deeper capacity can be built in communities and between communities and federal/state/area decision-making entities.
- **Early investment in capacity building will be key**, particularly among community-based organizations, localities, marginalized and women-owned enterprises and contractors and smaller developers who bring an equity focus to their work. Such investments can support localities’ ability to identify projects, effectively engage residents and community members in implementation, and foster the needed workforce for implementation. The [Justice40 Accelerator](#) is one such example of effective early investment in capacity building.

Accountability related to IRA implementation

- **It will be essential to identify metrics of success** for EPA and for GGRF that measure how IRA funding advances equity, reduces energy burden, and accelerates investment in affordable housing in ways that benefit low-income households. Such metrics would form the basis for an effective accountability structure to ensure that IRA truly is transformative and addresses past harms.
- **Tracking the progress of investments, where the dollars go, and who benefits will be essential.** Data collection efforts will require funding and TA, but represent a critical opportunity to illustrate the health, resilience, and workforce benefits of effective investments.

We are committed as a collaborative, and as individual signatories, to playing a supportive role to EPA and the other agencies related to the opportunities associated with IRA and the GGRF in ways that can spur robust engagement and effective deployment. We take upon ourselves the tasks of clearly communicating to policy makers and advisors the priorities that represent the diaspora of interests listed below, as well as by providing the needed technical assistance and capacity building that will ensure IRA’s success.

Our hope is that you share our dedication to designing and implementing programs that deliver tangible benefits for low-income residents and disadvantaged communities in terms of improved health, reduced energy burden and climate risk, better and more affordable housing, and greater job opportunities. We ask that you consider us your partners in achieving these outcomes as work to advance racial equity and bring about market transformation that leads to a more just future for all.

Respectfully,

American Council for an Energy-Efficient Economy (ACEEE)

National Housing Trust (NHT)

RMI

Community Preservation Corporation (CPC)

Planning Office for Urban Affairs (POUA)

Vermont Energy Investment Corporation (VEIC)

National Neighborworks Association



Danielle Arigoni

(she/her/hers)

Managing Director, Policy and Solutions

202-495-7413

darigoni@nhtinc.org

www.nationalhousingtrust.org

Follow us on [Twitter](#) and [LinkedIn!](#)

[Donate to NHT](#)

MEMORANDUM

TO: Environmental Finance Advisory Board (via efab@epa.gov)

FROM: IRA Collaboration Partners

American Council for an Energy-Efficient Economy (ACEEE)
National Housing Trust (NHT)
RMI
Community Preservation Corporation (CPC)
Planning Office for Urban Affairs (POUA)
Vermont Energy Investment Corporation (VEIC)
National Neighborworks Association

RE: Implementation of Greenhouse Gas Reduction Fund by EPA

DATE: November 30, 2022

Dear EFAB members,

We appreciate the opportunity to provide input to you as you formulate recommendations for EPA on its implementation of the Greenhouse Gas Reduction Fund (GGRF), authorized in the Inflation Reduction Act (IRA). We represent a group of national nonprofit organizations committed to affordable housing preservation, energy transformation, climate mitigation, and environmental justice.

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Kerry O'Neill,
Chairperson, Environmental Financial Advisory Board (EFAB)
U.S. Environmental Protection Agency (USEPA)

RE: Comments related to EPA's Greenhouse Gas Reduction Fund

Dear EPA Environmental Financial Advisory Board,

On behalf of The Kresge Foundation and The Schmidt Family Foundation, we are pleased to submit the comments below focused on the design and implementation of EPA's Greenhouse Gas Reduction Fund (GHGRF). The comments below are informed by the direct experience of the two foundations, which together have years of experience working to support the uptake of solar and other greenhouse gas reduction strategies in communities of color and in communities with low wealth, and by over 30 investees and grantees that participated in a GHGRF information and listening session hosted by Kresge and Schmidt in November.

As foundations committed to strengthening the ability of the community development climate finance ecosystem to serve the nation's marginalized people and communities, we have learned that access to financing *per se* is not the most significant barrier to expanding the take-up and spread of solar and other carbon reduction technologies in communities of color and communities with low wealth. The more significant barrier is the inadequacy of project pipeline and demand – there simply aren't enough projects in the communities we serve, a reality driven by the need for information, planning, and technical assistance from trusted sources. We recommend that most of the GHGRF be dedicated to create pipeline demand in various ways, which we will describe in more specific detail below.

Our two foundations have invested in CDFIs, green banks, and other financing intermediaries designed to increase the number of projects in low- and moderate-income communities and communities of color. Much of the capital we have invested has, however, either not been put to use in a timely fashion, if at all, or not been utilized as originally intended. We have heard from numerous counterparties that deals in marginalized communities “do not pencil,” “lack enough equity to move forward,” or “move too slowly.” Potential project sponsors and host sites report (i) being told that they need to put their own equity into projects – equity they do not have; and/or (ii) they need to understand the technology, financing, and other project specifics without solely relying on the developer or financing intermediary as the source of that information – they find the learning curve extremely steep.

At the same time, we believe that there are vast potential sources of private capital for CDFIs, green banks, and other financing intermediaries. Private investors (including banks, insurance companies, and corporations) want to invest in the transition to cleaner technologies in low- and moderate-income communities. And yet, they share our experience of seeing too few opportunities to do so at scale. The conclusion seems clear: if we can build demand in communities, the financing will follow.

This is not to suggest that there is no need or opportunity for the GHGRF to invest in eligible recipients and their subgrantees' ability and capacity to finance projects in marginalized communities. Quite to the contrary. But it *is* to suggest that most GHGRF capital should be invested in building pipeline, thereby confronting the persistent barriers to increased demand. If you build it (demand) they (investors) will come.

More specifically, to optimize the historic opportunity presented by the GHGRF to remove the barriers to full uptake and to catalyze the transition to a cleaner future in BIPOC communities and communities of low wealth, we recommend that:

- One-third of the entire amount of the GHGRF be allocated for the purpose of setting up and funding – as subgrantees – technical assistance providers deployed in low-income census tracts to provide education, technical assistance, project planning and development services – at no cost – to schools, social service organizations, houses of worship, community centers, affordable housing developments, environmental justice organizations, community solar proponents, and other nonprofits.
- One-third of the entire amount of the GHGRF be allocated to those same TA providers to use as pass-through equity grants equivalent to 15% of total project costs for projects receiving technical assistance that have signed contracts to purchase and install zero-emission technologies.

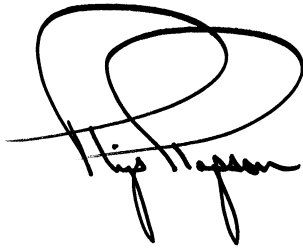
Eligible recipients well suited to carrying out, overseeing, and implementing these first two recommendations could include State, municipal and Tribal governments, but also the affiliated CDFIs of national networks such as NeighborWorks America, Goodwill Industries, National Community Action Partnership, and Habitat for Humanity International.

- One-sixth of the entire amount of the GHGRF be allocated to investments in the workforce and workforce-related business growth opportunities for people of color and businesses located in marginalized communities. Eligible recipients that can warehouse and manage capital for these purposes would include national and regional entities with experience supporting small business as a vehicle for wealth creation and improved communities, including Inclusiv (and through Inclusiv, its network of community development credit unions), Accion Opportunity Fund, Lift Fund, and similar organizations.
- One-sixth of the entire amount of the GHGRF be allocated to equity grants to eligible recipients who sit atop networks of other eligible recipients. Of that, 90% or more of the amounts awarded should be required to be used as pass-through grants to their member entities (subgrantees that also would qualify as eligible recipients) to be used to start or expand climate-related lending programs and to serve as permanent loan fund equity. Requiring a very high level of pass-through funding would encourage networks to come together around common applications through their membership organizations. It would also ensure that the membership organizations do not focus on building their own balance sheets, but rather on disbursing capital far and wide. Eligible recipients well-positioned to fill this role could include Coalition for Green Capital, Housing Partnership Network, NeighborWorks America, Opportunity Finance Network, Inclusiv, and Oweesta. Investing this amount in financing intermediaries and their ability to scale and offer financing would represent an unprecedented, transformational investment in the community development climate finance system.

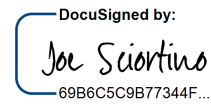
We cannot stress enough our belief that the most significant barriers to scaling solar, solar+storage, air-source heat pumps, weatherization, and related elements of a cleaner future for communities of color and communities with low wealth lie in building and organizing demand as opposed to growing the supply of capital.

We thank the EFAB and the EPA for considering our comments. If we can be of any further assistance, please do not hesitate to contact us.

Sincerely,



Rip Rapson
President & CEO
The Kresge Foundation
248-643-9630
rrapson@kresge.org



Joe Sciortino
Executive Director
The Schmidt Family Foundation
414-531-1113
jsciortino@theschmidt.org

From: [materialreuse](#)
To: [EFAB](#)
Subject: Public Comment for December 1 to EFAB
Date: Friday, November 25, 2022 3:09:43 PM

November 25, 2022

Public Comment to EFAB

Dear Sir or Madam,

My name is Brad Guy. I am a licensed architect in the State of Florida and was the founder and a past-president of the national non-profit Build Reuse, www.buildreuse.org

In the US, the construction sector is responsible for approximately 75% of raw materials use and approximately 180 million tons of waste annually. By my calculations, less than two-tenths of one percent of building materials are reused.

This waste of existing materials resources is a large source of greenhouse gas emissions, via the manufacture of new materials to replace them, and methane emissions from landfills in the case of organic materials like lumber.

Over 300,000 buildings are demolished annually in the US and all buildings will undergo a constant process of repair and renovation to remain in service. Instead of demolition processes, buildings can employ deconstruction so the materials can be recovered.

The reuse of building materials locally is the most efficient means to reduce greenhouse gas emissions immediately in the construction sector. A survey of building materials reuse centers also found that on average these materials only traveled within a 20-mile radius – greatly reducing transportation emissions compared to the long journeys typical for new building materials.

The reused materials sector is also deeply ingrained in communities and especially in providing lower cost building materials for those who need them. Approximately 60% of the building materials reuse sector are NGOs.

A further 20% of these entities are devoted exclusively to reclaimed lumber – extending its storage of carbon in lieu of landfill or burning. The reuse sector also provides 6 times more jobs and economic benefit than the disposal industry.

Funding is desperately needed to build reuse infrastructure to develop a circular economy that reduces greenhouse gas emissions nationally in benefit to communities locally. Reuse and deconstruction services for local reclaimed building materials supply face significant economic barriers that can be aided by grants and investment from the Federal government through this program.

There are a myriad of projects related to materials reuse that can be funded through the US EPA GHG Reduction Fund. There are three basic types of entities that reclaim and reuse building materials: entities that perform salvage and deconstruction to recover materials pre-renovation or pre-demolition or in lieu of demolition. This also includes the potential for climate mitigation buy-out deconstruction projects whereby buildings are intended to be removed in high-risk areas; entities that obtain wasted, surplus, and salvaged building materials for redistribution in communities; and entities that produce value-added products using reclaimed materials, including repaired and re-certified products for reuse back into construction. These entities can be for-profit or non-profit organizations.

The building materials reuse industry on average is dedicated to supporting low-income and disadvantaged communities via their involvement in workforce development, locationally, and in making building materials available for free or at low cost to those who need them.

The greenhouse gas benefits of building materials reuse can be measured via life cycle

assessment and carbon footprint analysis to measure the avoidance of greenhouse gases created by maintaining the sequestration of carbon in wood products via extended life and avoidance of landfill methane gas emissions; greenhouse gas reduction is also measurable via the reuse of materials in substitution for new materials; and given the typical hyper-local nature of building materials reuse, considerable transportation energy and pollution is reduced via the movement of materials within a community in lieu of new materials imported from outside the community and outside the US.

Thank you for this opportunity to contribute.

--

Brad Guy, Architect, NCARB, AIA
dba Material Reuse





Mike DeWine, Governor
Jon Husted, Lt. Governor
Laurie A. Stevenson, Director



November 30, 2022

Environmental Protection Agency
EPA Docket Center (EPA/DC)
EPA-HQ-OA-2022-0859

RE: Ohio EPA and Ohio Air Quality Development Authority Comments on U.S. EPA's October 21, 2022, Request for Information—Greenhouse Gas Reduction Fund

Dear Administrator Regan:

The Ohio Environmental Protection Agency (Ohio EPA) and the Ohio Air Quality Development Authority (OAQDA) appreciate the opportunity to provide comments by way of this letter to U.S. EPA on the above-referenced request for information. Ohio EPA and OAQDA believe that this opportunity would greatly assist our efforts to improve air quality for the benefit of all Ohioans.

Ohio EPA and OAQDA would like to make the following comments regarding the October 21, 2022, Request for Information (RFI). Comments have been made referencing the questions proposed by U.S. EPA under the corresponding sections of the RFI identified below:

Section 1: Low-Income and Disadvantaged Communities

1. When deciding where to allocate funds, we recommend consideration be given to states where there are known attainment concerns with the National Ambient Air Quality Standards (NAAQS). For instance, seven counties in the greater Cleveland, Ohio, area are currently designated as nonattainment with the 2015 ozone NAAQS. Receiving money from the Greenhouse Gas Reduction Fund (GHGRF) could aid in targeted efforts in this area to help alleviate ground level ozone. Additionally, a more stringent particulate NAAQS will likely create additional areas of nonattainment in states. Nonattainment designations could potentially be paired with a screening tool, such as Environmental Justice (EJ) Screen, to further identify areas where funds would be best utilized to improve air quality while minimizing financial impact on communities.
1. We recommend U.S. EPA encourage states to take an approach similar to the distribution of water state revolving funds (SRFs) for targeting disadvantaged communities. States and U.S. EPA can work together to better clarify the definitions and criteria for determining whether a community would be considered "low-income" or "disadvantaged" in alignment with the unique characteristics of individual states, including how best to prioritize reductions in greenhouse gas

emissions. This approach has worked well with the SRFs, such as including more neighborhood-level areas facing economic and environmental challenges within larger metropolitan counties that are overall more prosperous.

1. We encourage U.S. EPA to consider definitions of “low-income” or “disadvantaged” that may help states deploy these federal resources into more rural areas, such as Appalachia, where many barriers exist that may not easily be captured in traditional metrics of “low-income” or “disadvantaged.” For example, the Appalachian Regional Commission may be a resource to leverage existing classification of counties considered in economic distress, at-risk or transitional as part of the eligible communities that can greatly benefit from this funding.

Section 2: Program Design

1. U.S. EPA is encouraged to emphasize a recipient’s ability to leverage additional resources to augment the awarded funds from the GHGRF. As an example, states can tailor specific financial products to address gaps that can serve the market demand across their local jurisdictional boundaries and are best positioned to minimize redundancies, leverage existing programs and funding streams, and attract private investment for implementation. Further, states can utilize their bonding capabilities to replenish funds at a greater scale than local public or private entities are able to do.
3. It is our recommendation to use the water SRFs as a model for part of the program design. The water SRFs have a significant lending history on high-impact wastewater and clean drinking water projects, primarily in disadvantaged communities. Additionally, there is a proven record of leveraging through the issuance of bonds backed by these assets. For example, Ohio is among one of the largest SRF programs in the country. Ohio received \$3.5 billion from U.S. EPA’s original capital grants and has in-turn used it to fund approximately \$13 billion in projects through a combination of federal funds, state matching funds, loan repayments, and leveraged bond proceeds.

Section 3: Eligible Projects

1. We recommend that U.S. EPA provide states flexibility regarding the types of projects that are eligible for funding. States can work collaboratively with U.S. EPA to identify and prioritize targeted technologies that can achieve greater reductions in greenhouse gas emissions while also serving the needs of disadvantaged communities. Consensus on baseline inventories and emerging trends can be achieved to define appropriate goals and metrics for successful implementation. Further, U.S. EPA and states can coordinate on forums for stakeholders to discuss projects and planned implementation that may not be readily identified through data analytics.

Section 4: Eligible Recipients:

2. Considering the accelerated timeline, we recommend that priority be given to states and state-led collaborations as experienced recipients of this funding, particularly for the \$7 billion allocated to zero-emission technologies and as sub-recipients to the remaining \$20 billion administered by a national entity. There are ready-to-deploy statewide networks through local and regional public-private partnerships for administering these funds effectively and through existing financing authorities, states can increase the impact of original grants by replenishing funds over time. State-led collaborations can serve as a streamlined approach for U.S. EPA to align lending partners across diverse landscapes, populations, and sectors and can also target the funding gaps or critical problems that need to be addressed in their respective markets, particularly in disadvantaged communities.

4. Public entities have well-established jurisdictions, governance structure, and proven experience as stewards of public monies to ensure transparency, accountability, and program quality in compliance.

Again, thank you for the opportunity to share our experience and perspective on this opportunity. We appreciate your consideration of these comments prior to the finalization of the program and happy to address any questions.

Sincerely,



Laurie A. Stevenson
Director, Ohio EPA



Christina O'Keeffe
Executive Director, OAQDA

From: [Nicole Tai](#)
To: [EFAB](#)
Subject: IRA EPA GGRF written statement
Date: Saturday, November 26, 2022 12:56:59 AM

To: U.S. Environmental Protection Agency

Subject: U.S. EPA's 2023 - 2024 Inflation Reduction Act Funds

Thank you for this opportunity to comment on the EPA Inflation Reduction Act Greenhouse Gas Reduction Funds. My name is Nicole Tai and I am the Chair of Reuse Alliance. We were founded in 2001 as a reuse network in New York City focused on effectively and efficiently moving discarded materials to appropriate organizations and those in need. We grew into a national organization and spawned many local Chapters in states around the country that still exist today, and currently we are based in Sonoma County, California.

Reuse is the second most important and effective method of managing the resources formerly known as waste, second only to reduction. Infrastructure funding for reuse is critical to meeting our greenhouse gas reduction goals. Reuse not only prevents consumption of virgin materials upstream and their related carbon and methane emissions, it also prevents carbon and methane emissions produced by landfilling, incineration of waste, and recycling. Reuse also provides right livelihoods to low-income communities and a reduction in pollution in those communities by keeping materials in use either via repair, reuse as is, or upcycling. Reuse includes reusable serviceware, refillables, remanufacturing, repair and refurbishment, upcycling and as-is reuse of materials such as textiles, wood, electronics, and items like furniture.

Reuse is a billion dollar industry, but remains stagnant due to lack of funding from government and the private sector, thus, we have not been able to develop the infrastructure to manage waste on a large scale in comparison to recycling. Government funding will be transformative and enable us to attract private sector and local government funding to scale up to manage materials at a mainstream scale.

We urge EPA to disburse funds based upon your own materials management hierarchy, as well as call out a specific and significant amount of funding for reuse from the Greenhouse Gas Reduction Funds. We would encourage you to consider a number that is equal to funding provided for recycling over the past 10 years to make up for lost time. We need EPA to flip the pyramid as it stands today with a current reliance on landfilling first, burning second, and recycling third. In order to see rapid climate emissions reduction, we must

create a system where reduction comes first, and reuse comes second. Recycling should only occur when all other reuse options have been exhausted.

We ask that EPA fund non-profits and governments focused on supporting the following:

- Reuse infrastructure projects focused on increasing volume/tonnage reuse that have private or local government investment commitments, including funding, in-kind equipment and land procurement.
- Reuse research, data development and collection projects that provide tools that can be used industry wide to consolidate and expand our data on reuse. Reuse data is currently lagging behind recycling by decades.
- Reuse Revolving grant funding for non-profit organizations to assist reuse infrastructure projects start up, with the goal of funds returning to the loaning organization once the reuse infrastructure project has secured private and or local public investment.
- Reuse is inherently a method of sequestering carbon and preventing methane gas release. In order to measure the GHG emission reductions from reuse, California has developed a calculator for wood products, and the EPA WARM calculator works for a few limited materials that can be reused. The GHG grant program should also consider funding new methodologies and projects to create calculators to help measure reuse emission reductions that can be shared with the general public.
- Funding for jurisdictions and tribes to implement the above with local nonprofit and for-profit organizations.

We would suggest funding green banks or foundations that have developed partnerships with reuse organizations capable of reviewing reuse applications for viable, scalable, and replicable projects. Most likely these would be new projects/partnerships because at the time of this writing, no such partnership exists that we know of.

Thank you.

Best,

Nicole Tai

415-690-0196

nicole@reusealliance.org

Chair, Reuse Alliance



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U.S. Environmental Protection Agency
Environmental Financial Advisory Board (EFAB)
1200 Pennsylvania Avenue, NW
Washington, DC 20460

November 23, 2022

Re: Recommendations on EFAB's Greenhouse Gas Reduction Fund Charge

Dear Chair O'Neill and members of the Environmental Financial Advisory Board,

Thank you for the opportunity to provide input on the Board's Greenhouse Gas Reduction Fund (GHGRF) recommendations to EPA. As the nation's leading electrification nonprofit, Rewiring America is committed to working with you to maximize the Fund's effectiveness and equity as it is deployed to reduce greenhouse gas (GHG) pollution.

In answering EPA's charge, EFAB should focus on the GHGRF's intent: supporting the rapid deployment of zero-emission technologies across the United States, with a particular focus on low-income and disadvantaged communities. The GHGRF can improve the health and livelihoods of millions of Americans and unlock extraordinary wealth-building opportunities. To realize this potential, EPA should ensure that the GHGRF creates the long-term capacity and infrastructure required to sustainably deploy zero-emission technologies and the low-cost financing solutions that support them.

Specifically, EPA should:

1. Prohibit lending to projects that incentivize fossil fuels, in line with President Biden's executive orders to end federal fossil fuel subsidies and reach net-zero GHG pollution by 2050;
2. Prioritize building electrification projects to reduce GHG pollution and other air pollution, deliver financial benefits to low-income and disadvantaged communities, and facilitate additional capital deployment;
3. Maximize and leverage the GHGRF's unique flexibility to meet the above goal through grants, nontraditional loans, and technical assistance in addition to traditional low-cost financing;

4. Adopt a broad interpretation of “continued operability” to include capacity building, friction removal, and demand aggregation, all of which will ensure the continued operability of project flows and the GHGRF as a whole; and
5. Consider releasing an initial tranche of funding — focused on technical assistance and workforce development — to meet the 180-day deadline.

Our comments below offer more detail on each of the above recommendations, which we urge EFAB to endorse in its response to EPA. If you have any questions, please reach out to Sage Briscoe at sage@rewiringamerica.org.

Sincerely,

Rewiring America

1. Prohibit the use of funds for fossil fuel projects

While many project types could ultimately qualify for and receive GHGRF funding, none of these projects should support fossil fuels. This applies not just to the GHGRF's \$7B funding stream for zero-emission technologies, but also to the GHGRF's \$20B funding stream for qualified projects.

The \$7B funding stream is required to support “zero-emission technologies” that do not produce greenhouse gas pollution or any other air pollutant. Likewise, the “qualified projects” financed through the \$20B funding stream must reduce or avoid both greenhouse gasses and other forms of air pollution. These requirements should be interpreted to refer to end-use emissions only, which means that electric appliances (such as heat pumps), electric vehicles, and batteries should qualify even if they draw power from an electric grid that has not yet been fully decarbonized.

These requirements should also be interpreted to exclude fossil fuel technologies, including those — like bioenergy projects, fossil fuel projects paired with carbon capture or scrubbers, and replacing old natural gas appliances with new natural gas appliances — that emit reduced but nonzero levels of carbon and conventional air pollution. While some combustion-reliant approaches have been depicted as emissions-reducing relative to current practices, EPA should reject these claims. Any project that locks in the combustion of fossil fuels for decades — whether at the household or industrial facility level — is incompatible with President Biden's executive orders to [end fossil fuel subsidies](#) and [reach net-zero GHG pollution by 2050](#), no matter what marginal improvement it might represent over the current set of fossil fuel systems. EPA should establish clear guidelines interpreting this requirement at the outset.

2. Prioritize building electrification projects

The GHGRF should prioritize investments in building electrification projects. Buildings represent a significant share of U.S. GHG pollution, yet electrification projects often struggle to access traditional financing mechanisms.

The opportunity and challenge:

Residential and commercial buildings — and the fuel and electricity used to power them — account for [31 percent of total GHG pollution](#) in the United States, more than any other single sector of the economy. Buildings are also some of the nation's most durable and long-lasting infrastructure, so each new fossil fuel installation locks in pollution for decades

to come. Electrification, on the other hand, delivers real benefits to Americans' pocketbooks, health and local economies.

Electric appliances also don't poison the air we breathe inside our homes like fossil-fuel machines do. Burning fossil fuels in our gas stoves emits carcinogens like [benzene](#) and [formaldehyde](#) and [causes asthma attacks](#) in children and older adults. Outside our homes, the cumulative [nitrogen oxide pollution from fossil fuel furnaces](#) is comparable to pollution from light-duty vehicles and can be double (or more) the pollution from gas power plants. The health benefits of electrification are especially important to disadvantaged communities that suffer from air pollution and poor air quality. These same neighborhoods tend to grapple with smaller, overcrowded spaces, poor ventilation, and older or poorly maintained appliances, making burning gas indoors even more hazardous.

Although the benefits of electrification are significant, building retrofit decisions are made one household at a time, which has led to limitations in accessing financing for electrification projects. Each project is often too small to access the best and lowest-cost financing options (like those available to larger renewables developments), and each project owner faces high friction. Residential electrification projects, especially in low-income communities, are also perceived to be riskier than large commercial projects, which raises interest rates and drives down uptake. Finally, loans on the private market are often tied to payback periods that are shorter than the time required for electrification retrofits to become cash-positive.

These barriers are all especially true for low-income and disadvantaged communities that often lack access to credit, face (pre)weatherization barriers, and struggle to access the health and savings benefits of building electrification due to high up-front costs.

The solution:

The GHGRF can spur widespread, sustained market transformation by confronting the challenges and seizing the opportunities associated with building electrification. Specifically, the GHGRF should be used to enable and leverage other funding streams — including private capital and federal/other incentives — by reducing barriers to electrification and lowering the financed cost of projects.

One way the GHGRF can reduce barriers to electrification is by addressing pre-electrification costs like energy audits and health, safety, and weatherization upgrades. Especially in historically under-invested communities, older buildings may face basic health and safety issues like lead, mold, asbestos, roofing deficiencies, lack of insulation and dangerous wiring — all of which prevent electrification and require grants and/or low-cost

financing to remediate. The GHGRF can also finance enabling electrification infrastructure like wiring and electrical panels. Although the Inflation Reduction Act includes rebates for these types of upgrades, some populations — like landlords of small rental properties — will struggle to access these incentives and will benefit greatly from GHGRF-enabled financing. Once buildings are weatherized and their electrical infrastructure is upgraded, they can much more easily recruit private-sector financing and/or deploy other federal incentives to electrify.

Generally, the GHGRF should be used to lower the financed cost of building electrification projects, which can then attract significant private investment, especially in the cases where private investment would not occur “but for” GHGRF-enabled grants or low-cost financing.¹ In addition to general residential electrification, the GHGRF should focus especially on schools and affordable housing located in low-income or disadvantaged communities — both of which exhibit high potential benefits and high barriers to those benefits. Creating momentum in the electrification market overall will spur increased private investment as demand is aggregated, project pipelines are built, and the ecosystem develops and becomes self-sustaining.

3. Leverage the GHGRF’s flexibility in financial and technical assistance

While the goals and intent of the GHGRF should be clear and predefined, the type of assistance that realizes these goals — including reducing barriers to electrification and lowering the financed cost of projects — should be as flexible as possible. EPA should leverage the GHGRF’s unique flexibility to meet building owners and communities where they are, delivering not just traditional financing but also grants, nontraditional loans and technical assistance.

Financial assistance:

EPA should prioritize solutions that are accessible to low-income individuals and communities, credit-enhancing (to decrease perceived and actual risk), flexible (to meet projects where they are) and long-term (to allow retrofits to become cash-positive). The GHGRF can do this in several ways, including loan loss reserves, credit enhancements, flexible payback periods, forgivable loans, zero- or near-zero-cost bridge loans and supplementary grants (especially for households that are unable to qualify for loans or

¹ This is notably not the case in utility- and manufacturing-sector projects, which can both attract private capital easily and deploy generous and comprehensive federal incentives passed in the Inflation Reduction Act. The GHGRF is designed to fill gaps in existing financing, not to add additional funding to already well-supported sectors.

financing). Forgivable loans, for example, would be helpful when supplementing a capital stack for an affordable housing development and would enable some recipients with low credit scores to build credit in a manageable and lower-risk environment. Supplementary grants would allow for green banks and CDFIs to expand ability-to-pay financing solutions, as opposed to traditional loans that rely on credit score approvals.

There are other, situation-specific gaps that the GHGRF can fill to attract capital and deliver additionality. For example, the GHGRF can pay out federal tax credits for building electrification upfront, which would stimulate deployment among individuals who might not have been able to wait months for their tax refunds.² The GHGRF can also deliver low-cost financing to renters and individuals without federal tax liability, both of whom will struggle to take advantage of federal tax credits. Additional situations in which the GHGRF can fill gaps in existing federal incentives include when residences are owned by landlords who do not pay the utility bills, when multifamily buildings lack sufficient rooftop area to supply electrical demand on-site and when buildings suffer from health and safety hazards that would otherwise prevent electrification.

Technical assistance:

In addition to flexible financial assistance, the GHGRF should deploy technical assistance to help communities, lenders and individuals access and utilize financing programs. Technical assistance funding should be provided to GHGRF recipients (CDFIs, green banks, etc.) so they can offer subsequent technical assistance to the ultimate beneficiaries (households, companies, contractors) of GHGRF resources. This end-use technical assistance should go toward retrofit education and planning, incentive stacking, and bid solicitation.

GHGRF recipients will likely offer programs such as Property Assessed Clean Energy, Pay As You Save, and other financing mechanisms that allow beneficiaries to pay back their loans with energy bill savings. These programs can increase access to electrification among households without the ability to provide upfront capital, but they can also be difficult to navigate. Technical assistance should be provided to help households and communities understand these and other options, as well as to ensure that consumers are protected from predatory lending practices.

² Another way the GHGRF can leverage Inflation Reduction Act incentives is by delivering bridge financing to pay out participating contractors and retailers in the electrification rebates program within a matter of weeks, not months.

4. Broadly interpret “continued operability”

In advancing building electrification and designing financial and technical assistance, EPA should also ensure that the design of the GHGRF moves beyond a narrow focus on revolving loans to supporting a long-lasting and robust ecosystem. EPA should adopt a broad interpretation of “continued operability” to include capacity building, friction removal and demand aggregation, all of which will ensure the continued operability of project flows and of the GHGRF as a whole. Dedicating GHGRF funds to these solutions would indeed ensure the GHGRF’s continued operability, because it would provide a runway on which the GHGRF could continue to deploy loans and finance projects. By stimulating and aggregating demand for low-cost financing solutions and building up low-income and disadvantaged communities’ capacity to meet that demand, GHGRF projects are ensuring the continued operability of the Fund as a whole.

For example, the GHGRF can fund community-based organizations (CBOs) that educate consumers, build trust, and aggregate demand. The GHGRF can also be used to support minority- and women-owned business enterprises (MWBEs) — especially MWBE contractors — by lowering the upfront costs (equipment purchases, insurance, permitting, additional lines of credit, etc.) of expanding contractor capacity. The GHGRF should provide low-interest loans and/or grants to expand or establish minority-owned contractor companies, hire and train new installers, upskill existing installers and fund workforce development nonprofits. These capacity-building efforts will stimulate disadvantaged communities’ demand for and ability to deploy more traditional low-cost financing solutions, which the GHGRF will then be able to deliver.

Dedicating a portion of GHGRF funding to capacity-building financial assistance would not only ensure the continued operability of the GHGRF, but would also ensure that GHGRF projects enable wealth-building and ownership in the communities where they are located.

5. Consider initial funding

With a statutory 180-day deadline to begin funding distribution, EPA should consider releasing an initial tranche of funding focused on technical assistance and workforce development. This funding would empower low-income and disadvantaged communities to chart their pollution reductions goals and plan their deployment strategies. For example, EPA could distribute a set of grants to existing nonprofit financial institutions, who could then provide technical assistance to CBOs, build additional capacity in advance of subsequent funding deadlines, and support workforce development initiatives. These

potential uses of funding are all compatible with clause (b) in the definition of a "qualified project," which permits eligible recipients to provide financial assistance to any project that "assists communities in the efforts of those communities to reduce or avoid greenhouse gas emissions and other forms of air pollution." Meanwhile, EPA should continue to engage in meaningful stakeholder feedback as processes are refined and the remaining funds are awarded.



November 22, 2022

Kerry E. O'Neill
Chair
Environmental Protection Agency (EPA)
Environmental Financial Advisory Board (EFAB)
efab@epa.gov

Re: Technical Assistance and the Greenhouse Gas Reduction Fund

Dear EPA Environmental Financial Advisory Board:

Thank you for the opportunity to provide input on the design and implementation of the Greenhouse Gas Reduction Fund (GHGRF). VEIC is a non-profit organization offering high-impact energy solutions to decarbonize buildings, transportation, and utility grids. We design and implement award-winning energy efficiency and clean energy programs, as program administrator for Efficiency Vermont and the DC Sustainable Energy Utility and as part of the administration team for TECH Clean California, Hawaii Energy, and Focus on Energy (WI). VEIC also advises states, municipalities, utilities, and businesses throughout the country in meeting their clean energy goals through innovative and equitable solutions. We seek to reduce energy burdens for low-income customers, and over 50% of our work benefits low-income households and vulnerable communities.

Just as we are committed to equitable outcomes in our own work, we believe the design and implementation of the GHGRF should drive benefits to low-income and disadvantaged communities. One of the most impactful ways to do this is by deploying the GHGRF to retrofit housing with zero-emission technologies, including energy efficiency and weatherization measures, electrification upgrades such as heat pumps and panel and wiring upgrades, and rooftop or community solar. The clean energy, affordable housing, green bank, and community finance sectors have significant experience with comprehensive retrofits for affordable housing, including both single-family and multifamily buildings. However, for decades, these sectors have lacked the funding to support retrofits at the scale needed to address all the buildings that would benefit from energy improvements. The GHGRF creates a once-in-a-generation opportunity to provide critical resources to upgrade the nation's housing for the benefit of low-income households and disadvantaged communities.

Our decades of experience working in this sector has shown VEIC that robust technical assistance is a critical element of delivering greenhouse gas emissions reductions, as well as advancing energy equity goals. The GHGRF should include grant funding to support the provision of technical assistance and additional incentives in areas where existing rebates and subsidies are insufficient, such as health and safety upgrades that must be completed prior to energy retrofits. GHGRF funding should also be directed to support technical assistance to financing institutions in designing programs that reach affordable housing and vulnerable communities, one-stop-shop services for building owners, and resource hubs that directly fund community-based organizations.

VEIC's own experience and successful affordable housing retrofits models across the country have demonstrated the value of one-stop shops that support project initiation, scope development, contractor engagement, compiling funding and financing across multiple sources, and quality assurance. The type of deep building decarbonization projects possible through the GHGRF are complex and call for skilled technical assistance to support building owners throughout the process. VEIC has the technical and program expertise to provide these services directly and in partnership with other mission-aligned organizations.

Investing in technical assistance providers not only enables the GHGRF to have near-term positive impacts on low-income households and vulnerable communities; it will also build capacity in the ecosystem of service providers and project delivery organizations in these sectors. We urge the U.S. EPA to allocate funding towards technical assistance within the GHGRF and to ensure that flow of funding is designed to deliver technical assistance funds in an efficient and impactful manner with clear lines to one-stop-shop providers, as well as mechanisms that support technical assistance to community-based organizations.

Thank you for the opportunity to share our perspective with the Environmental Financial Advisory Board as you shape your recommendations for GHGRF implementation.

Sincerely,

A handwritten signature in black ink that reads "Daniel Reilly". The signature is written in a cursive, slightly slanted style.

Daniel Reilly

Senior Director, Government Affairs and Policy

VEIC