

Public Comments Received for Environmental Financial Advisory Board

November 17, 2022 Virtual Meeting

Written Comments

- American Council on Renewable Energy
COMMENT: (attached)
- Center for American Progress
COMMENT: (attached)
- Coalition for Green Capital
COMMENT: (attached)
- Community Preservation Corporation
COMMENT: (attached)
- Elevate
COMMENT: (attached)
- GRID Alternatives
COMMENT: (attached)
- National NeighborWorks Association
COMMENT: (attached)

American Council on Renewable Energy

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

November 17, 2022

Re: Comments on Environmental Financial Advisory Board Greenhouse Gas Reduction Fund Charge

B. ELIGIBLE PROJECTS

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

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

ACORE appreciates the opportunity to provide input ahead of the Environmental Financial Advisory Board's November 17 meeting on the Greenhouse Gas Reduction Fund. ACORE seeks clarification regarding the potential use of funds for stimulating national workforce development efforts, which are necessary to deploy zero-emissions technologies at the scale this program envisions, and to fulfill the growing demand for contractors, auditors, and qualified apprentices for clean energy projects spurred by the Inflation Reduction Act. Will EPA consider extending broad eligibility to workforce development proposals, including those sponsored by national organizations?

Sincerely,

/s/

Allison Nyholm
Vice President of Policy
American Council on Renewable Energy

Center for American Progress

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

November 10, 2022

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

To the Environmental Financial Advisory Board,

Thank you for the opportunity to provide input for your discussions on implementation of the Greenhouse Gas Reduction Fund. If implemented with equity, oversight, and accountability in mind, the fund can be a catalyst for clean energy action, especially in underserved communities. Our comments offer a discussion on certain EFAB charge questions, and are organized by Charge Workgroups.

For the sake of clarity, these comments will refer to the \$7 billion appropriation under Section 134(a)(1) as the “Zero Emission Technologies program”, and the \$20 billion appropriated under Section 134(a)(2-3) as the “Green Financing program.”

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- III. **EXECUTION, REPORTING, & ACCOUNTABILITY**(Page 11)

I. OBJECTIVES

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

- 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?

Two of the appropriations made in this language rely on the term “low-income and disadvantaged communities.” However, the text of the provision does not define the term. The EPA will need to clarify and establish guidelines on how they will identify these communities.

A strong option for identifying these communities is to use the [Climate and Economic Justice Screening Tool](#), developed to support the implementation of the Justice40 Initiative. The White House Council on Environmental Quality (CEQ) released a beta version of the screening tool in February 2022. The tool is meant to help agencies identify disadvantaged communities that have been overburdened by pollution to ensure they are receiving intended and promised benefits from federal programs.

Since this screening tool is going to be used for Justice40 implementation, it ideally will be implemented in a robust and standardized way across different agency programs - making it a strong option for use in the Greenhouse Gas Reduction Fund and across various IRA programs.

- 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 low-income and disadvantaged community set-aside requires at least \$8 billion be spent “in” such communities. However, merely locating projects in these communities is not sufficient to truly deploy funding in an equitable, sustainable, and efficient way. Because of the additional systemic obstacles for these communities, the EPA must carefully consider additional financing tools and criteria for the Green Financing program. For loans provided through state and local green banks, this can include tools like alternative financing mechanisms and underwriting criteria. CDFIs and other credit unions will also be an important tool for reaching low-income communities.

There are several proven mechanisms that green banks have employed to increase the accessibility of capital to low-income and disadvantaged communities. For example, Maryland created a [community solar pilot program](#) that included a provision that at least 30% of its solar capacity must be reserved for projects that serve LMI households. Yet, this mandate alone did

not drive sufficient LMI adoption of community solar. Developers and investors were still hesitant to enter LMI markets from fears that customers would not pay their bills. To remedy this, Baltimore's Green Bank guaranteed to cover revenue losses if low-income subscribers did not pay their bills - in exchange, developers had to agree to a 20% discount on low-income subscribers' electricity bills with no credit limits/requirements. There is no evidence that green bank performance is worse for LMI households - [analysis](#) of Connecticut Green Bank data found that default and delinquency rates for low-income households were statistically equivalent to non-low-income households. However, financing tools can be used to reduce *perceived* risk for investors and provide discounts for households.

Another tool that green banks can use to increase LMI community adoption is to use alternative underwriting criteria. Some green banks conventionally have a minimum credit score or a maximum debt-to-income ratio for individuals to receive loans, perpetuating racial disparities. Some Green Banks are turning to alternative underwriting criteria - for example, only assessing whether or not the homeowner had consistently paid their utility bills for the past 12 months. The [Solar and Energy Loan Fund](#) (green bank in Florida) does not use underwriting criteria like credit score, income, or assets to serve their LMI clients, and still achieves a default rate of less than 2%. EPA should consider requiring grantees to have plans in place for serving all members of low-income and disadvantaged communities, regardless of their credit score.

Aside from green banks, other financial institutions like CDFIs or credit unions will play an important role in ensuring the equitable distribution of funding to low-income and disadvantaged communities, especially those that are not served by a state or local green bank. There is a network of CDFIs across the country that have a long track record of serving low-income communities, with deep relationships in those communities. While some CDFIs may not have as much experience with green lending specifically, they are very experienced in providing risk-tolerant loans across the country that clean energy projects require. The EPA should lean on the deep networks and experiences of CDFIs to supplement the existing network of state and local green banks.

Program Efficiency

- 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?

On additionality:

Additionality is a key characteristic of effective financial assistance. In distributing funding, EPA should consider how the grantees propose to provide financial assistance that other entities will not provide. For example, the private sector may underinvest in emerging markets or in low-income and disadvantaged communities. Federal tax credits for building electrification may not adequately reach renters, and the limited appropriations for new rebate programs may leave a need for further investment in the middle of the decade. New grant programs for community-based organizations may be more effective if supported by capacity building and technical assistance through the Green Financing programs and the Zero-Emissions Technology program. Complex financing arrangements through the private sector may advantage large utility-scale deals over investments at the individual household, business, and neighborhood scale. These are just a few of the examples where the Green Financing programs and the Zero-Emissions Technology program can be effectively targeted.

At the same time, EPA must be wary of imposing so many grant agreement criteria that it impairs program function. Too many requirements could make compliance a challenge for smaller grantees, unnecessarily advantaging larger recipients. Overly narrow proscriptions could prove to be quickly outdated in the rapidly evolving clean energy landscape. EPA must balance these considerations.

On sustainable financing:

For the Green Financing program, recipients are to "retain, manage, recycle, and monetize" all financial assistance (but not technical assistance) in order "to ensure continued operability." Notably, the instruction in this language is *not* to maximize returns on investment, merely to ensure continued operability. The other goals of the program must take precedence over maximizing returns, including requirements to pursue "the rapid deployment of low- and zero-emission products," to "prioritize investment in qualified projects that would otherwise lack access to financing," and to assist communities.

The EPA should require recipients to use concessionary financing and grants where appropriate, including for disadvantaged and low-income communities to ensure they actually benefit. Additionally, it's important to remember that the purpose of the Green Bank is to fund projects that otherwise would not be funded by the private sector. As such, the EPA's grantees should not fear failure or potential backlash from investments in markets that are as of yet underdeveloped, nor in low income and disadvantaged communities. A degree of project failure is expected in the portfolio of a successful green financing program.

For the zero-emissions technology program, the text clearly includes "grants" which wouldn't be repaid as part of its definition of financial assistance. So here, the EPA should indicate where to

make no cost-share grants (e.g., landlords of affordable rental units who make the renter pay the utility bills), where to make cost-share grants (e.g., landlords of affordable rental units who pay the utility bills on behalf of the renter), and where to set up perpetuating financial assistance programs.

- 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?

Many low-income and other disadvantaged communities do not have the capacity to pursue federal program funds, and the Greenhouse Gas Reduction Fund will be no exception. Green bank leaders have [signaled](#) that the lack of technical capacity at the local levels and low consumer awareness can pose a significant challenge to the equitable and efficient distribution of funding.

Ensuring that the full range of potential beneficiaries have access to the financial assistance offered through these programs will likely require outreach, education, public advertising campaigns, and more. Such programs should be designed to reach homeowners, renters, local governments, community organizations, and non-profit organizations who work to support communities from the outside, among others.

There must be additional considerations for engagement with LMI communities and communities with lower technical capacity, in particular. For example, many have found local stakeholder meetings to be overly technical, arcane, only held in English, and only offered at times that fit with a conventional work schedule. The financial assistance programs must be designed to be accessible and receptive to community input.

Further, all three components of the \$27 billion appropriated through the Greenhouse Gas Reduction Fund can be spent on providing technical assistance. In the case of the Green Banks program, the specific term “technical assistance” is mentioned first in the context of the grantees establishing and supporting sub-national “public, quasi-public, not-for-profit, or nonprofit entities that provide financial assistance to qualified projects...” However, the definition of a qualified project under this program includes language about assisting communities in their efforts to cut pollution, which should be interpreted broadly.

In the case of the Zero Emission Technologies program, technical assistance is mentioned in a similarly broad context: “to enable low-income and disadvantaged communities to deploy or benefit from zero-emission technologies...”

Such funding can be used to help communities take full advantage not only of the financial assistance offered through the Zero Emission Technologies program and the Green Banks program, but also the many other federal, state, local, and private opportunities for grants, loans, and tax incentives that support the deployment and community benefit of zero-emission technologies.

II. PROGRAM STRUCTURE

Eligible Recipients

- Who could be eligible entities and/or indirect recipients under the GHGRF? What should the thresholds 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.

As the federal agency entrusted by Congress with implementing these programs, EPA will be responsible for setting policy direction and overall program design. But with only \$30 million appropriated specifically for the administration of these programs and an obligation deadline of just two years, many important decisions will necessarily be entrusted to the programs' grantees, who will be bound only by whatever conditions are written into the grant agreement.

The law requires that grants are made to eligible entities (essentially nonprofit lenders) - or in the case of the Zero Emission Technologies program, also to subnational governments; it is these grantees who would then provide the financial and technical assistance to others. This makes sense from a policy perspective for several reasons, including that smaller entities can be closer to the communities they serve, dedicated entities can be focused on specific goals, a diversified portfolio is one way to hedge against risks, there are many existing institutions that have a track record of success and relationships with relevant stakeholders, and other reasons.

One of the questions EPA must answer is how much of the funding to award to a large overarching national organization and how much to more narrowly focused organizations. No national green bank currently exists that could execute this program in its entirety. There are efforts to prepare a large national non-profit green bank that would be purpose-built to execute a major portion of this funding, but it would take time to establish such an organization and demonstrate its competence. In order to meet the initial 180 day deadline for beginning to award grants, EPA should consider distributing an initial set of Green Financing program grants to existing subnational nonprofit financial institutions, and an initial set of Zero Emission Technology program grants to existing programs of subnational governments.

In planning for the full award of grants under these programs before the 2024 deadline, EPA should conduct substantive stakeholder engagement to gather proposed models and weigh the trade-offs of efficiency, oversight, competition, and more that are implicated by this decision. For example, how can EPA ensure that all regions of the country and U.S. territories are well served? That all purposes of the programs are attended to? That competing purposes of the programs are properly balanced? That grantees remain responsive to the public? That too much power is not concentrated in the hands of too few people? For some of these questions, a large national

organization that can see the whole picture and respond flexibly over time may be the better answer; for others, a set of regional organizations or a set of organizations whose missions are focused by sector or intended beneficiary may be the better answer.

EPA should make clear immediately that it intends to award multiple smaller grants initially, and invite public comment on considerations for the number and diversity of grants in subsequent rounds. In the absence of such clarity, there would be nothing to stop a single national entity or a group of colluding entities from coercing smaller subnational entities (who would potentially come to depend on the national entity for all future investment) to withhold their own competing grant applications. EPA should also make clear that it intends to disqualify any applicant who discourages competing applicants or interferes with open responses to EPA's public requests for information. EPA should also make clear that it intends to include binding conditions in all grant agreements that will require the grantee to provide its subsequent financial and technical assistance without any regard for the public comments or grant applications those subnational entities may presently file with EPA.

- 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?

There are many types of entities that should be considered for receiving funds - including state and local green banks, community development financial institutions (CDFIs), subnational governments for the zero-emissions technology program, and more. State and local green banks have been highly successful in lending for clean energy projects, and some like the Solar Energy Loan Fund (SELF) are highly experienced in providing green lending to disadvantaged communities. However, not all green banks are successfully reaching disadvantaged communities. Further, not all states or regions have an existing green bank. CDFIs can help these gaps to provide funding to low-income communities and hard-to-reach areas.

CDFIs are financial institutions that provide services to underserved markets and populations. They serve low-income communities by [providing](#) affordable and responsible lending and financial services to support equitable community development, job creation, affordable housing, mortgages, small business loans, and other financing. CDFIs are [required](#) to target at least 60% of their financing activities to low- and moderate-income populations or underserved communities. There are roughly 1,200 certified CDFIs, and they operate in every state and the District of Columbia. They are certified and funded in part by the Community Development Financial Institutions Fund at the Department of Treasury, which also designates [Opportunity Zones](#).

Although any CDFI that accepts deposits would not be eligible for a grant from the EPA under either the Zero Emission Technology program or the Green Financing program (as it would not meet the definition for ‘eligible recipient’), many CDFIs operate without accepting deposits. In addition, even the depository CDFIs could still receive money indirectly from these programs. Notably, Treasury has recently provided CDFIs and minority depository institutions with more than [\\$8 billion](#) in pandemic relief, and the EPA and its grantees will likely need to evaluate these organizations’ capital requirements as time proceeds.

EPA should consider clarifying at the outset how and whether any funding awarded or re-awarded to CDFIs should interact with the set-aside for low-income and disadvantaged communities within the Green Financing program. Notably, the CDFI program’s definition of a distressed community (12 C.F.R. §1806.200(b)) does not match the definition used by CEQ’s [Climate and Economic Justice Screening Tool](#). Further, not every dollar invested by a CDFI is located in a distressed community, even under its own definition.

However, the concepts involved are similar and all program grantees, CDFI or otherwise, can benefit from understanding the long track record of CDFIs. EPA should also consider clarifying the valuable potential roles of community banks, credit unions, and various other existing intermediary financial institutions.

Eligible Projects

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

For the \$7b zero-emissions technology program:

There are several important considerations when determining what types of projects may be funded through this program.

- A “zero-emission technology” must not *produce* emissions, which can only be read to refer to point-source emissions. This means that electric appliances (such as heat pumps), vehicles, and batteries should all qualify, even if drawing their power from an electric grid that has not yet fully decarbonized. Helping communities switch from fossil fuel to electric appliances should be considered an important purpose of this program, as it will avoid significant amounts of air pollution, both indoor and outdoor.
- A “zero-emission technology” must produce zero emissions of any greenhouse gas *and* any other air pollutant or any precursor air pollutants. This rules out technologies that may under some circumstances have net-zero greenhouse gas emissions but that still

cause other air pollution, such as bioenergy combustion equipment and fossil fuel combustion equipment, even if equipped with partial carbon capture.

- Drawing some inspiration from Senator Sanders’ “10 Million Solar Roofs” bill, the only specific project type called out in the language as a zero-emission technology are “distributed technologies on residential rooftops”. This should encourage EPA to see that this funding is used in part to install rooftop solar among other zero-emission technologies mentioned above. Given the newly extended and enhanced incentives for rooftop solar installation under the 25D tax credit, EPA should consider a special focus on deployments that will not be incentivized by tax credits, such as where residences are owned by low-income homeowners without sufficient tax liability or upfront capital, where residences are owned by landlords who do not pay the utility bills, and multi-family residential buildings without sufficient rooftop area to supply electrical demand on-site, among others.

Most importantly, this funding is not merely for deployment of zero-emission technologies, but “to enable low-income and disadvantaged communities to deploy or benefit from zero-emission technologies.” There are many barriers to deployment of technology and to the community benefit thereof that this program must address. The EPA should seek out programs that have careful plans to use this funding not only for deployment but also for education, community outreach, contractor training, financing and community ownership arrangements, and technical assistance to navigate the many other federal, state, and local programs that can be used for zero-emission technologies. Various low-income and disadvantaged communities will face different barriers, and the EPA should value thoughtful, context-specific plans when deciding how to make grants under this program.

Further, this funding should be used to create meaningful, market-building, sustaining programs that will be able to continually finance projects in the long-term, as opposed to funding one-off individual projects. This will maximize EPA’s impact and benefit to low-income and disadvantaged communities.

For the \$20b green financing program:

The definition of qualified project for the Green Financing program differs from the definition of “zero-emission technology” discussed above. It reads:

*The term ‘qualified project’ includes any project, activity, or technology that—
“(A) reduces or avoids greenhouse gas emissions and other forms of air pollution in partnership with, and by leveraging investment from, the private sector; or
“(B) assists communities in the efforts of those communities to reduce or avoid greenhouse gas emissions and other forms of air pollution.*

It is important to note the word “and,” which is repeated in both subparagraphs, means that projects must reduce or avoid *both* greenhouse gas emissions *and* other forms of air pollution, not just one or the other. As with the definition of zero-emission technology, this should be interpreted to rule out combustion (whether of fossil fuels or bioenergy) in many contexts.

While many arguments have been used to depict certain combustion-reliant approaches as emissions-reducing relative to current practices - such as replacing old natural gas appliances with new natural gas appliances, for example - the EPA should strongly consider rejecting these arguments. In light of current energy system trends, the anticipated effects of the major investments enacted through the Inflation Reduction Act, and the requirements under the Clean Air Act to regulate greenhouse gas emissions and other air pollutants, a transition to a clean electricity grid and greater use of electricity throughout the economy is well underway. Any project under this program should be judged on how well it will reduce or avoid emissions and improve public health throughout its entire useful life, as Congress intended, even once the grid is substantially cleaner and more of the economy is electrified.

Any project that locks in the combustion of fossil fuels - whether at the household or industrial facility level - for years to come can hardly be considered to reduce or avoid emissions in that new context, no matter what marginal improvement it might represent over the current set of fossil fuel systems. The EPA should establish clear guidelines interpreting this requirement at the outset.

For the projects funded in low-income and disadvantaged communities, including those required under Section 134(a)(3), the EPA should take care to ensure that grantees are sensitive and responsive to the needs and judgements of those communities, which are too often ignored. This will be especially important for the set of projects that qualify not because they assist the community in its own effort (i.e., under Section 134(c)(3)(B)), but because they are done in partnership with the private sector (i.e., under Section 134(c)(3)(A)), potentially relying on partners that are external to the community. When it comes to technology specifics, for example, the White House Environmental Justice Advisory Council has offered clear [examples](#) of projects it expects to be beneficial and those it does not.

III. EXECUTION, REPORTING, & ACCOUNTABILITY

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

The EPA has 180 days to begin distributing funding (February 2023), however, they have until September 2024 to obligate it all. The EPA should consider distributing an initial set of grants to existing subnational nonprofit financial institutions while they continue meaningful stakeholder engagement for newer processes.

The law requires EPA to obligate the full amounts by September 2024, but it naturally takes more time for the subsequent outlays to occur. (At the time of enactment, the Congressional Budget Office [estimated](#) that only \$19.97 billion of the \$27 billion appropriated for these programs would be outlaid by 2030, though there is no reason EPA could not move faster than estimated.)

In order to ensure proper oversight and accountability, EPA should consider scheduling disbursements to grantees in increments over time, conditional on how they meet performance benchmarks that would be written into the grant agreement. Because these agreements would be contractual, no future administration could revoke or renegotiate them, and grantees would continue to have incentives to meet their agreed-upon performance benchmarks.

One option would be to withhold payments from any grantee that failed to meet its benchmarks, but this would risk a loss of funds as EPA will not be able to re-obligate funds after fiscal year 2024. Another option, if possible, would be to allow EPA program managers to periodically approve or reject major commitments by the grantee based on conditions agreed upon in the grant agreement. A third option, if possible, would be to draft grant agreements that entitle the best performing grantees in a class to a share of the scheduled payment based on the degree to which they meet specified performance metrics. As long as these metrics were clear, agreed upon in the initial agreement, easy to measure, and fully distributed among the qualifying grantees, then all funding would be awarded. Appropriate metrics could include measures of community benefit, estimated pollution reductions financed, or low default rates among low-income borrowers, among others. If EPA decides to explore any of these paths, it should solicit public input on how to define the metrics or conditions.

- 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?

The funding provided through the Zero Emission Technologies program and the Green Financing program will be invested and reinvested for many years, likely decades. However, once the initial grant payments are made, the Federal Government may have limited opportunities to conduct oversight and ensure accountability. It must be at the outset - through initial program design and the conditions written into grant agreements - that EPA should take care to ensure the grantees will deliver on the program goals and minimize waste, fraud, and abuse.

This memo has identified several conditions that should be written into the binding grant agreements. For example, this memo suggests approaches for conditioning disbursements under a grant agreement based on the grantee's performance. Additionally, EPA should consider consulting with its Inspector General, the Government Accountability Office, and the Department of Justice to ensure that grant agreements yield any data and reporting requirements needed for effective auditing and oversight.

In the event that a grantee does not fulfill the conditions of its grant agreement, the Federal Government could likely attempt to claw back funding, but this should be considered a measure of last resort as EPA may not be able to re-obligate the funding beyond the end of fiscal year 2024. Instead, EPA should consider ways of ensuring ongoing oversight that would support the effective implementation of these programs over time. Providing for ongoing oversight would reduce the likelihood of ever needing to claw back funding and would relieve the initial grant agreements of the burden of anticipating how conditions could change in the years or decades to come.

As one approach for providing ongoing oversight, EPA should evaluate and compare the state regulatory systems that will oversee potential grantees of the Green Financing program. Few (if any) of the non-profit, non-depository entities that could be eligible entities are overseen by any federal financial regulators (apart from the Consumer Financial Protection Bureau, as applicable), and existing financial regulatory systems are not intended to ensure the effectiveness of these programs. State regulatory systems may therefore serve an important function in overseeing grantees, but systems for this purpose will need to be created and would vary across jurisdictions. EPA should consider consulting with state governments to understand the strengths and weaknesses of any regulatory systems they may be able to offer and then award grants preferentially to the grantees that are overseen only by the most competent state regulators. EPA can resist a race to the bottom by requiring in its grant agreements that grantees do not subsequently relocate their headquarters to more lenient jurisdictions.

Another approach that EPA should consider, if possible, is requiring through its grant agreements that the Administrator have some degree of influence over the executive direction of the grantees, such as rights to appoint a member of the grantee's board of directors, to approve the appointment of the entity's executive officer, or to require removal of an executive in case of malfeasance. Ensuring that the mission of these programs is fulfilled over the course of many years will require both protecting the grantees both from political interference and pursuing remedies for mismanagement, and EPA must balance these two considerations.

November 16, 2022

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

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

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

Re: Additional Comments for the Consideration of the Environmental Financial Advisory Board (EFAB)

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

Thank you for the opportunity to provide feedback as the EFAB carries out its charge with respect to the Greenhouse Gas Reduction Fund ("GHGRF"). In addition to our prior comments, the Coalition for Green Capital, dba the American Green Bank Consortium (the "Consortium") would like to submit slides with excerpted comments from an environmental justice webinar convened by the Consortium, and [comments](#) presented to EPA as part of its small group public listening sessions by CEO Reed Hundt. The full video of the webinar is also available [online](#). The Consortium submits that embracing environmental justice, climate justice, and energy justice as core principles is critical to the successful implementation of the GHGRF and meeting the dual mission of the statute. We look forward to the EFAB's discussion and to submitting additional comments for the next scheduled meetings.

Sincerely,



Eli Hopson

Attachments

1.

Slides and excerpts from “The Greenhouse Gas Reduction Fund and the Opportunity to Advance Environmental Justice Within a National Green Bank” - held November 13, 2022.



William Barber III, Chief Consultant of Environmental Justice at Coalition for Green Capital:¹

“The national green bank is part of the complete toolkit of measures in this historic legislation that guarantees the rapid transition from carbon to the Clean Power Platform. Underlying the entire national economy and launching thousands of businesses making and selling clean products with 20 billion dollars of capital the National Green Bank and its network will be the single largest non-profit institution dedicated to environmental justice for disadvantaged communities in a moment of urgent need.

[This] conversation is part of a long-term strategy to identify and create outreach opportunities to national partners with proven track records of engaging frontline constituencies that include environmental and energy justice advocates, activists, and community-based organizations who have deep trusted relationships in frontline communities. It includes reaching out to networks of BIPOC and people of color-led financial intermediaries who we need to help us deploy capital to the areas that need it most. We are being creative. We are including all of these organizations but also making sure that we are expanding our imaginations to think of who are other allies we need to pull into the table as we build this big tent.”

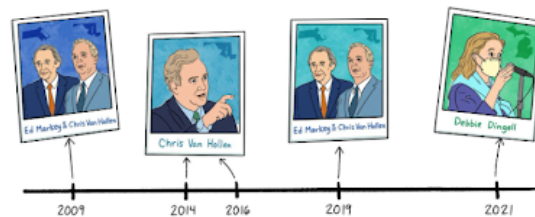
¹ Excerpted comments lightly edited for clarity and readability.

Greenhouse Gas Reduction Fund potential to seed the National Green Bank



Eli Hopson
Chief Operating Officer and Executive Director
Coalition for Green Capital
Former Chief Executive Officer of the DC Green Bank

Greenhouse Gas Reduction Fund's Dual Mission: "unlock meaningful climate investments and advance environmental justice"
-EPW Report



Eli Hopson, Chief Operating Officer and Executive Director at Coalition for Green Capital:

“Speaking personally about my work at DC Greenbank, we relied on multiple CDFI partners to help us reach particular segments of the small business community, to help us focus on smaller loan sizes, and to rely on their expertise in community lending, underwriting, and servicing. Several partnerships were very successful for both DC Green Bank and our CDFI partners. We're excited to bring that model more broadly and it's one that's been replicated across the green bank infrastructure.”

Summary of the Greenhouse Gas Reduction Fund

To provide direct and indirect financing and technical assistance to reduce or avoid greenhouse gas emissions through public private investment and other forms of air pollution and assist communities in their efforts to reduce and avoid greenhouse gas emissions and other forms of air pollution

National Green Bank's Goals

Double bottom line:

1. Reduce GHG and other emissions
2. Invest in and for the most Disadvantaged Communities

We do this by:

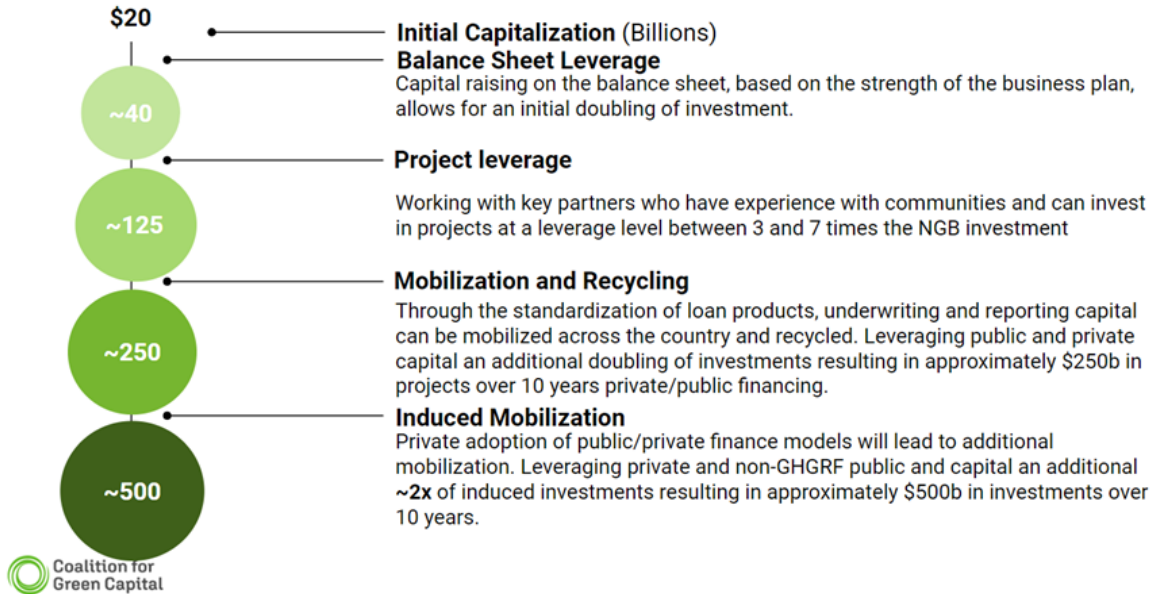
- Maximizing total investment (public + private) in clean power platform
- Targeting the most damaged communities for prioritization

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Eli Hopson:

“The initial public investment of 20 billion under the EPA's Greenhouse Gas Reduction Act is critical, but to leverage that bring in the additional public [and] private funding over 10 years to make a 250 billion dollar investment in sustainability in disadvantaged communities – that could really start to move the needle on climate change and that's why I'm excited to be here talking with you today.”

Initial capital, illustrative leverage, and mobilization



2

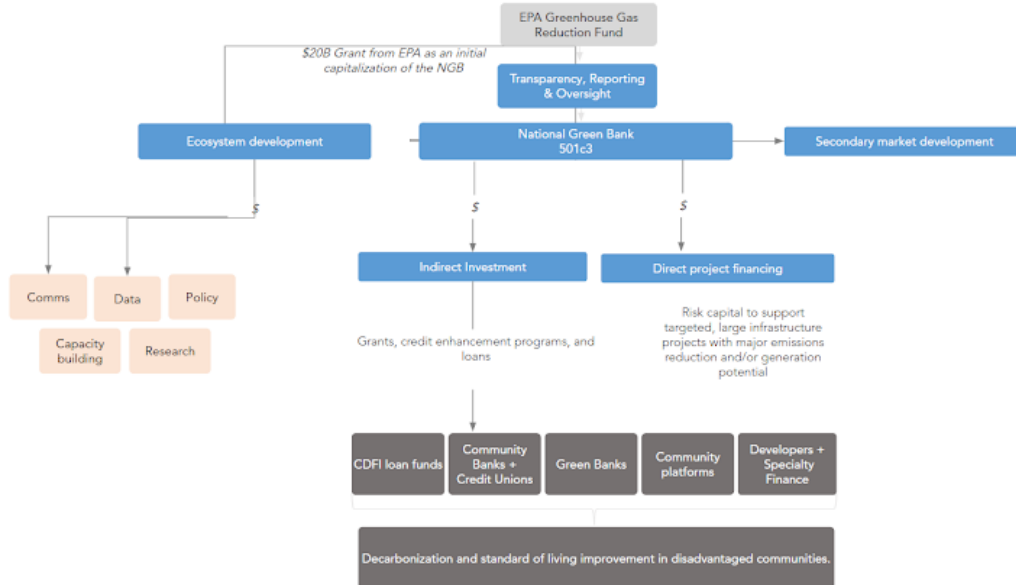
Eli Hopson:

The Leverage equation is that with the \$20 billion you're able to balance sheet leverage that at somewhere around double so you take that \$20 billion you turn it into \$40 billion immediately. All of a sudden you know that minimum \$8 turns into \$16 billion of investment and the remaining \$12 turns into \$24. That's the first step.

The second step is one that green banks have traditionally done and done very well, which is to deploy those into projects alongside private investment. Typically, that's something like two to three times private money going into the projects. The national bank or its intermediaries make a portion of the investment and the private sector provides the rest with the national investment coming to support the piece that traditionally seen as riskier or maybe in technologies that commercial banks are less familiar with or maybe in communities and for particular borrowers that don't meet the traditional credit rating system that's been established by our financial institutions. Those are key strategies for green banks to be able to bring in additional private capital and to support the disadvantaged communities that we're targeting.

Then the last piece which I talked about a little bit is that by deploying with standardized loan products so documentation that's similar into green goods that are similar like heat pumps, like solar panels. With credit processes and underwriting that's consistent across the nation, with reporting that's consistent across the nation, then you can have a portfolio that can be rolled up and sold into the secondary market... and that gets you another three times replacement.

National Green Bank's conceptual network structure



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Eli Hopson:

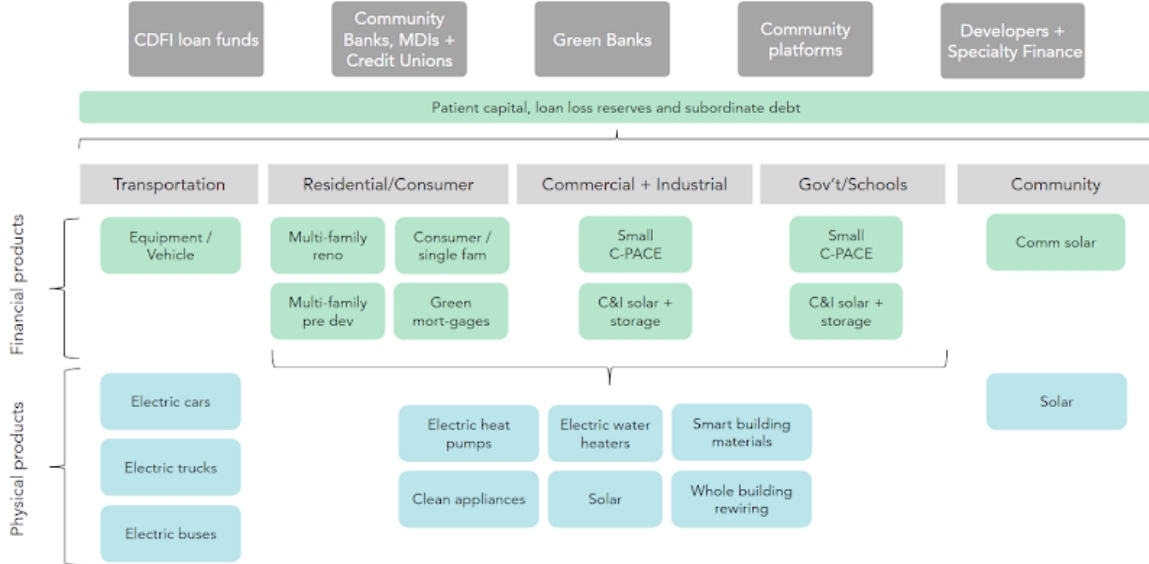
“First an indirect investment through partner institutions including CDFI loan funds, community banks, credit unions, existing green banks, new green banks. Also, new financing institutions for communities that are not served by an existing financial institution that's focused on sustainable investing. Unfortunately many of the regions of the country that are facing the most serious challenges in terms of energy pollution and historically have been burdened with energy production do not have state, regional institutions, or local institutions focused on supporting sustainable finance in those communities.

One of the key missions of the national green bank is to also make investments in financial and technical assistance to help start up new institutions where they don't exist or to help build the capacity in existing platforms and existing institutions that do exist to serve those communities.

The national green bank also needs to make direct project finance investment. . . Another key role of the national green bank is secondary market development - having a single platform that helps to standardize the types of loans that are being offered. In order to create a consistent loan portfolio that the secondary market is going to be interested in you really need to see national standardization in a single national green bank is a key piece of that.

And then finally on the left hand side - ecosystem development - there's a whole host of communication support, transparency and data, compliance, and regulatory pieces at the state, local and national levels to support sustainable finance and to support environmental justice including grants for capacity building, innovation and research. So, a huge portfolio of work that needs to be done the national green bank is a piece of that but it's only going to be successful with the help of its partners like all of you”.

DRAFT indirect product suite



Eli Hopson:

“In terms of what the product suite would be that the national green bank is supporting ultimately looking to do investment in electric heat pumps, electric water heaters, community solar, residential solar those types of projects that have a clear greenhouse gas benefit and have a clear local air pollution benefit so looking for that dual mission again even from the direct investment piece even from the particular investments that we’re thinking about there’s a wide variety of pieces that we’re considering.

We’re looking to work with a wide variety of partners as I mentioned and this is a draft list but you know we’d love to be working with all of you to think about what are the real opportunities that are going to be most effective in helping to move the needle on climate and are going to be most beneficial to the communities that are most impacted by our energy production.”

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.

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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 members of CGC's American Green Bank Consortium.
- **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.

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Building a Board With the Skills and Commitments Needed to Steer the National Green Bank



Marla Blow
President and Chief Operating Officer
Skoll Foundation
Board Member, Coalition for Green Capital



Susan Tierney
Senior Advisor
Analysis Group
Board Member, Coalition for Green Capital

Marla Blow is President and Chief Operations Officer of the Skoll Foundation. She is also a board member for the Coalition for Green Capital. She brings deep experience and economic inclusion serving for years as a corporate executive, a federal regulator, entrepreneur, and an angel investor. Throughout her career she has had an unwavering commitment to being a purpose-driven leader in both the private and public sectors. Marla has led efforts to address the racial wealth gap and opportunity gaps to programmatic work and impact investments in support of black communities. She's the board chair at LIFT DC an organization that helps low-income parents with young children achieve economic mobility and also serves on the board of Square Financial Services.

Dr Sue Tierney is an expert on energy policy and economics specializing in the electric and gas industries. She has consulted companies, governments, and non-profits and other organizations on energy markets as well as economic and environmental regulation. She is a strategy for expert witness and business consulting services. She has been involved industry restructuring market analysis, utility rate making, and regulatory policy as well as Clean Energy Regulatory policy. She is a former Assistant Secretary for Policy at the U.S Department of Energy, a State Cabinet Officer for Environmental Affairs and State Public Utility Commissioner. She Chairs the Board of Directors of Resources for the Future as well as Climate Works Foundation and serves on the external Advisory Board of the National Renewable Energy Laboratory.

Marla Blow:

“Connectivity with the philanthropic sector and the civic engagement arena we've brought private sector actors as you mentioned and we have the public sector connection as well. I bring the philanthropic piece to the table and my in my role at Skoll where we are actively engaged on exactly the issues that you've outlined here. With the support and cooperation and continued push from all of us to ensure that by working together we can go so far in addressing the deeply entrenched problems and challenges and opportunities that we have in front of us to build the society and the energy structure that we so that's so meaningfully can count on to shift where we are from an environmental perspective.

From my end well I guess what I would say is bringing that deep commitment and bringing that level of expertise across a host of dimensions is the difference maker for this national green bank undertaking. Knowing that we will be able to speak the language and bring the right support from across all of the different sectors of our society is the difference here and it sets us up to be successful in building the organization that we have in front of us. Importantly I want to stress that my own personal commitment to this both personally and professionally starts with the fact that I am deeply invested in building equity into everything that I do, everything that I touch, and every place that I show up.

This is not a theory for me. This is not an initiative. This is a way of life. I bring that to the table here in what we're doing at the national green banks. So, thank you. I'm excited to be a part of this”.

Sue Tierney:

“With a dual mission of reducing greenhouse gas emissions and air pollution and bringing material concrete substantial benefits to disadvantaged communities in the past decade the board of the Coalition for Green Capital was really one that befitted an organization that was designed to shepherd a coalition through a period when we were waiting for Congress to act on seed funding a national green bank.

As we look to further evolve the board we are looking at all aspects of diversity we are looking at ethnic, racial, gender, geographic, age, and diversity just in terms of the people who populate the governance structure. That group of people has to bring a number of areas of expertise and experience in finance of course because that's the purpose of this bank is to leverage finance and this is not only traditional finance but also community development financial chops as well as experience in green banks in different locales. Additionally, experience in greenhouse gas emission reduction projects, experience in environmental justice and equity, experience in non-profits, in philanthropy, as Marla just said, as well as labor and other capabilities to help guide the institution as it goes forward.”

Green Lending Within the American Green Bank Consortium and Opportunities to Scale



Michael Jeans
President and Chief Executive Officer
Growth Opportunity Partners
American Green Bank Consortium Member



Oswaldo Acosta
President and Chief Executive Officer
City First Enterprises
American Green Bank Consortium Member
Board Member, Coalition for Green Capital

Michael Jeans:

“There's a lot of work to be done. There's a lot of leaning that needs to happen. Commitments that need to be made. The calls and the conversations are the start of that partnership that comes with trust. Trust is only sustained if we do what we say we're going to do, so I know this is a meaty topic. It's a conversation that should be had and frankly if we're going to build the big tent then you know for me the question is what are the things that we all need to do so that we can find not only a level of comfort but assurance that these dollars are going to be deployed in an equitable manner.

For us, at Growth Opps I can tell you that [our] experiences have been good with the Coalition and frankly we're having conversations with other black and brown organizations. I'm also a member of the African-American Alliance for CDFI CEOs. There is a concerted effort across the country to ensure that these dollars go where they should go. And my role in this is much the same.

There's capacity to do a lot of good here and one of my concerns is that the deployment becomes so fractured. If it's sliced in so many different ways that we don't get the kind of metrics and outcomes that allow us to get another bite at the apple. I don't want to see that happen. This is why I get up in the morning”.

² Mr. Acosta was unable to attend.

Meeting this Moment: Just Transition and the Importance of Commitments to Environmental Justice within the National Green Bank



Sharlene Brown

Director, Initiative on Racial Equity, Economics,
Finance, and Sustainability at Croatan Institute
CGC Environmental Justice Advisory Board Member



Raya Salter

Founder, the Energy Justice Collective,
Member of the New York State Climate Action Council
CGC Environmental Justice Advisory Board Member

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Sharlene Brown:

“When I think about this work and certainly in my comments both internally with my team but also when I present publicly, I often talk about this really fantastic moment that we have as the United States of America. We live in a country where we understand that the racial justice challenges are related to climate, energy, and ecology. These challenges are often carried on the backs of black and brown communities but we're also at this point where we actually have to lean in. We have absolutely no choice but to address these challenges because world calls for us collectively to do so.

With that moment and the investment through the IRA and the creation of the national green bank I think the opportunity that we have to radically turn around what we see as the racial wealth gap in the United States... I see this as an energy and climate piece, but I also see a really powerful opportunity to uplift communities and to create new models that really help to inspire and grow wealth in communities that have historically been left behind. That piece of the work, this sort of real big push to look at what are the outcomes of all these investment dollars that will flow into these communities, how do we build the bridges, and the pathways to help communities get on and create capacity to actually be a part of this new economy that we have to again forge.

I am really excited by the effort and the enthusiasm that I see within the CGC team and the various advisory boards and the board itself.”

Raya Salter:

“[Discrimination] in the banking sector and things like redlining have done so much to hurt black and brown and indigenous communities. I have truly seen in this work to implement this Justice 40 idea [that] funding and approaching environmental energy and climate justice and this federal opportunity really is unprecedented.

“[I encourage] all the listeners and the environmental climate justice advocates to be partners to hold us accountable and to be implementation partners so that we can take advantage of what really is an unprecedented opportunity”.

The Urgency of Capitalization of A National Green Bank for Frontline Communities



Dr. Robert Bullard
Founder
Bullard Center for Environmental and
Climate Justice
Texas Southern University
Member, White House Environmental
Justice Advisory Council

Dr. Rober Bullard:

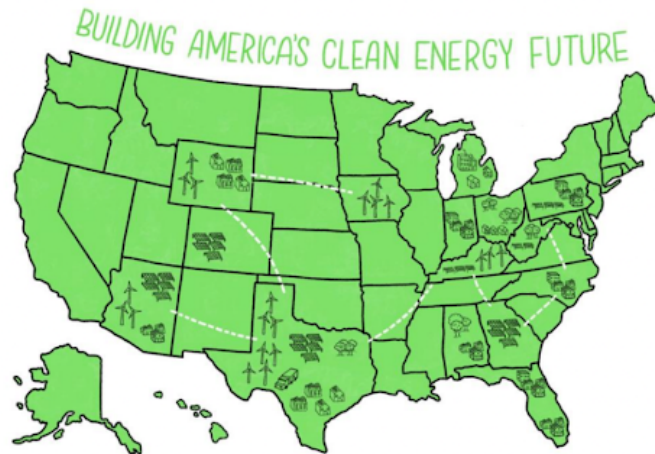
“A National Green Bank would serve the purpose of identifying where areas are ready to work on these issues. We know all communities across the country are not at the same level of capacity to adjust to these issues. Having organizations and institutions that can provide technical assistance and support to those communities that can get them in the position of accessing the resources that are available from the federal government to green banks from the Inflation Reduction Act. Other opportunities from the Justice 40 initiative as well as the bipartisan infrastructure law when we talk about resources. We're talking about lots of money and what we have to make sure is that the money follows need and not money following money.

Power historically [will] leave behind communities that need resources most. What we see is the national green bank [will] work with state green banks where they are available. We know that all states are not created equal there are some states that have them, and some states don't. What we have to do is to try to ensure that no communities are left behind. We basically ensure that energy justice is not just a slogan. It's a reality that's combined with environmental justice and economic justice we see this as an opportunity. You see it as investments in the future, and we see it as making us a much stronger, resilient nation that's competitive but communities are healthy and that communities are livable and sustainable. This climate crisis will call for the urgency of us getting it right”.

Building the Big Tent: Moving Forward Towards Capitalization and Building the Winning Team



Reed Hundt
Chief Executive Officer
Coalition for Green Capital



Reed Hundt:

“Here's what I want to make sure that everybody in the country can understand: 12 plus 8 is 20. All that 20, if it is put into the national green bank, is not going to end up with just 8 billion dollars dedicated to low-income communities. That is not our pledge. Our pledge is that we have learned over the course of all these years through all these different green banks and through the expertise of so many people we have learned that if we can have all that 20 billion dollars, we pledge that 250 billion dollars, that's the number you heard from Eli at the beginning, will be invested in and for low-income communities in of America.

That's our pledge and it is not just slide work. We have lived it. We have breathed it. We have proved it over the course of 10 years in this green bank movement. What we need now is a collective effort to let us, and this is what Michael was talking about earlier, to let us put up a big tall pole in that big green tent so that there are plenty of seats under that tent for every non-profit that doesn't even now exist, but that might come to exist. Every CDFI and Credit Union and other institution to come in under that tent become the beneficiaries of all that money and then transform America where it actually has to happen.

2.

Statement by Reed Hundt, CEO of Coalition for Green Capital, to
EPA

Statement by Reed Hundt, CEO of Coalition for Green Capital, to EPA

November 15, 2022

Let me start by saying what an amazing opportunity and daunting responsibility is presented by the Greenhouse Gas Reduction Fund (GHGRF).

When I was CEO of the Federal Communications Commission, Congress in three separate statutes asked the agency to create the digital satellite and digital cellular industries and to make the Internet universally available.

From that experience I can say I truly appreciate how hard it is to implement new and large programs. It is especially difficult when you have to see into an unknown future, ensuring enough flexibility to accommodate changing circumstances while also successfully implementing the mandates imposed by the statute.

Despite the degree of difficulty, you can get this right: You can use the GHGRF to create a financial system with the dual mission of simultaneously averting catastrophic climate change and redressing environmental injustice.

The other experience I speak from is 14 years as co-founder and CEO of the Coalition for Green Capital. Our nonprofit has created a consortium of almost two dozen green banks dedicated to the dual mission. That consortium has combined

almost \$2b in public capital with more than \$7 billion in private capital to invest in Florida, Michigan, Louisiana -- in short, all over the country.

You now have more than ten times that much public capital to mete out.

I respectfully suggest the threshold question is what sort of nonprofit should you directly capitalize. Should it be tightly focused on the mission of building the clean power platform in the most deserving communities of America? Or should you award your funds directly to entities principally engaged in other missions, governed by other regulations, run by management teams focused mostly on other tasks than the dual mission.

I think we can all agree that in the fullness of time we want hundreds, perhaps thousands, of nonprofits to participate in financing the green goods that compose the clean power platform. But to achieve this goal is it better to capitalize directly a single national green bank that will include all nonprofit lending institutions as indirect recipients of "funding and technical support?" I mean not just those seeking your funds now but all who might be ready to come under a single green tent in the future yet are not prepared at the time you ask for applications.

We can all agree also that the scale of the challenge faced by this agency, government and country is enormous.

The tasks given to the FCC that I mentioned required massive, economy-changing investment. In total the private sector invested more than a trillion dollars in less than ten years to bring more than 90% of Americans into the digital age. The FCC itself spent \$50 billion and awarded licenses worth another \$100 billion to catalyze the private sector investment that changed completely the communications platform of this country.

Now the United States has to cause investment of at least one and a half trillion dollars in ten years to change completely the power platform that underlies all social and business activity. If this investment is not made fast enough, we will lose the battle against climate change. If not large enough, we will lose.

The tax credit and rebate components of the *Inflation Reduction Act* go a long way to stimulating the necessary private sector investment. But the GHGRF is the single component of government spending under the *Act* that is most capable of being leveraged and partnered with private sector investors, just as the statute itself explicitly requires. According to expert analysis and our coalition's experience, a fully capitalized national green bank will be able to multiply EPA's grant by 25 times in total public private investment over ten years.

The GHGRF also enables investment to be targeted to disadvantaged communities. Is it not best for this agency to partner with a national green bank to prioritize all investment toward the most deserving and disadvantaged communities?

There should be a national plan for such choice of markets. As circumstances change and needs arise, the Agency and the national green bank can adjust the prioritization as needed.

We must cause households and small businesses in low-income communities to want and to afford heat pumps, distributed and community solar, storage, truck lot charging stations and the other components of the cheaper, clean power platform. To this end, the national green bank will need as partners not only community finance institutions but also small businesses, municipals, community

leaders, contractors, installers, distributors, equipment manufacturers, and utilities.

This system – one national green tent directly investing and also investing with partners – may also be the best way for EPA to monitor how the funds are used, to learn what emissions reductions are obtained, to discover best practices and have them shared everywhere, to require the national green bank to guard against waste, fraud and abuse. The agency can impose detailed data gathering and reporting obligations on the national green bank as opposed to itself supervising dozens, hundreds or thousands of local nonprofit lenders.

This historic legislation has been passed just as we are approaching the last months and years before catastrophic climate change is irreversible. We know that if the worst happens it will be worse for low-income communities than for rich ones. That is the reason we have to commit to the dual mission: Build the clean power platform and build it principally in the most disadvantaged communities. There's not a moment to lose.

The Coalition for Green Capital hopes to be a good partner for this Agency and for all public, private and nonprofit institutions who want to achieve this dual mission.

November 15, 2022

Re: Comments on Environmental Financial Advisory Board (EFAB) Charge Greenhouse Gas Reduction Fund

Dear Chair O’Neill and the members of the Environmental Financial Advisory Board:

The Community Preservation Corporation (CPC) is a 48-year old not-for-profit corporation whose mission is the financing and preservation of affordable multifamily housing, and a certified Community Development Financial Institution (CDFI). CPC also provides technical support to expand and preserve affordable housing. Additionally, through its ownership of CPC Mortgage Company, a first of its kind cooperative of impact driven nonprofit mortgage lenders, CPC is a nationally licensed Seller/Service for Freddie Mac, Fannie Mae, and Federal Housing Administration. CPC is a carbon-neutral company and has been rated AA- by S&P.

CPC has had a foundational commitment to environmental sustainability since establishing a sustainability platform in 2008. Most recently, CPC was just selected by New York State to administer the Climate Friendly Homes Fund (CFHF), a \$250M investment to finance electrification retrofits in at least 10,000 units of multifamily housing that serve economically disadvantaged communities. By catalyzing the adoption of new, energy-efficient technologies, the program will advance New York State and CPC’s commitments to supporting multifamily building owners in their transition to a green economy and delivering the benefits of climate friendly homes to residents of low- and moderate-income neighborhoods. More information about CPC’s [sustainability platform](#) and [CFHF](#) can be found on our website.

CPC is pleased to have the opportunity to provide comments in response to the Environmental Protection Agency’s (EPA) Environmental Financial Advisory Board (EFAB) charge concerning the Greenhouse Gas Reduction Fund. Responses to specific questions included in the charge follow:

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?

Environmental Justice (EJ) communities, aka “low income and disadvantaged communities” are already defined by other departments of government at the federal, state and local levels. Low Income (LI) communities have been defined by the Treasury Department for purposes of the CDFI Program and by HUD on annual basis through its calculation of area median income (AMI) in each census tract. These definitions of low income should be adopted.

EJ communities should also be defined as those communities that have long suffered the negative impacts of poor air quality leading to higher rates of negative health outcomes such as asthma. In



addition, communities most vulnerable to storm impacts, flood zones and coastal areas should also be prioritized for investment.

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?

LI communities have been the long time recipient of funds to address challenges that persist in such areas. The capital provided by other branches of government has gone to support affordable housing, small business development, job training and other community services (like food banks or charter schools). Though all of the resources have supported specific needs in these areas, none of them have specifically addressed climate or greenhouse gas (GHG) reduction. Market economics and a lack of regulation have not supported the inclusion of GHG reduction in the work that the government already supports in these areas. The GHG Reduction Fund (GHGRF) has the power to change that. Enhancing existing investments (such as investments in housing) in LI and EJ communities is the key to integrating climate into all of the work that is done to better and strengthen those communities. Mission-based non-profit lenders working to further their specific community development niche have the mission and the will to address climate in their existing investments, and with this new source of capital, they will finally have the means to do so as well.

Mission-based non-profits use whatever tools are available to further their impact. Using affordable housing as an example, lenders have adapted to many changes in the market and integrated government priorities into affordable housing finance and development using the tools available in the communities they serve. Historic tax credits have been leveraged to promote the dual outcome of affordability and historic preservation, creating enormous benefits to downtowns working to reinvent themselves from former manufacturing hubs to communities where people can live, work and play. The adaptive reuse of historic buildings has increased affordability and transformed neighborhoods while preserving and maintaining the architecture and character of communities. Affordable housing lenders used a non-affordable housing tool that was available to achieve benefits beyond affordability. Brownfield tax credits, New Markets tax credits, integrated supportive housing, healthcare, childcare and other benefits have been incorporated into the projects they finance to meet the needs and goals of government agencies. These additive benefits are supported by complimentary financing sources, tax credits, grants, or low interest loans.

The GHGRF is the first source of low cost capital available to intentionally address climate. Non-profit lenders, CDFIs, MDIs, Credit Unions and others stand ready to intentionally address climate in the work we are already doing by accessing GHGRF dollars and integrating this new source into our existing work.

The EPA should make neighborhoods that have suffered the worst outcomes of poor air quality and storm impacts its highest priority. Many of those neighborhoods are also low income. Some of these high-risk areas have already been delineated; where those lines have not been drawn, EPA should prioritize LI tracts and coastal areas and flood zones.



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.

Technical assistance is critical to achieving the goals of GHGRF. Simply releasing capital without providing guidance about how GHG can be responsibly reduced may cause confusion and a lack of consistency in compliance with EPA goals. The EPA and other government entities already provide this type of guidance for other forms of environmental harm. Just like there are clear guidelines for remediation and disposal of asbestos required to be removed from a building, there should likewise be similar guidance for compliance with GHG reduction strategies. Similarly, the government has created clear and consistent pathways providing definitive roadmaps for mitigation efforts with respect to radon, contaminated soil disposal, lead paint remediation, flood zone mitigation and fire resistance standards, with a certification that it has been done properly. This allows private markets to adequately address and include this important work into their everyday investments.

Certainty with respect to what level of GHGR is required, and instruction regarding how to implement it, is key to achieving the market transformation that the EPA is looking for. The money in the IRA should seek to inform all sectors regarding what it takes to transition away from fossil fuel to clean energy.

Using New York State as an example, NYSERDA has been an incredible partner to other departments of government and to the private sector in supporting and enabling GHG reduction with incentives and accelerators that address how to transition to a green economy, address operational GHG emissions and prepare the market for compliance. Similar regional hubs across the country that support communities as they transition will be crucial. Lenders will need this support to insure that the projects they are financing achieve the level of GHG reduction the EPA defines. Those entities can define the metrics and certify their completion, acting as a third-party verifier that the GHG reduction funds have been used as intended.

Third-party infrastructure is used very successfully by lenders with the Phase One Environmental Assessment process. The Phase One process identifies what needs to be done to achieve certified completion, whether that is for asbestos, radon, lead, contaminated soil, etc. A lender can rely on a third party to scope the work and insure it was completed, commensurate with government standards (ASTM, for example). GHG standards should be clearly defined by the EPA and a third-party verification system should be supported with an allocation of this capital. That very powerful mechanism can then be used independently by private markets after the GHG reduction funds are gone and GHG reduction becomes business as usual.

Specificity is key since meaningful and impactful GHG reduction cannot be achieved by simple retrofits alone. The GHGRF should reach well beyond simple, low lift and low cost measures to set a much higher standard for transformative emissions reductions.

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?

Program design to address leverage should be answered differently for the funds available to all markets vs. the funds available to LI and disadvantaged communities.

Funds available in all markets should have a very high priority on private capital leverage, return of capital and reuse of capital for the same purpose. The leverage should aspire to achieve a 3 -1 ratio of private to public capital. Using first mortgage capital as an example, grant dollars from the EPA can be used to buy down the first mortgage rate to a level that allows the property owner to access the additional funds required to build or retrofit to net zero or net zero ready. In this example, the GHGR funds would be in a top loss position, providing the private capital with protection (also known as an insurance/credit enhancement) which will drive their part of the rate lower than if they did the entire first mortgage. A significant rate reduction can be achieved, typically 200 basis points or more. The GHGR funds can also allow the borrower to borrow money above standard Loan to Value (LTV) ratios. If a typical first mortgage on a multifamily property is leveraged at 80% LTV at a rate today of 6.5%, a rate buy down with GHGR funds could bring the rate down to 4.5% and allow the owner to borrow more money up to 85% or 90% LTV. The goal would be to keep the cost of the debt (monthly payment) for the typical loan the same as the larger loan with the lower rate. Property owners financing properties, whether newly constructed, retrofitted, refinanced or acquired, are motivated first and foremost by rate. Rationally, they will want a low rate and high leverage; the crucial condition being that to access it, they will have to achieve significant GHGR as defined by the EPA. The portion of the top loss piece (the GHGR money) that is over leverage at the time of refinance can be forgiven at refinance. If rates come back down as anticipated, more of the capital can be returned. If rates stay high more will be forgiven. This approach offers great flexibility. Overall benefits include:

- Introduce owners who would not otherwise be thinking about GHGR to the process by enticing them with a lower rate
- Introducing private capital to what it takes to meaningfully address GHGR which will become more and more important as the risk of not doing so is exposed in their portfolios
- The interest rate buy down tool can be tailored to different types of projects and markets. It can be used with the mortgage banking industry through Freddie Mac and Fannie Mae – who often set industry standards for how housing gets financed
- 3 to 1 leverage can capture hundreds of thousands of housing units (single and multifamily) over 10 years as the transition drives decarbonization to business as usual and building codes and government regulations catch up
- Market transformation of private capital, educating lenders on how to address GHGR

When thinking about leverage in LI and disadvantaged communities, the approach needs to be more nuanced. There is a reason that these communities are disinvested as market economics don't support broad investment without government subsidy or support. Many investments in LI/DAC cannot absorb the additional debt required to take on decarbonization projects. Grants should be deployed in small and very low income projects and leverage should be defined by other sources used to support the project such as tax credits or rental assistance.



In all cases regarding the built environment, additionality is not that the projects can't get built at all, they will be built regardless. But with the GHGR funds, they can be built to address significant GHGR as defined by the EPA. We simply cannot keep building new buildings or financing existing ones without pushing to get them off of fossil fuel. This incentive capital allows all lenders to begin to do that. The additionality is that we transform business as usual so that all investments are carbon free.

This new source and scale of capital will require that non-profit lenders build new capacity to achieve the goals of the IRA and the GHGRF. Government grants typically come with administrative support between 5-15% of the grant total. Given the scale of the opportunity, it seems that 5-7% would be appropriate, but given the complexity of decarbonization and meaningful GHGR, capacity building up front should be considered so that lenders can hire technical experts and teams dedicated to helping their customers and their organizations navigate the process of decarbonization and GHGR in the work that they do.

Extra points should be given to organizations that have themselves achieved carbon neutrality (defined as having achieved net zero emissions for scopes one and two, at a minimum).

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?

As it relates to the built environment, the government has many programs that support the construction of housing and community facilities. All of those programs can be enhanced with this capital such that, when this capital is gone, that infrastructure and those programs have successfully adapted to addressing GHGR in business as usual practices. States can use the capital to “boost” the Low Income Housing Tax Credit, the Historic Tax Credit and all other tax credits to provide the resources for those buildings to be built all electric or net zero depending on regional standards. But most obviously, the Brownfield Tax Credit Program should be enhanced so that all projects using these resources must produce net zero projects. It makes no sense to do a complete environmental remediation of a site and connect it to gas or oil. Non-profit lenders financing these projects can use this enhanced tax credit to ensure net zero outcomes.

While there is absolutely a need for a “clean energy and climate ecosystem”, and that ecosystem should be supported by the GHGRF, the GHGRF should not seek to *only* support and develop this ecosystem. There is a seasoned, robust and successful industry of mission based non-profit lenders that have been successfully investing in communities for more than four decades, primarily in LI and disadvantaged communities. That ecosystem must also be supported by the GHGRF so that current investments and projects in their pipelines have access to a tool that can meaningfully address GHGR as defined by the EPA.

II. PROGRAM STRUCTURE

A. ELIGIBLE RECIPIENTS

i. Who could be eligible entities and/or indirect recipients under the GHGRF? What should the thresholds 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.

Eligible recipients should include ALL non-profit lenders (or their controlled affiliates if they choose to set up a special purpose entity as recipient) as well as states and municipalities that are working to address decarbonization priorities and community needs, including clean energy and climate projects. The eligible recipients outside of the \$7 billion for states include: CDFIs, MDIs, Credit Unions and Green Banks or specialty Green Lenders that are not state entities. Applications should be accepted from individual organizations that are direct lenders as well as intermediaries that represent an industry of smaller organizations¹. The \$7 billion should be a maximum of 50 applicants (50 states) and awards should take into account the State’s commitment to GHRH such that States with a proven track record receive larger awards.

The \$20 billion should be awarded to up to 10 entities. Applications should be consistent with the goals of the legislation:

- Significant Greenhouse Gas reduction (to be specifically defined by the EPA)
- Equity: Priority for LI and Disadvantaged Communities and a track record addressing needs in those communities – applicants must be able to show that they either have a history of funding clean energy or climate projects or that they can meaningfully adapt their infrastructure and pipelines to address GHGR
- Market transformation – an applicant must show that their approach will help to push private markets to address GHGR to drive demand and get to BAU practices

Minimum awards should be \$1 billion and maximum awards should be \$5 billion. Entities should be able to show the following:

- Adequate originations infrastructure through their organization or through the ecosystem of lenders they are representing
- Credit and Risk infrastructure that provides the EPA with comfort in regards to proper deployment
- Technical capacity to take on this quantity of money for climate investments, or a plan to build it
- A track record of leveraging public and private sector capital to achieve GHGR
- Priority focus should be on building energy efficiency and electrification, solar + storage and transportation

¹ Since non-profit lenders routinely accept repayments and other revenue from non-IRA activities and then deposit those funds into bank accounts, we are seeking clarification that the following language from the statute: is only intended as a way of distinguishing between depository institutions (which are not eligible) and non-depository CDFI lenders, which are eligible: “Does not take deposits other than from repayments and other revenue from using these grant funds”.



Timing of all awards should be deployment over 10 years. Applicants should show how they will use the money over that timeframe, including how they will recycle some of the capital.

Mission based non-profit lenders (CDFIs, MDIs, and CUs) deploy tens of billions of dollars in capital every year to address their specific missions. These investments address a spectrum of need – from micro loans to very large affordable housing projects. Getting these entities to broaden their mission to include climate would have a dynamic impact on LI and Disadvantaged Communities reducing GHG emissions, creating awareness and generating demand across whole neighborhoods in unique and niche investments. This is much more powerful than simple, large scale investments which address only one thing, such as a coal plant conversion. The coal plant conversion might drive meaningful GHG reduction but the project would be one and done. Empowering an ecosystem of mission lenders, and engaging them in climate work, would have broader and longer lasting impacts and achieve capital market transformation. It would take the early years to ramp up and build capacity but over time they could increase the amount of those investments that are made to meet EPA defined GHG reduction standards.

Large scale energy infrastructures will also create new jobs and those jobs should be subject to Davis Bacon requirements. However, smaller scale housing and individual investments in LI and DAC should be exempted from Davis Bacon. Cost increases associated with prevailing wage are not tenable in small neighborhood projects and would offset any value or leverage the GHGRF would provide. Moreover, there is not a broad network of contractors available to do the work and many unions have yet to fully embrace the transition to clean energy, especially in the built environment.

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?

Mission based non-profit lenders that are already executing in LI and Disadvantaged Communities are best able to achieve GHG reduction in those communities as they are there already, they have partners and pipeline and most importantly they have a process that is transparent and trusted. All lenders stating that they can have impact in LI communities must show a successful track record. Mission based lenders, whether CDFI, credit unions or green specialty lenders, should illustrate their work and KPI. The challenges of using the GHGRF capital with these organizations is how broad the reach could be for a group that still has work to do to develop the technical capacity to meaningfully address climate change and GHG reduction. However, if the EPA lays out clear guidance that any lender can follow, that will support immediate and broad adoption.

B. ELIGIBLE PROJECTS

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

The EPA should prioritize building energy efficiency and electrification, solar + storage and transportation. Buildings emit significant GHG emissions, up to 70% of a city's total carbon footprint in places like NYC, and are very challenging to reduce. The key to transforming the built environment is transforming the capital markets that support them. Using this capital to create



products that look like typical market products but are enhanced with GHG reduction funds to incent property owners to reach for deep efficiency and GHG reduction as defined by the EPA is critical.

If we can't move the private capital markets, we can't move the needle on market transformative climate investment.

EPA should also support Green Specialty Lenders to drive technology innovation and market adoption and mission based lenders to penetrate GHG reduction in LI and DAC.

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

These responses will focus only on the mortgage markets, CPC's area of expertise.

1. *What are the barriers to private sector capital?*

The barriers are: high cost to decarbonize (both first costs and operational costs); no regulation requiring addressing GHG reduction in buildings; lack of scalable incentives to retrofit buildings; lack of awareness of climate risk and the need to address it in every transaction; lack of market demand; lack of contractor experience / engagement; lack of clear guidelines around how to reduce GHG and certify its completion; and lack of technical capacity available to private lenders to get it done wholesale.

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.*

In NY State, the HFA has changed its requirements for new construction multi-family affordable housing to be all-electric and carbon neutral-ready. This requirement has spurred an entire industry of developers, designers, engineers, contractors, lenders, syndicators, lawyers, and accountants to understand and value low-carbon building design and construction. This is possible, in part, because NYSERDA has added extra funds to cover the higher incremental costs for developers building during this early adoption phase when materials, systems, and design strategies are being tested or may not be readily available. Low income residents will benefit from healthier buildings, greater efficiency, combined heating and cooling, and reduced utility costs. Focusing on transforming the LIHTC infrastructure, which is the most successful affordable housing program in the country, can show how broad decarbonization can reach when it is required by the subsidy source that makes these deals happen.

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.*

In the 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, naturally occurring affordable and market rate, all need access to more money so buildings can be decarbonized. This capital can be deployed as simple subordinate debt, low interest loans or grants. It can be deployed this way at the time of acquisition or refinance or as mid-cycle supplemental capital. It can also be used to



drive the rate down in the private debt that a borrower would reach for. To repeat the prior example cited:

Using first mortgage capital as an example, grant dollars from the EPA can be used to buy down the first mortgage rate to a level that allows the property owner to access the additional funds required to build or retrofit to net zero or net zero ready. In this example, the GHGR funds would be in a top loss position, providing the private capital with protection (AKA insurance/credit enhancement) which will drive their part of the rate lower than if they did the entire first mortgage. A significant rate reduction can be achieved, typically 200 basis points or more. The GHGR funds can also allow the borrower to borrow money above standard Loan to Value (LTV) ratios. If a typical first mortgage on a multifamily property is leveraged at 80% LTV at a rate today of 6.5%, a rate buy down with GHGR funds could bring the rate down to 4.5% and allow the owner to borrow more money up to 85% or 90% LTV. The goal would be to keep the cost of the debt (monthly payment) for the typical loan the same as the larger loan with the lower rate. Property owners financing properties, whether newly constructed, retrofitted, refinanced or acquired, are motivated first and foremost by rate. Rationally, they will want a low rate and high leverage; the crucial condition being that to access it, they will have to achieve significant GHGR as defined by the EPA. The portion of the top loss piece (the GHGR money) that is over leverage at the time of refinance can be forgiven at refinance. If rates come back down as anticipated, more of the capital can be returned. If rates stay high more will be forgiven.

This approach offers great flexibility. Overall benefits include:

- Introduce owners who would not otherwise be thinking about GHGR to the process by enticing them with a lower rate
- Introducing private capital to what it takes to meaningfully address GHGR which will become more and more important as the risk of not doing so is exposed in their portfolios
- The interest rate buy down tool can be tailored to different types of projects and markets. It can be used with the mortgage banking industry through Freddie Mac and Fannie Mae – who often set industry standards for how housing gets financed
- 3 to 1 leverage can capture hundreds of thousands of housing units (single and multifamily) over 10 years as the transition drives decarbonization to business as usual and building codes and government regulations catch up
- Market transformation of private capital, educating lenders on how to address GHGR

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?*

Other barriers include:

- Lack of specific EPA definitions of GHG reduction metrics
- High cost to achieve meaningful GHG reduction
- a lack of demand and awareness
- lack of workforce capacity and accessible technical solutions
- high cost of electricity in many places
- lack of building codes and regulations requiring GHG reduction



EPA can work with other government entities to align priorities and either incent or require all segments of the capital markets and the broad economy to come together to create whole sale solutions that can be passed down to lenders and organizations so decarbonization can be routinely retained.

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?

The EPA should look for plans in applications that directly connect the GHGR funds to capital projects that already exist. Getting at all the investments that are currently being made in LI/DAC and adding incentive capital to decarbonize would be powerful. EPA should look for direct applicants that are strong enough to directly deploy capital on their own as well as industry intermediaries that represent scores of lenders ready to do the work but too small to make a direct application. EPA should empower those intermediaries with the capacity to develop the expertise for their lender networks to address GHG reduction as well as fund regional hubs that create tailored solutions for different climates and conditions.

EPA should allocate all LI/DAC capital to mission based lenders as that is the best way that the lender will deploy the capital in those communities. Green specialty lenders are less versed in DACs and more focused on technology and large scale investments. Both should be funded as they will complement each other in the end.

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?

Investments in affordable housing and other smaller loans and investments would be negatively impacted if this capital came with prevailing wage requirements. While fair compensation for labor is critically important, the added cost of externally imposed prevailing wages that may be above actual market wages for a small affordable project would completely offset the benefit of the incentive capital. Moreover, smaller projects often cannot attract large union scale construction companies. A prevailing wage carve out should be considered for all small and LI/DAC investments.

The importance of EPA specified guidelines around GHG reduction cannot be stressed enough. Unless there is a common goal which is tangible, well defined and certifiable at completion, GHG reduction will become subjective and hard to measure. In order to drive meaningful and measurable impact, and be able to declare success which can show the need for more capital and regulatory change, specific metrics must be defined and included as a part of the application. This will help provide clarity to potential applicants and the most capable will rise to the top.



III. EXECUTION, REPORTING AND ACCOUNTABILITY

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)?

Given the tight time frame, in the short term, the EPA should:

- Define the threshold metrics of what will qualify as GHGR both in terms of metric tons of carbon removed but also in terms of tangible standards in the market that are knowable to lenders and investors
- Prequalify existing non-profit lenders based on the EPA definition provided and clarify that the requirement that such lender not take deposits other than from repayments and other revenue from using these grant funds does not prevent such lender from taking in money from non-IRA activities and depositing it in a bank account.
- State the minimum and maximum amount for any one applicant
- State which sectors/verticals are a priority for EPA
- Specifically define market transformation and leverage ratios
- State whether or not funds can be allocated as direct grants for low income projects
- Define how the EPA will administer the money – TA grants vs. lending capital and define the way the money can be recycled
- State the extent of Davis Bacon requirements
- Clarify what type of fund recycling is required and whether lenders can retain revenue through interest payments and origination fees

In the medium term, the EPA should:

- Define the governance structure that will oversee the recipients
- Advise how the money will flow to the lenders
- Build technical capacity to assist the recipients with successful GHGR

Over the long term, the EPA should:

- Develop a reporting system that accurately captures success and impact
- Share success stories across the broad network of lenders so lessons can be broadly learned
- Collaborate with other departments in government that deploy capital to see how those sources themselves can be enhanced to include a focus on climate and GHGR and create broad alignment across public entities and their priorities for GHGR

B. WHAT TYPES OF REQUIREMENTS COULD EPA ESTABLISH TO ENSURE THE RESPONSIBLE IMPLEMENTATION AND OVERSIGHT OF THE FUNDING?

The single biggest thing is providing common metrics on what levels of GHG emissions need to be reduced and specifying the tools that borrowers must use to get there. Secondly, there should be milestones for committing the capital and then getting it out the door. Projects often take time to close once they are committed. Lastly, EPA should have a reporting template that is simple to use and can be routinely update by funded entities to show progress and GHG reduction.



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?

Applicants should become carbon neutral companies. This would get them to institutionally adopt and understand the global requirements for getting to zero.

To insure maximum accountability and good governance, all recipients and subrecipients should be required to invest in staff hired exclusively to drive sustainability and GHGR across the organization. Having a dedicated team is critical to holding lenders and borrowers accountable to GHGR as defined by the EPA.

Applicants can also agree to incorporate Climate or the Clean Energy transition into their stated corporate goals. While Green banks and specialty green lenders will not have to do this, they should be required to incorporate addressing the needs of LI/DAC into their goals and specifically state in their applications how they will mobilize in DAC and differentiate from CDFIs, MDIs and CUs that are already there.

On behalf of CPC, we deeply appreciate the opportunity to provide input on the design of the Greenhouse Gas Reduction Fund and look forward to the catalytic impact of this funding. Should there be any other support or technical assistance CPC can provide, please do not hesitate to reach out.

Sincerely,

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ELEVATE

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November 9, 2022

U.S. Environmental Protection Agency
Listening Session on Greenhouse Gas Reduction Fund

Thank you for the opportunity to comment today. I'm Anne McKibbin, Principal Director of Policy at [Elevate](https://www.elevate.org), an Illinois-headquartered nonprofit that works nationwide, with extensive projects in historically disinvested communities in the Midwest and West Coast states. We design and implement energy efficiency, solar, building decarbonization, clean water, and workforce development programs. We help owners and tenants of affordable apartment buildings to retrofit their buildings and manage their energy use. We are also a member of the Relay Network, a network of similar mission-based organizations mentioned earlier by Lauren Bauman.

If the Greenhouse Gas Reduction Fund is to assist the EPA and federal government in living up to the Justice 40 Initiative's goals, then it must be used to fill gaps in financing for projects that benefit communities and households. There are many attractive large-scale projects in the clean energy space, but many of these projects have other sources of support, including tax credits, other IRA programs and access to private capital. Energy efficient building retrofits, community-scale renewables, and building decarbonization in residential buildings and buildings owned by community-based organizations are much harder to move forward. We urge EPA to focus its efforts on these types of projects, which need additional support and have few other places to go for it.



ELEVATE

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The buildings sector emits over a third of America's carbon emissions. Buildings where people live – apartments, 4-flats, duplexes, and single-family homes – are the center of people's lives. If we want to decarbonize our society and improve quality of life, we must start there. There are hundreds of programs across the country that help home and apartment owners to upgrade their buildings to be more efficient, use renewable energy, and eliminate fossil fuels, but significant funding gaps remain for these projects. The Greenhouse Gas Reduction Fund could fill those gaps in millions of building projects, making our homes healthier, employing our neighbors, and showing communities that the IRA brought results right to their doorstep.

Some of this work is already being done, but we need much more. There is an ecosystem of program implementers who know building owners and their needs and can help connect them to funding and help them carry out construction projects. These projects will require significant technical assistance, but there are people on the ground doing this work today and giving them a flexible funding source will allow them to scale.

So, we at Elevate encourage EPA to consider this as you design your programs and will be filing comments with more details. Thank you so much!

From: [Joel Blaine](#)
To: [EFAB](#)
Subject: GHGRF comments
Date: Thursday, November 17, 2022 11:09:24 AM

Hello EFAB members,

Thank you for the opportunity to provide feedback on the implementation of the GHGRF and your commitment to helping this historic program get off the ground.

As a national non-profit solar developer and job training provider I'd like to share some perspective on ensuring EJ communities are well served, and funds can be deployed quickly and equitably.

GRID Alternatives has worked with EJ communities for nearly 20 years to provide access to clean energy and the clean energy economy. We've also recently established a clean energy loan fund - Energy Resilience Fund (a public benefit LLC). Through our work on both the development and lending side, we've found that as much as access to capital is a challenge, so is access to "credit-ready" projects. We believe that a strong commitment to ecosystem development will be critical to helping the funds quickly reach and impact target communities.

Access to projects-

Despite a network of green banks and community lenders, and foundations with climate equity commitments, we've found that capital still struggles to find and fund EJ focused clean energy projects. There are organizations like GRID that focus on EJ clean energy projects, but those groups are small compared to the market rate focused developers. EJ projects tend to be more challenging than traditional projects due to physical barriers of the building stock (garden style apartments, deferred repairs, older roof systems, inadequate electric infrastructure) and financial barriers (lower availability of on hand capital, complicated investor/lender structures for AH, resyndication schedules, split incentives). In a free TA effort to AH providers, GRID analyzed ~3000 AH properties' solar capacity. From that effort in 2018, only 5% were able to advance to project completion - with many of those projects reliant on grants or incentives. With better financing options available today, increased ITC values, we are optimistic that many of these projects could now be economically feasible, but would require a strong outreach and community presence to help these buildings navigate the complexities of solar finance. Without a significant resource allocation to community based organizations and mission-aligned developers I fear many of these project types would go undeveloped. The extra effort required to advance EJ projects has historically not been 'worth the squeeze' for conventional solar developers or building owners themselves. We strongly encourage GHGRF dedicate resources to building the ecosystem of pipeline development to ensure GHGRF funds have a place to be deployed and in a way that delivers meaningful benefits to EJ communities.

Recommendation: make grant dollars available to mission-aligned developers and community based organizations to provide technical assistance to EJ communities to develop more credit-ready projects. Or provide project development capital to mission-aligned developers and CBOs to allow them to better develop and cultivate a pipeline of projects that GHGRF lenders can finance. Note this TA could also be used to work with GHGRF lenders directly on project origination.

Access to Capital -

Again, while many funding sources exist for EJ clean energy projects, oftentimes the type of capital is not well suited to these projects. Community lenders, Green Banks, Philanthropic investors/lenders really struggle to offer longer term capital, lower cost debt, and even grant dollars necessary to unlock GWs of EJ clean energy projects. Simply providing more of the same type of financing products currently offered by these lenders risks that new capital remaining idle on balance sheets. GHGRF should drive lenders to shift their financing products to better match the needs of these challenging EJ projects. Green Banks certainly have the most history in the clean energy lending space, but have predominantly been active in market rate projects. Conversely, community lenders like CDFIs have the most track record working with these target communities, but by and large have less experience with clean energy financing products (estimated on 25% of CDFIs currently do clean energy lending). More work is needed to help these existing lenders meet the needs of the EJ communities GHGRF aims to serve.

Recommendation:

Push GHGRF recipients to tailor more inclusive financing products that meet the actual needs of EJ projects (20 year terms, sub 3% interest, grant funding to bridge project gap costs like infrastructure upgrades). These financing products should also better navigate the challenges AH providers have with additional indebtedness either through unsecured products, funding for legal reviews, etc. Provide grant funding to community based organizations, mission-aligned developers, and TA providers for technical assistance to existing green banks, loan funds, CDFIs and other community lenders to both help with project origination, financing product design, and diligence & underwriting, to activate both new and existing capital to better serve this market.

Broaden the eligible recipient profile of GHGRF to include mission-aligned, for-profit (ie PBLLC or B corps) that are already working with EJ communities on clean energy development, or include mission-aligned developers that are already self-financing EJ clean energy projects.

Thank you again for all of your work on this and willingness to receive input from the market.

Best

--

Joel Blaine | Director, Business & Project Development

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From: [Elisabeth Coats](#)
To: [EFAB](#)
Cc: [Lou Tisler](#)
Subject: National NeighborWorks Association comments to the Environmental Financial Advisory Board
Date: Thursday, November 17, 2022 2:52:11 PM

Good afternoon,

The National NeighborWorks Association respectfully submits the following comments for the Environmental Financial Advisory Board's consideration. These comments relate to the Environmental Protection Agency's design of the Greenhouse Gas Reduction Fund.

The National NeighborWorks Association (NNA) is the trade association representing 235 NeighborWorks affiliate organizations. Each NNA member is a 501(c)(3) nonprofit organization proficient in affordable housing and community development. 88 of these organizations are certified Community Development Financial Institutions (CDFIs) – including Native CDFIs – with an additional 41 operating as emerging CDFIs. These entities are experienced in conducting lending activities, with more members seeking to expand their work into this realm. All NNA members conduct services benefitting and supporting underinvested areas, and NeighborWorks organizations leveraged almost \$17 billion in reinvestment in their communities in Fiscal Year 2021. The NNA believes that successful and equitable implementation of Inflation Reduction Act (IRA) programs involves affordable housing improvement and community lending eligibility. Involving housing and community development non-profits as stakeholders in the EPA's climate and environmental justice work will ensure reinvestment can effectively enhance opportunity and vitality within all communities across the United States. We appreciate the Environmental Financial Advisory Board's (EFAB) consideration of these comments, specifically as they relate to the Greenhouse Gas Reduction Fund (GGRF).

Within the GGRF's eligible activities, the NNA Network affirms that grants, loans, and/ or technical assistance to allow low-income and disadvantaged communities to deploy or benefit from zero-emission technologies would most benefit the work of NeighborWorks organizations. NNA members, including those operating as CDFIs and community lenders, understand the needs of the disadvantaged communities that the GGRF seeks to address. The NNA strongly recommends community lenders – including CDFIs, Native CDFIs, and emerging CDFIs – be direct recipients of GGRF dollars. Non-profit organizations conducting affordable housing construction and preservation are also key stakeholders, therefore the NNA recommends the EPA consider these entities designated as direct recipients as well.

Affordable housing stakeholders are eager to take advantage of the GGRF, and the NNA strongly suggests the EPA allow as much flexibility as possible to incentivize this clean energy work, targeting low-income and disadvantaged communities as primary beneficiaries. The NNA recommends the EPA provide thorough guidance, articulate a realistic timeline of activities, and clarify the intended impacts of these interventions to assist NNA members and other applicants in determining which activities are feasible to implement. NNA members' staff sizes range from under 10 to over 1,000, therefore flexibility in guidance and rules for program operation must be central to the GGRF's regulatory design. The EPA should prepare to support applicant organizations of all sizes and

capacities seeking to take advantage of the GGRF to bring energy and emission reduction practices and benefits into their communities.

As the EFAB makes recommendations to the EPA regarding grant requirements and other standards for eligible recipients, the NNA requests the EPA recognize NeighborWorks organizations and CDFIs as compliant entities that undergo consistent vetting by their respective overseeing Federal agencies to maintain their status. We also request these organizations to be recognized for being proper stewards of federal funding, consistently displaying the mission of promoting community development while effectively supporting low- and moderate-income communities and households, thereby yielding equitable outcomes. Because of the existing standards placed on these entities, the NNA strongly encourages the EPA not to place burdensome boutique requirements on NeighborWorks Organizations, CDFIs, and other Federally-certified community lenders that are GGRF awardees. The NNA also supports robust interagency coordination with the Department of Treasury and other relevant Federal entities to ensure true accountability of grantees to serve low- and moderate-income communities, as is statutorily required. Additionally, within the \$11.97 billion authorized for technical assistance, the NNA requests that the prioritization of these funds are rooted in racial equity. This will align with the Biden-Harris Administration's Justice40 initiative to ensure entities with lower capacity operating in communities of color, remote communities, and tribal communities can access and issue sufficient technical assistance and capacity-building resources. The NNA also encourages the EPA to coordinate with Federal partners and activate existing resources to streamline the usability of the GGRF.

The NNA recognizes that many States have a breadth of experience in funding clean energy projects and ensuring those dollars benefit low-income communities through lasting, transformative programs. However, this cannot be said for every State, as some States elect not to deploy Federal resources for a myriad of reasons. The NNA reminds the EFAB that a State's reluctance to deploy funding can lead to non-profit entities losing out on the opportunity to be a subgrantee, and most crucially a low-income community is siphoned off from Federal resources. As such, the NNA encourages EFAB and the EPA to consider a recapture option or similar mechanism for States who do not deploy the funding within an appropriate period of time. The EPA could consider reissuing the funding to eligible entities who are willing to immediately obligate those dollars – such as mission-driven non-profits that conduct community lending and affordable housing activities.

The NNA again appreciates the opportunity to inform the design and implementation of this critical program. Should any questions or points of clarification arise when reviewing the NNA's comments, please contact Elisabeth Coats, Director of Policy and Advocacy, at ecoats@nnwa.us.

Sincerely,

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