

Public Comments Received for Environmental Financial Advisory Board

December 15, 2022 Virtual Meeting

Written Comments

- Americans for Financial Reform Education Fund
COMMENT: (attached)
- Americans for Financial Reform Education Fund, Emerald Cities Collaborative, The Greenlining Institute, Just Solutions Collective, Rewiring America, and 73 equity-aligned organizations
COMMENT: (attached)
- Americans for Financial Reform Education Fund, The Chisholm Legacy Project, The Greenlining Institute, Public Citizen, and WE ACT for Environmental Justice
COMMENT: (attached)
- Arlington Partnership for Affordable Housing
Carmen Romero, President and CEO
COMMENT: (attached)
- Calvert Impact Capital
Beth Bafford
Krystal Langholz
COMMENT: (attached)
- Calvert Impact Capital, Natural Resources Defense Council, Opportunity Finance Network, New York Energy Efficiency Corporation
COMMENT: (attached)
- Chinatown Community Development Center, Brightline Defense Project, Mission Economic Development Agency, Little Tokyo Service Center, Silicon Valley at Home, East Bay Asian Local Development Corporation, and the Tenderloin Neighborhood Development Corporation
COMMENT: (attached)
- Coalition for Green Capital
Eli Hopson, Executive Director/Chief Operating Officer
COMMENT: (attached)
- Coalition for Green Capital
Kevin S. Minoli, Counsel
COMMENT: (attached)
- Cook County (IL) 6th District
Donna Miller, Commissioner
COMMENT: (attached)

- EAH Housing
Laura Hall, President and CEO
COMMENT: (attached)
- Ecority
COMMENT: (attached)
- Eden Housing
Linda Mandolini, President
COMMENT: (attached)
- Evernorth
Nancy Owens, Co-President
COMMENT: (attached)
- Foundation Communities
Water Moreau, Executive Director
COMMENT: (attached)
- The Greenlining Institute
COMMENT: (attached)
- Groundswell
COMMENT: (attached)
- Hannon Armstrong
Jeffrey W. Eckel, Chairman and CEO
COMMENT: (attached)
- Illinois Finance Authority/Climate Bank
Christopher B. Meister, Executive Director
COMMENT: (attached)
- Inclusive
Cathie Mahon, President/CEO
COMMENT: (attached)
- Just Solutions Collective, Emerald Cities Collaborative, Rewiring America, and 38 others
COMMENT: (attached)
- Massachusetts Clean Energy Center
COMMENT: (attached)
- National Housing Trust
Todd Nedwick, Senior Director of Sustainability Policy
COMMENT: (attached)

- NDN Collective
COMMENT: (attached)
- New York State Energy and Research Development Authority
Doreen Harris, President and CEO
COMMENT: (attached)
- Self-Help
Martin Eakes, CEO
COMMENT: (attached)
- Self-Help Enterprises
Thomas J. Collishaw, President and Chief Executive Officer
COMMENT: (attached)
- South Carolina Clean Energy & Resiliency Accelerator
Jory Fleming
COMMENT: (attached)
- Southeast Sustainability Directors Network and Urban Sustainability Directors Network
COMMENT: (attached)
- State Energy and/or Environmental Agencies of CT, CO, IL, LA, ME, MI, NV, NJ, NM, PA, and VT
COMMENT: (attached)
- Triple Bottom Line Foundation, ResourceSmart LLC, International Center for Appropriate and Sustainable Technology (ICAST)
COMMENT: (attached)
- US Composting Council
Frank Franciosi, Executive Director
COMMENT: (attached)
- Vermont Municipal Bond Bank, Vermont Economic Development Authority, Vermont Housing Finance Agency
COMMENT: (attached)

**Resources to Inform Greenhouse Gas Reduction Fund Guidance:
Understanding Black Communities' Needs Around Environmental
Justice, the Need to Better Understand Unincorporated Communities
and Freedmen Settlements, and Applying Lessons Learned from the
Property Assessed Clean Energy Programs**

Summary

This memo is designed to provide resources for the Environmental Financial Advisory Board (EFAB) related to key considerations for its recommendations to the Environmental Protection Agency (EPA) on implementation of the Greenhouse Gas Reduction Fund (GHGRF). We urge the EFAB to use these and additional resources to focus on (1) a thorough understanding of environmental justice and why Black community voices must be prioritized, (2) a need to better understand and support unincorporated communities and historic designations such as Freedmen's Settlements and (3) applying lessons learned from the Property Assessment Clean Energy Program, a government-led program, that intended to provide clean-energy financing to low-and-moderate communities but had adverse financial impacts on those same communities.

Property Assessment Clean Energy (PACE) Programs

Unregulated Residential Property Assessment Clean Energy (R-PACE) loans, have resulted in some predatory lending on vulnerable consumers that reside in low-income communities in the states where the product is actively sold, upending financial stability for homeowners whose neighborhoods already were decimated by the financial crisis of 2007-2008. The GHGRF should not support financing programs or projects which may similarly harm low-income and disadvantaged communities.

Some contractors of R-PACE loans have been known to market loans, especially for low-income, elderly, and Limited English Proficient (LEP) customers, under the false guise of home improvement and energy efficiency when, in reality, and contrary to the promises made in often deceptive marketing, R-PACE loans have been bigger than customers believed and financed energy products that have not been interconnected or resulted in energy savings. Like the

subprime lending abuses that led to the recent financial crisis, PACE loans frequently target the most vulnerable borrowers: low-income families, the elderly, and communities of color.¹ Energy efficiency upgrades should not become a cover for practices that harm vulnerable homeowners. Like traditional mortgages or other lines of credit, PACE financing is tied to the borrower's home. For many borrowers, PACE loans are unaffordable mortgage products that put them in danger of foreclosure.

The EPA should ensure that GHGRF resources are not utilized for products sold door-to-door with opportunities for deceptive marketing from unlicensed third parties. Further, collateral structures such as home liens should be prohibited.

- **Academic Study**
 - [The Dark Side of the Sun: How PACE Financing Has Under-Delivered Green Benefits and Harmed Low-Income Homeowners](#) by Berkeley Law Environmental Law Clinic (February 2021)
- **Videos**
 - [National Consumer Law Center: Last Week Tonight with John Oliver: PACE](#) (June 21, 2021)
- **Brief**
 - [PACE Loans: State and Local Consumer Protection Recommendations](#) by National Consumer Law Center (November 1, 2019)
 - [Residential PACE Loans: the Perils of Easy Money for Clean Energy Improvements](#) by National Consumer Law Center (September 1, 2017)
- **Press Release**
 - [FTC, California Act to Stop Ygrene Energy Fund from Deceiving Consumers About PACE Financing, Placing Liens on Homes Without Consumers' Consent](#) by FTC (October 28, 2022)
- **Blog**
 - [Berkeley Blog: Green in black and white: It's time to show up](#) by Claudia Polsky, assistant clinical professor of law (June 5, 2020)
- **Testimony**
 - [Residential Property Assessed Clean Energy \(PACE\) Programs](#) by Charlie Harak, National Consumer Law Center (September 29, 2021)
- **Letters**
 - [AFREF and Partners: 2022 Fintech in Housing Finance RFI](#) (October 31, 2022)
 - [Group Letter: Federal Housing Finance Agency Climate and Natural Disaster Risk Management Request for Input](#) (April 19, 2021)

¹ National Consumer Law Center (on behalf of its low-income clients) and National Housing Law Project, Comment Letter on Advance Notice of Proposed Rulemaking for Residential Property Assessed Clean Energy (PACE) Financing (May 7, 2019), <https://www.nclc.org/wp-content/uploads/2022/08/nclc-nhlp-pace-comments-may2019-1.pdf>.

- [Comments to the Federal Housing Finance Agency Regarding Request for Input for Property Assessed Clean Energy \(PACE\) Program No. 2020–N–1](#) by National Consumer Law Center (on behalf of its low-income clients) National Housing Law Project Consumer Federation of America Americans for Financial Reform Education Fund and National Fair Housing Alliance (March 16, 2020)
- [National Consumer Law Center: Group Letter to CFPB Regarding Importance of Applying TILA to PACE Loans](#) (Jan 8, 2020)
- [Comments to the CFPB Regarding Residential Property Assessed Clean Energy \(PACE\) Financing](#) by National Consumer Law Center (on behalf of its low-income clients) and National Housing Law Project (May 7, 2019)
- **Stories**
 - [National Consumer Law Center: Residential Property Assessed Clean Energy \(PACE\) Loans: The Perils of Easy Money for Clean Energy Improvements](#) (September 2017)
- **Articles**
 - [Governing: Ohio Lawmakers Seek Strict Rules for “Clean Energy” Lending](#) by Jeremy Kohler, ProPublica (Nov. 13, 2022)
 - [ProPublica: Ohio Lawmakers Seek Strict Rules for “Clean Energy” Lending](#) by Jeremy Kohler (Nov 2, 2022)
 - [Tampa Bay Times: Hillsborough cuts ties to PACE program, citing unethical business practices](#) by C.T. Bowen (August 20, 2020)
 - [ProPublica: Clean Energy Lender Will Stop Making High-Interest PACE Loans in Missouri](#) by Jeremy Kohler (August 12, 2022)
 - [Tampa Bay Times: Hillsborough affirms opposition to PACE home improvement program](#) by C.T. Bowen, Times staff (August 4, 2021)
 - [ProPublica: Cities in Ohio Want to Use the Same Clean-Energy Financing Company That Saddled Missouri Homeowners With Debt](#) by Jeremy Kohler (July 12, 2021)
 - [Missouri Independent: Governor signs bill enacting new oversight over Missouri clean energy loan program](#) by Jason Hancock (June 29, 2021)
 - [ProPublica: Missouri Lawmakers Approve Reforms to Controversial Clean-Energy Loan Program](#) by Jeremy Kohler and Haru Coryne (May 12, 2021)
 - [ProPublica: State-Supported “Clean Energy” Loans Are Putting Borrowers at Risk of Losing Their Homes](#) by Jeremy Kohler and Haru Coryne (April 23, 2021)
 - [Bloomberg: The Subprime Solar Trap for Low-Income Homeowners](#) by Rebecca Burns (April 6, 2021)
 - [Bakersfield.com: Homeowner fears losing property over solar loan](#) by John Co (April 24, 2020)
 - [KCRW: Effort to make LA more eco-friendly means foreclosure for one homeowner](#) by Anna Scott (Sep. 17, 2019)

- [LATimes: Homeowners were defrauded through the PACE lending program. L.A.'s city attorney alleges](#) by Andrew Khouri (April 4, 2019)
- [LA Times: PACE lender approved 'potentially fraudulent loans,' ex-employee alleges](#) by Andrew Khouri (March 1, 2019)
- [LATimes: A loan program was set up to boost energy efficiency. Instead, it's being used to build 'granny flats'](#) by Andrew Khouri (Feb. 17, 2019)
- [Daily Democrat: Seniors buying clean energy loans victimized by Amita Sharma](#) (December 10, 2018)
- [CalMatters: The latest rip-off risk for elderly homeowners? Clean energy loans](#) by Amita Sharma (November 27, 2018)
- [LATimes: Lawsuits filed against L.A. County, lenders over green energy program](#) by Andrew Khouri (April 12, 2018)
- [VICE News: I Tried to Make My Home Energy-Efficient and It's Ruining My Life](#) by David Dayen (December 19, 2017)
- [LATimes: Bakersfield votes to end controversial program that funds home solar panels](#) by Andrew Khouri (July 20, 2017)
- [LATimes: These loans were created to help homeowners, but for some they did the opposite](#) by Andrew Khouri (June 4, 2017)
- [East Bay Times: California law places consumer protections on PACE loans](#) by Rose Meily (November 17, 2016)
- [Voice of San Diego: Some Homeowners Looking to Move Must Deal With a Change of PACE](#) by Lisa Halverstadt (June 22, 2015)

Environmental Impacts on Black Communities

Black communities have and continue to be devastated financially by the compound crises of climate change and environmental injustice. We urge the EPA to issue a request for proposals with guidance that will generate a diverse applicant pool and prioritize entities with proven grantmaking or financing relationships to Black-led organizations and communities. Recipients of the GHGRF should have a track record of working in and with Black communities, and they should be provided financial and technical assistance to engage in this historic green financing opportunity.

Poll

- [Poll of Black and Latino/x Communities on Climate Change and the Clean Energy Transition](#) by GreenLatinos, Third Way, & WE ACT for Environmental Justice

Stories

- [Surviving Cancer Alley: The Stories of Five Communities by Deep South Center for Environmental Justice](#)

Research

- [Science Daily: US black and Hispanic minorities bear disproportionate burden from air pollution](#) by University of Minnesota (March 11, 2019)
- [General Accounting Office: Siting Of Hazardous Waste Landfills And Their Correlation With Racial And Economic Status Of Surrounding Communities](#) (June 1, 1983)

Briefs

- [Environmental Defense Fund: African American Communities and Climate Change](#)

Blogs

- [World Economic Forum: Black communities in the US will be hardest hit by floods caused by climate change, say scientists](#) by Victoria Masterson (July 4, 2022)
- [EarthJustice: How 600 Years of Environmental Violence Is Still Harming Black Communities](#) by Teju Adisa-Farrar (March 30, 2021)
- [Environmental Racism in Uniontown, AL](#) by University of Maryland Community Engagement, Environmental Justice & Health Department (March 28, 2021)
- [Center for American Progress: 5 Things to Know About Communities of Color and Environmental Justice](#) by Jasmine Bell (April 25, 2016)
-

Articles

- [NY Times: Discrimination Seeps Into Every Aspect of Home Buying for Black Americans](#) by Debra Kamin (November 29, 2022)
- [The Washington Post: Redlining means 45 million Americans are breathing dirtier air, 50 years after it ended](#) by Darryl Fears (March 9, 2022)
- [ProPublica: How Black Communities Become “Sacrifice Zones” for Industrial Air Pollution](#) by Ken Ward Jr., Mountain State Spotlight (Dec. 21, 2021)
- [The Griot: Why Black communities are bearing the brunt of climate change](#) by Dr. Shamard Charles (September 7, 2021)
- [Vox: There’s a clear fix to helping Black communities fight pollution](#) by Rachel Ramirez (February 26, 2021)
- [NYTimes: Pollution Is Killing Black Americans. This Community Fought Back.](#) by Linda Villarosa (July 28, 2020)
- [Inside Climate News: ‘This Is an Emergency’: 1 Million African Americans Live Near Oil, Gas Facilities](#) by Marianne Lavelle, Phil McKenna (November 14, 2017)

Freedmen Settlements

We encourage the EPA to consider less resourced communities such as unincorporated communities and Freedmen’s Settlements in its targeting of disadvantaged communities to engage with and benefit directly from the GHGRF.

- **Articles**
 - [The Root: History's Lost Black Towns](#) by Brandee Sanders (January 27, 2011)
- **Blogs**
 - [Pulitzer Center: Vanishing Land: Climate Change Displaces Black Families Along Gullah-Geechee Corridor](#) by Melba Newsome and Mallory Cash (November 28, 2022)
 - [Texas State Historical Association: Freedmen's Settlements](#) by Thad Sitton (July 17, 2007)

Americans for Financial Reform Education Fund is a nonprofit organization which fights to eliminate inequity and systemic racism in the financial system in service of a just and sustainable economy. Formed in the wake of the 2008 crisis, we are working to lay the foundation for a strong, stable, and ethical financial system – one that serves the economy and the nation as a whole. AFREF works in coalitions alongside environmental justice, civil rights, consumer, labor, business, investor, faith-based, and civic and community groups.



December 5, 2022

Michael Regan, Administrator
US Environmental Protection Agency
Office of the Administrator, Mail Code 1101A
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Re: Docket ID No. EPA-HQ-OA-2022-0859

Dear Administrator Regan, EPA Staff, and Members of the Environmental Finance Advisory Board,

On behalf of Americans for Financial Reform Education Fund, Emerald Cities Collaborative, The Greenlining Institute, Just Solutions Collective, Rewiring America, and the 73 undersigned organizations, we welcome the opportunity to comment in response to the Environmental Protection Agency's (the "EPA") Request For Information ("RFI") on the Greenhouse Gas Reduction Fund (the "Fund") program design and implementation. We write to urge you to prioritize environmental, racial, and economic justice as you administer the Greenhouse Gas Reduction Fund, as authorized by the Inflation Reduction Act of 2022.

The EPA should plan the implementation of the Fund to ensure it achieves both the equity and climate goals of the Inflation Reduction Act, President Biden's Justice40 Initiative,¹ and the EPA's Equity Action Plan.² Below are key principles the EPA should prioritize in order to equitably deploy capital to maximize benefits to low-income and disadvantaged communities.

The EPA should disburse capacity-building technical assistance and workforce development funding to low-income and disadvantaged communities in the initial tranche of funding.

Recognizing that the EPA is required by statute to begin disbursing funding in February of 2023 and that there is a significant need to help communities meaningfully participate in the Fund and to boost the workforce needed to install zero-emissions technologies and deploy other qualified projects, this would

¹ "Justice40 A Whole-Of-Government Initiative." The White House. <https://www.whitehouse.gov/environmentaljustice/justice40/>

² "Equity Action Plan." Environmental Protection Agency. <https://www.epa.gov/environmentaljustice/equity-action-plan>

help community-based organizations and environmental justice communities boost their capacity to apply for and advance zero-emissions projects.

The Fund should prioritize capacity-building investments in low-income and disadvantaged communities. Qualified projects include any activity that “assists communities in the efforts of those communities to reduce or avoid greenhouse gas emissions and other forms of air pollution.” Activities in low-income and disadvantaged communities that build the community’s capacity, like community planning and workforce development, should be prioritized for direct investment. Making these investments early will enable communities to better take advantage of subsequent opportunities for investment and assistance. Likewise, prioritizing technical assistance grants to low-income and disadvantaged communities will result in communities that are better equipped to meaningfully participate in the Fund. This includes indirect investments to establish new or support existing public financing entities like green or public banks. Additionally, on the community level, a spectrum of services should be made available that will facilitate the development of a potential pipeline of fundable projects, including education, pre-project development, and both application and project implementation support, such that when communities are prepared to seek funds they are successful in going through the process.

Investments should be stewarded by trusted community-based financial institutions and green banks with proven track records of investment in community-driven projects, offering the best opportunity to leverage private dollars to achieve the Fund’s goals. We urge the EPA to set forth a competitive, transparent process for selecting possible entities to receive dollars from the Fund to ensure a diverse set of entities are included in the pipeline to access the Fund. We recommend issuing a Request for Proposals (RFP) to generate a diverse applicant pool, and to prioritize entities with proven grantmaking or financing relationships to Black, Brown, Indigenous, People of Color (BIPOC)-led organizations, including a history of co-governance relationships with these organizations, in order to deliver maximum investment to the low-income, low-wealth, and disadvantaged communities whom the Fund is intended to reach. We further recommend the EPA ensure strong coverage of benefits across all geographies and within different networks and types of financial institutions.

Projects receiving direct or indirect investment from the Fund must be consistent with the fundamental environmental justice principle of self-determination. The Fund must include mechanisms to ensure that low-income and disadvantaged communities are meaningfully involved in making decisions about projects that may affect them, especially with respect to pollution, health, and energy burden. Investment standards should be in place that require projects to be community-driven, build community capacity, and deliver intentional benefits.³ We recommend that the EPA require recipients to proactively engage with residents of low-income and disadvantaged communities to develop and apply such standards for projects assisted by the Fund to ensure that meaningful benefits are realized and communities are not harmed.

³ “Greenlined Economy Guidebook.” The Greenlining Institute. September 2020.
<https://greenlining.org/publications/2020/greenlined-economy/>

Additionality will be best achieved by maximizing investment in low-income and disadvantaged communities, with an emphasis on Black communities, communities of color, and Tribes and Indigenous communities. The first step to this Fund creating additionality, i.e. funding projects that would not have been otherwise funded, is by prioritizing low-income and disadvantaged community projects. These funds should reach places that the private market is not yet reaching or that the market has neglected. To implement this practically, the EPA should institute a strong “but for” test which direct recipients must utilize to justify investments. Criteria or questions that should be considered in such a test could include:

- Could the recipient receive traditional financing (particularly private sector financing) for the project?
- Are there other incentives/programs that would better suit this project?
- Is there evidence to show that projects of similar type have been underserved by or excluded from programs or incentives that the project qualifies for (for example, as a result of historic discrimination or programs shown to have under-served portions of the eligible populations)?⁴

Projects that are likely not to pass such a test, and perhaps do not best serve additionality goals for this Fund, include utility-scale renewable energy projects and research and development projects for emerging technologies.

Opportunities to enhance economic well-being and wealth-building in low-income and disadvantaged communities should be emphasized. An important component in the implementation of the Fund is to facilitate a number of co-benefits to low-income and disadvantaged communities. These investments have an important role to play in closing legacy gaps in investment, especially in Black and other communities of color, that have hindered the accumulation of wealth in these communities and led to immense disparities. The EPA should encourage eligible recipients to incorporate opportunities for community ownership and wealth-building strategies in the deployment of clean energy technologies⁵ as a means of delivering this critical co-benefit.

Smaller-dollar, community-oriented projects should make up a considerable portion of the portfolio of projects financed from the Fund, to promote the use of proven emissions-reducing technologies that improve the health and livelihoods of communities. Traditional finance has long evaded small, community-scale projects as financial institutions prefer to finance larger-scale projects in order to meet underwriting criteria. In some cases, some financing institutions, like the New York Green Bank, are statutorily required to support projects at the wholesale level. The Fund offers a unique opportunity to extend capital to those very projects that would otherwise go unfunded either for legal reasons or because of the market’s preference for larger projects. The EPA should urge or incentivize recipients to dedicate funds to small-dollar projects such that the intention of the statute to benefit low-income and disadvantaged communities is met. These projects should incorporate proven strategies,

⁴ “Despite Progress, Low-Income Households Underserved by Utilities’ Efficiency Programs.” ACEEE. November 2022. <https://www.aceee.org/press-release/2022/11/report-despite-progress-low-income-households-underserved-utilities>

⁵ Kent, Adam. “An Opportunity for Equitable Climate Finance.” Natural Resources Defense Council. October 2022. <https://www.nrdc.org/experts/adam-kent/opportunity-transform-climate-finance>

which can include electrification retrofits, community-based mobility projects, district geothermal, rooftop and community solar, and battery storage, that reduce emissions and provide tangible benefits to residents of low-income and disadvantaged communities.

Require that information regarding financed projects is collected and publicly shared to ensure accountability of these projects and guarantee funds are reaching low-income and disadvantaged communities. It will be important for the EPA to track program outcomes for accountability, and as proof of concept for how these funds are facilitating market transformation and benefits to historically disinvested communities. The EPA should create a publicly-available web portal and dashboard, in addition to a technical assistance platform, that hosts the data for the Fund's climate and community benefits outcomes. The eligible recipients should be required to, at minimum, annually report to the EPA's portal on where and how the funds are being distributed.

Ensure that a mix of grants, loans, and low-cost financing options are supported by the Fund. While the Fund is intended to deploy capital in a way where the payback can help support the sustainability of the Fund, it is important that a portion of the fund is used to provide grants to projects that are unable to qualify for loans or financing. Well-positioned and targeted grants can help build market confidence in clean energy technologies as well as advance the infrastructure needed to sustainably deploy zero-emissions technologies. For example, grants to cover the upfront cost of starting a contractor firm could help individuals from underrepresented groups build sustainable businesses in communities. Even while deploying some grants, other financing support from the Fund could continue to ensure the Fund's continued operability.

The EPA should expressly confirm that the Fund is a "covered program" for Justice40 purposes. As part of implementation of Justice40, the Office of Management and Budget released Interim Implementation Guidance which specified that a "covered program" is a Federal Government program that makes covered investment benefits in one or more of seven areas, including climate change and clean energy and energy efficiency⁶. The guidance further requires agencies to report benefits to OMB. We recommend that the EPA confirm with OMB that the implementation of this Fund is a covered program and plan to report on program benefits accordingly.

We thank the EPA for issuing this RFI, and urge you to heed our input to design and implement the Greenhouse Gas Reduction Fund in a manner that maximizes benefits for low-income and disadvantaged communities.

⁶ "Interim Implementation Guidance for the Justice40 Initiative." Office of Management and Budget. <https://www.whitehouse.gov/wp-content/uploads/2021/07/M-21-28.pdf>

Sincerely,

Americans for Financial Reform Education Fund
Emerald Cities Collaborative
The Greenlining Institute
Just Solutions Collective
Rewiring America

ACCE (Alliance of Californians for Community Empowerment)
Action Center on Race & the Economy
Adasina Social Capital
African American Alliance of CDFI CEOs Inc.
Building Decarbonization Coalition
California Reinvestment Coalition
Center for Neighborhood Technology (CNT)
Ceres
City of Fort Collins
CleanAirNow
Climate Action California
Climate Crisis Policy
Coalition of Community Organizations
Communities Unlimited, Inc.
Connecticut Citizen Action Group (CCAG)
Cool Planet Working Group of First Presbyterian Church of Palo Alto
Croatan Institute
E2 (Environmental Entrepreneurs)
Earth Action, Inc.
Ecology Center (of Michigan)
Ecumenical Ministries of Oregon
Elders Climate Action
Energy Alabama
Energy Solutions
Evergreen Action
Extinction Rebellion San Francisco Bay Area
First Alliance Consulting LLC
Forth
Friends of the Earth US
Future Nexus
Grassroots Global Justice Alliance
Greater Grand Rapids NAACP
Growth Opps
Health Care Without Harm
Hip Hop Caucus

Inclusiv
Institute for Market Transformation
Interfaith Center on Corporate Responsibility
Keystone Energy Efficiency Alliance
Kinetic Communities Consulting
League of Conservation Voters
Mid-Missouri Peaceworks
Mormon Environmental Stewardship Alliance
National Energy Improvement Fund
Natural Resources Defense Council
NDN Collective
New Mexico Climate Justice
New Urban Mobility Alliance
North Carolina Climate Justice Collective
North Carolina Justice Center
Peninsula Interfaith Climate Action (PICA)
People's Action Institute
PODER (People Organizing to Demand Environmental and Economic Rights)
Positive Money US
Private Equity Stakeholder Project
Public Citizen
Renewal of Life Trust
Respiratory Health Association
Revolving Door Project
Rural Community Assistance Corporation
Sierra Club
The Chisholm Legacy Project
The Climate, Energy and Environment Team of the Consolidated Oregon Indivisible Network (COIN)
The Semilla Project
The Sunrise Project
Third Act
Transformative Wealth Management, LLC
Transportation Riders United
Virginia Organizing
WE ACT for Environmental Justice
350 Conejo / San Fernando Valley
350.org
350Hawaii



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Investments should be stewarded by trusted community-based financial institutions and green banks with proven track records of investment in community-driven projects, offering the best opportunity to leverage private dollars to achieve the Fund’s goals. We urge the EPA to set forth a competitive, transparent process for selecting possible entities to receive dollars from the Fund to ensure a diverse set of entities are included in the pipeline to access the Fund. We recommend issuing a Request for Proposals (RFP) to generate a diverse applicant pool, and to prioritize entities with proven grantmaking or financing relationships to Black, Brown, Indigenous, People of Color (BIPOC)-led organizations, including a history of co-governance relationships with these organizations, in order to deliver maximum investment to the low-income, low-wealth, and disadvantaged communities whom the Fund is intended to reach. We further recommend the EPA ensure strong coverage of benefits across all geographies and within different networks and types of financial institutions.

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- Could the recipient receive traditional financing (particularly private sector financing) for the project?
- Are there other incentives/programs that would better suit this project?
- Is there evidence to show that projects of similar type have been underserved by or excluded from programs or incentives that the project qualifies for (for example, as a result of historic discrimination or programs shown to have under-served portions of the eligible populations)?⁴

Projects that are likely not to pass such a test, and perhaps do not best serve additionality goals for this Fund, include utility-scale renewable energy projects and research and development projects for emerging technologies.

Opportunities to enhance economic well-being and wealth-building in low-income and disadvantaged communities should be emphasized. An important component in the implementation of the Fund is to facilitate a number of co-benefits to low-income and disadvantaged communities. These investments have an important role to play in closing legacy gaps in investment, especially in Black and other communities of color, that have hindered the accumulation of wealth in these communities and led to immense disparities. The EPA should encourage eligible recipients to incorporate opportunities for community ownership and wealth-building strategies in the deployment of clean energy technologies⁵ as a means of delivering this critical co-benefit.

Smaller-dollar, community-oriented projects should make up a considerable portion of the portfolio of projects financed from the Fund, to promote the use of proven emissions-reducing technologies that improve the health and livelihoods of communities. Traditional finance has long evaded small, community-scale projects as financial institutions prefer to finance larger-scale projects in order to meet underwriting criteria. In some cases, some financing institutions, like the New York Green Bank, are statutorily required to support projects at the wholesale level. The Fund offers a unique opportunity to extend capital to those very projects that would otherwise go unfunded either for legal reasons or because of the market’s preference for larger projects. The EPA should urge or incentivize recipients to dedicate funds to small-dollar projects such that the intention of the statute to benefit low-income and disadvantaged communities is met. These projects should incorporate proven strategies,

⁴ “Despite Progress, Low-Income Households Underserved by Utilities’ Efficiency Programs.” ACEEE. November 2022. <https://www.aceee.org/press-release/2022/11/report-despite-progress-low-income-households-underserved-utilities>

⁵ Kent, Adam. “An Opportunity for Equitable Climate Finance.” Natural Resources Defense Council. October 2022. <https://www.nrdc.org/experts/adam-kent/opportunity-transform-climate-finance>

which can include electrification retrofits, community-based mobility projects, district geothermal, rooftop and community solar, and battery storage, that reduce emissions and provide tangible benefits to residents of low-income and disadvantaged communities.

Require that information regarding financed projects is collected and publicly shared to ensure accountability of these projects and guarantee funds are reaching low-income and disadvantaged communities. It will be important for the EPA to track program outcomes for accountability, and as proof of concept for how these funds are facilitating market transformation and benefits to historically disinvested communities. The EPA should create a publicly-available web portal and dashboard, in addition to a technical assistance platform, that hosts the data for the Fund's climate and community benefits outcomes. The eligible recipients should be required to, at minimum, annually report to the EPA's portal on where and how the funds are being distributed.

Ensure that a mix of grants, loans, and low-cost financing options are supported by the Fund. While the Fund is intended to deploy capital in a way where the payback can help support the sustainability of the Fund, it is important that a portion of the fund is used to provide grants to projects that are unable to qualify for loans or financing. Well-positioned and targeted grants can help build market confidence in clean energy technologies as well as advance the infrastructure needed to sustainably deploy zero-emissions technologies. For example, grants to cover the upfront cost of starting a contractor firm could help individuals from underrepresented groups build sustainable businesses in communities. Even while deploying some grants, other financing support from the Fund could continue to ensure the Fund's continued operability.

The EPA should expressly confirm that the Fund is a "covered program" for Justice40 purposes. As part of implementation of Justice40, the Office of Management and Budget released Interim Implementation Guidance which specified that a "covered program" is a Federal Government program that makes covered investment benefits in one or more of seven areas, including climate change and clean energy and energy efficiency⁶. The guidance further requires agencies to report benefits to OMB. We recommend that the EPA confirm with OMB that the implementation of this Fund is a covered program and plan to report on program benefits accordingly.

We thank the EPA for issuing this RFI, and urge you to heed our input to design and implement the Greenhouse Gas Reduction Fund in a manner that maximizes benefits for low-income and disadvantaged communities.

⁶ "Interim Implementation Guidance for the Justice40 Initiative." Office of Management and Budget. <https://www.whitehouse.gov/wp-content/uploads/2021/07/M-21-28.pdf>

Sincerely,

Americans for Financial Reform Education Fund
Emerald Cities Collaborative
The Greenlining Institute
Just Solutions Collective
Rewiring America

ACCE (Alliance of Californians for Community Empowerment)
Action Center on Race & the Economy
Adasina Social Capital
African American Alliance of CDFI CEOs Inc.
Building Decarbonization Coalition
California Reinvestment Coalition
Center for Neighborhood Technology (CNT)
Ceres
City of Fort Collins
CleanAirNow
Climate Action California
Climate Crisis Policy
Coalition of Community Organizations
Communities Unlimited, Inc.
Connecticut Citizen Action Group (CCAG)
Cool Planet Working Group of First Presbyterian Church of Palo Alto
Croatan Institute
E2 (Environmental Entrepreneurs)
Earth Action, Inc.
Ecology Center (of Michigan)
Ecumenical Ministries of Oregon
Elders Climate Action
Energy Alabama
Energy Solutions
Evergreen Action
Extinction Rebellion San Francisco Bay Area
First Alliance Consulting LLC
Forth
Friends of the Earth US
Future Nexus
Grassroots Global Justice Alliance
Greater Grand Rapids NAACP
Growth Opps
Health Care Without Harm
Hip Hop Caucus

Inclusiv
Institute for Market Transformation
Keystone Energy Efficiency Alliance
Kinetic Communities Consulting
League of Conservation Voters
Mid-Missouri Peaceworks
Mormon Environmental Stewardship Alliance
National Energy Improvement Fund
Natural Resources Defense Council
NDN Collective
New Mexico Climate Justice
New Urban Mobility Alliance
North Carolina Climate Justice Collective
North Carolina Justice Center
Peninsula Interfaith Climate Action (PICA)
People's Action Institute
PODER (People Organizing to Demand Environmental and Economic Rights)
Positive Money US
Private Equity Stakeholder Project
Public Citizen
Renewal of Life Trust
Respiratory Health Association
Revolving Door Project
Rural Community Assistance Corporation
Sierra Club
The Chisholm Legacy Project
The Climate, Energy and Environment Team of the Consolidated Oregon Indivisible Network (COIN)
The Semilla Project
The Sunrise Project
Third Act
Transformative Wealth Management, LLC
Transportation Riders United
Virginia Organizing
WE ACT for Environmental Justice
350 Conejo / San Fernando Valley
350.org
350Hawaii



December 2, 2022

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

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

Dear Administrator Regan,

The Arlington Partnership for Affordable Housing (APAH) appreciates the opportunity to provide comments on the Greenhouse Gas Reduction Fund (GGRF) program design and implementation. APAH is a nonprofit affordable housing owner, operator, and developer with over 30-years of experience based in Arlington, VA. Today, we own and operate over 2,000 homes and serve over 4,000 residents in the Washington, DC metro area. We primarily serve residents making between 30%-60% of the area median income. Our mission includes both providing affordable housing to essential workers and fostering positive health and economic outcomes for all our residents. Outside of housing, energy costs comprise one of the most significant cost burdens for our families. Moreover, much of our portfolio consists of garden-style buildings that are over 30 years old with substantial room for energy efficiency improvements. With that in mind, we urge you to consider affordable housing with an emphasis on low-income and disadvantaged communities as a top priority for the Greenhouse Gas Reduction Fund (GGRF) program. With respect to the design and implementation of the GGRF, we align ourselves with the following priorities from the Housing Partnership Network (HPN):

Eligible Recipients:

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



already have the infrastructure in place to rapidly deploy funding that will accelerate decarbonization and effectuate the EPA's greenhouse gas reduction goals.

Eligible Projects

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

Decarbonizing housing stock is a critical piece of reducing greenhouse gas. Decarbonization is not just about decreasing carbon emissions. It is also about energy and resource efficiency, improved health through better indoor air quality, addressing inequities through reducing energy burdens and building climate resiliency. Residential energy use produces roughly 20% of greenhouse gas emissions in the United States. If U.S. residential buildings were a country, they would be the sixth-highest emitter of greenhouse gases in the world. Historically, low-income and disadvantaged communities have been disproportionately impacted. The GGRF provides a unique opportunity to center these communities by lowering housing cost burdens, positioning them to take advantage of the innovations in the energy sector, and creating safe and healthy indoor environments.

Definition of Low-Income and Disadvantaged Communities

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

Structure of Funding

It is critical that the GGRF funds be as flexible as possible to meet the needs of low-income individuals living in disadvantaged communities and the front-line practitioners who serve them. Providing a mix of grants, forgivable grants and equity-like investments will help ensure affordability for the end users. Specifically, low- and moderate-income homebuyers cannot absorb any additional debt to cover the increased costs related to green and sustainable materials and features. Further, existing multifamily residential portfolios have already leveraged debt and

Letter to Administrator Regan
December 2, 2022
Page 3

cannot afford to pile on additional debt and remain financially viable for owners and affordable to residents as the properties undergo green retrofits. This challenge also extends to community facilities and community-serving retail uses that are already leveraging as much hard debt as possible. All these projects need concessionary financing and by allowing a flexible structure, these investments will ultimately determine how deeply projects can go in terms of greenhouse gas reduction improvements while ensuring the equitable deployment of GGRF funds.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Carmen Romero". The signature is fluid and cursive, with a large loop at the end of the last name.

Carmen Romero
President and CEO
Arlington Partnership for Affordable Housing

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

Response to the Environmental Finance Advisory Board Charge Questions

DATE: December 5, 2022

FROM: Beth Bafford
Calvert Impact, Inc.
BBafford@calvertimpact.org

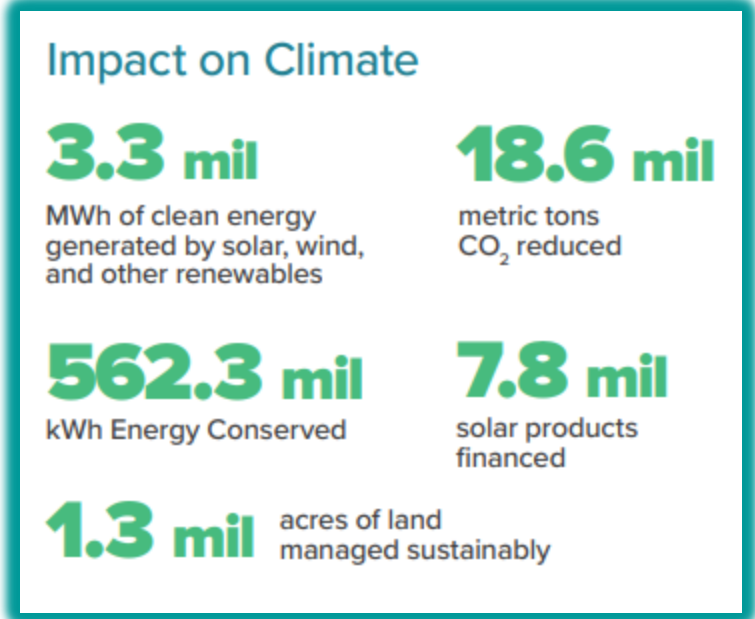
Krystal Langholz
Calvert Impact, Inc.
klangholz@calvertimpact.org

TO: The Environmental Finance Advisory Board of the Environmental Protection Agency
(efab@epa.gov)

This written statement is offered in response to the Environmental Finance Advisory Board (EFAB) Charge Questions.

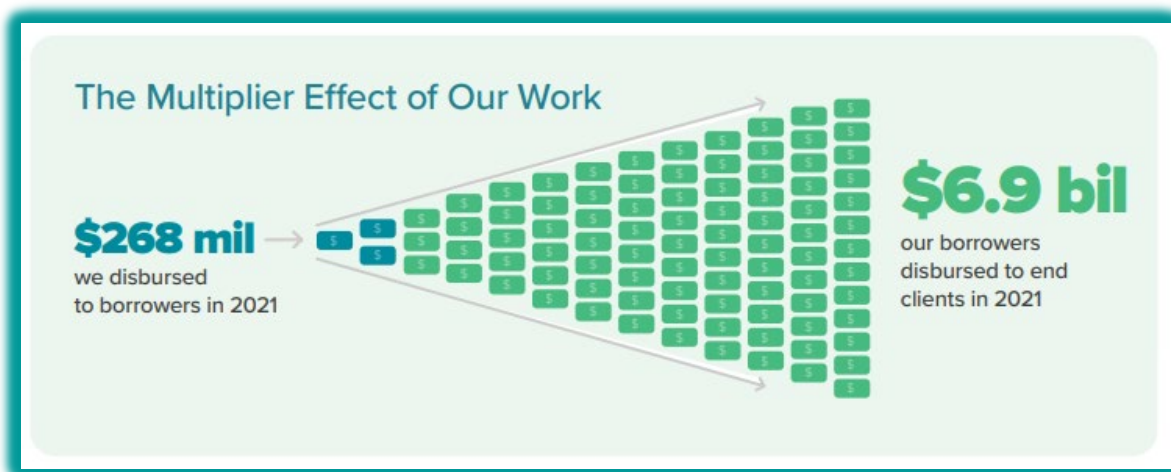
Calvert Impact was formed in 1995 to mobilize capital to create a more equitable and sustainable world. Calvert Impact raises capital from individuals and institutions to invest in intermediaries and funds that support communities that are underserved by traditional credit markets, including low-income and disadvantaged communities. Calvert Impact has mobilized over \$4 billion dollars for these communities since inception, much of this financing for Greenhouse Gas Reduction Activities. Calvert Impact’s financing activities, in 2021 alone, have generated 3.3 million MWh of clean energy by solar, wind and other renewables, reduced CO₂ emissions by 18.6 million metric tons, and conserved 562.3 million kWh of energy.

In addition to our Greenhouse Gas Reduction financing, in 2021, Calvert Impact’s portfolio of investments served 144 million individuals, created 764,000 jobs, financed 4.1 million small businesses,



created or preserved 33,000 affordable homes, and increased access to clean energy for 28 million people around the world.

Calvert Impact builds the financial products that enable money to move from individuals and institutions into local, high-impact organizations financing solutions to global inequality and climate change. Its role is to translate between the needs of the private capital markets and the needs in communities. Its flagship product, the Community Investment Note, has raised more than \$2.5 billion from more than 20,000 individual and institutional investors and Calvert Impact is currently creating new products and services that have already mobilized another \$1.5 billion in private and public sector capital. Every dollar lent or invested from its core portfolio is leveraged at least 30 times, catalyzing nearly \$7 billion annually into communities.



Based on this extensive experience blending public, private, and philanthropic funds for the benefit of low-income and disadvantaged communities, Calvert Impact recommends that the EPA focus on the following core tenets as it designs and implements the Greenhouse Gas Reduction Fund.

- **Drive demand and behavior change in target communities.** The enormous task at hand is to get individual families, business owners, developers, and building and landowners to implement new technologies or practices that reduce greenhouse gas emissions faster and more efficiently than they would otherwise. This requires extensive outreach, education, distribution, and financial product innovation tailored to the target consumer or local context. All aspects of the program should be designed with this in mind.
- **Leverage existing, trusted relationships.** The fastest way to change the behavior of a broadly distributed population is to leverage existing relationships with target consumers. This strategy was tested during the pandemic through the Paycheck Protection Program (PPP) where Congress relied on large banks to reach their existing customers. We learned the importance of leveraging an existing distribution system for fast deployment – Congress just picked the wrong system. For the GHGRF, the EPA should leverage the

community finance industry¹ and ecosystem to immediately reach millions of individuals, businesses and buildings in the program’s target communities.

- **Balance flexibility with accountability.** For local organizations and lenders to appropriately tailor products and services to meet local needs and prioritize efficient deployment, there needs to be flexibility in the use of proceeds. Funds should be awarded as grants to well-vetted intermediaries and deployment partners with a proven track record of managing public and private capital against a specific set of objectives – reducing greenhouse gas emissions through the deployment of Qualified Projects in target communities. Further restrictions on use of funds would inhibit the speed, creativity, and locally-informed approach that organizations could otherwise take to generate demand and change behavior. For the EPA to feel comfortable with this approach, it can implement robust reporting mechanisms, audits, and/or oversight to ensure program objectives are being met on an ongoing basis.
- **Use intermediaries as non-governmental partners.** To operationalize this approach, the EPA should rely on existing intermediary² organizations that can act as long-term partners to the EPA in executing its program goals while adhering to the deployment timeframe for the GHGRF in the Inflation Reduction Act. These non-governmental, nonprofit partners can act as national “hubs” of an effective hub-and-spoke model for deployment and can actively manage GHGRF awards over time to be responsive to a quickly changing and dynamic market. These organizations can allocate and reallocate funds, shift deployment strategies, invest in capacity where there are gaps, and ensure the program objectives are being met on an ongoing basis. This will be particularly important given how quickly the private market is shifting towards supporting and financing clean energy solutions. For example, if in five years, the private market for rooftop solar gains greater comfort in financing low-income households or consumers with lower credit scores, GHGRF intermediaries should not continue to use precious taxpayer funds to support that activity and funds should be shifted into products, projects, or communities that the private markets are not serving. This ongoing active management will be best provided by a set of selected non-governmental intermediaries.

I. Objectives

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

¹ The Community Finance industry includes certified Community Development Financial Institutions, Community Development Credit Unions, Minority Depository Institutions, Affordable Housing developers, and other local, mission-driven specialty community and green finance organizations with a track record of providing clean energy and financial solutions for low-income and disadvantaged communities.

² Intermediary organizations are Eligible Recipients that can make direct and indirect investments, per the Greenhouse Gas Reduction Fund statute. These organizations can and should support a broad set of indirect investees with grants and/or loans, support market development, aggregate assets and activities, aggregate information and reporting, conduct impact analysis, and generally act as a partner to the EPA.

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?

We recommend that the EPA define “low-income and disadvantage communities” using either the US Treasury’s established definition of CDFI eligible “Target Market” and/or Justice40 Disadvantaged census tract. Adoption of these robust existing definitions would decrease the administrative burden on participating awardees and lenders. In either case, we request that the EPA publish an easily accessible list of census tracts on a periodic basis with their current designations or labels for ease of tracking, targeting, and reporting. We also recommend that low-income and disadvantaged be considerate of both the individuals served and the location of any activities. For example, a business owner may have a retail business location in a high-income census tract, but the business owner and their employees qualify as low-income. If the designations or tests are only location-based, these people would not be prioritized or served.

The definition of “Socially and Economically Disadvantaged Individuals” in the State Small Business Credit Initiative [guidance](#) from the US Treasury Department does a good job of including both the people and the geographies in their definition.

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?

EPA can ensure that communities who have been systematically excluded from the capital markets are included through (1) creating a Tribal set-aside of fund and separate guidance for these funds, (2) making sure that organizations deploying capital in persistent poverty counties, or those where 20% or more of the country population has lived below the poverty line for the past three decades, receive priority points on their application³. Direct intermediary recipients, or hubs, who can demonstrate a meaningful plan to include these communities through their network, or spokes, should likewise receive these priority points.

The EPA should also waive any enacted match or leverage requirements for persistent poverty counties, tribal communities, and other low-income and disadvantaged communities so that there are no barriers to participation. Extensive outreach should be made to these communities, as well as technical assistance on the application itself, so that organizations know that the EPA is serious about working in partnership with these communities. Lastly, it can provide deployment timelines that allow for extensive capacity building and prioritizing large scale, “shovel ready” projects in favor of smaller community projects.

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

³ [Persistent Poverty – Partners for Rural Transformation](#)

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 the success of the GHGRF and a hallmark of the Community Development Finance industry. Effective technical assistance is flexible and uniquely adapted to the community being served by the mission-based lender or organization. It also plays a dual role in low-income and disadvantaged communities of preparing a borrower or beneficiary to be credit or investment ready and building a strong connection for ongoing support. This hands-on and tailored approach has resulted in exceptionally low industry write-off rates for loans that are otherwise deemed to be un-bankable.

The GHGRF should, in its grant programs, broadly define technical assistance to ensure maximum adaptation to cultural and community needs. It is crucial that the GHGRF facilitates technical assistance on multiple levels. In addition to providing financial resources for community-based technical assistance, the GHGRF should also allow for technical assistance to the lenders and developers who will be implementing these activities.

We recommend that the definition of technical assistance includes funding for:

- curriculum development and training
- cultural and language translation
- community outreach materials
- community outreach coordinators (akin to “Navigators” used to help people understand and access the coverage benefits of the Affordable Care Act)
- creation of best practice networks
- support for intermediaries to create resource banks (for product design, industry data aggregation, enabling technologies, etc.)
- the development of technology systems and data that will support asset class maturation and market development (e.g., data systems that aggregate and track loan performance for household loans to consumers with limited credit history or poor credit scores so that the market can effectively analyze and price risk)
- technical assistance surrounding GHG mitigations in the form of clear guidance on responsible reduction
- program administration of technical assistance programs
- travel funds to both deliver technical assistance and to participate in capacity building to strengthen technical assistance and lending programs
- accelerator or one-stop-shop models that combine energy expertise and building science with the necessary hand holding surrounding financing (including incentives or grants) and process components such as bidding and evaluation

Support from outreach materials and community outreach coordinators is necessary for customer acquisition. Although members of low-income and disadvantaged communities spend proportionately more of their income on energy than wealthy households,⁷ they rarely have the luxury of spending time to research methods to increase their overall energy efficiency. In addition, general consumer awareness of GHG reduction financing products is low, especially in the low-income and disadvantaged communities that have historically been systematically excluded from both traditional capital markets and the green movement.

We know efforts to change behavior, especially for things in people’s lives that aren’t necessarily “broken” like their gas-fueled cars, existing HVAC systems, or current practices, take very intentional, economically attractive, and relationship-driven approaches to be successful. We therefore recommend outreach efforts that package local financing opportunities, benefits of energy efficiency, and incentives into a “no brainer” package of support through local, trusted partners. With 84 percent of CDFI portfolios currently deployed in low-income areas to low-income people or people of color, the community finance industry is well positioned to serve as these local partners.⁴

Working hand in hand with quality technical assistance, it is important that GHGRF provide financial assistance that is thoughtfully designed to make sure that it reaches low-income and disadvantaged communities. The types of financial assistance offered must be those that ultimately encourage lenders to make loans to entities and individuals that are underserved by traditional capital providers due to perceived higher risk profiles. Representative products include:

- grants for capacity building
- cash incentive payments to drive adoption or behavior change
- credit enhancements, such as low-cost guarantees, first-loss capital, and/or loan loss reserves
- equity investments or grants-in-lieu of equity, similar to the role that tax credit equity plays in a project
- subordinate loans at better rates or terms than currently available in the market
- senior loans at better rates or terms than currently available in the market
- working capital
- bridge loans until incentives are paid out



⁴ https://www.cdfifund.gov/sites/cdfi/files/2021-10/ACR_Public_Report_Final_10062021_508Compliant_v2.pdf

Equally important to the types of financial assistance offered are the channels that the EPA uses to reach low-income communities and any additional requirements it puts on these funds. EPA must prioritize the distribution of this financial assistance to community finance organizations who demonstrate experience in serving, existing relationships within, and accountability to low-income communities. While an experienced community finance organization can easily design and deploy a new loan product, it can take years to develop trust and cultural competency in low income and disadvantaged communities.

Although we believe it is prudent for the EPA to prioritize working with organizations that have a strong history of creating leverage on financial transactions, it is important to note that low-income communities often have less access to private capital and philanthropic resources. The EPA should avoid imposing match or leverage requirements that would make it difficult for low-income communities to access financial assistance.

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?

Community finance organizations are adept at facilitating high private-sector leverage, with CDFIs typically generating an 8:1 leverage ratio on investment.⁵ GHGRF should ultimately partner with Eligible Recipients and their network of Indirect Investees with a history and track record of raising private capital to leverage public funds. Those with experience leveraging private capital have already built the necessary relationships and trust with private capital sources, meaning that they can quickly leverage new federal funding. These relationships with private capital sources such as banks, corporations, insurance companies, philanthropy, and other asset owners take time to develop, and—in general—all private capital sources will require that the lenders with whom they are working have a strong lending track record, experience managing federal funds, and long-standing relationships in the communities they serve. Most, if not all, institutional investment platforms will not work with de novo managers or organizations that have not previously raised, managed, and returned institutional capital.

Additionally, GHGRF funds need to be able to be subordinate (in the form of grants, equity, loan loss reserves, guarantees, etc.) to leverage private capital, meaning that—in any transaction financed from multiple sources—the funds would be the first to take a loss if a loan was not going to be fully repaid. Private capital is risk averse, particularly with respect to low-income and historically disinvested communities. Perceptions of risk, often inaccurate and driven by limited

⁵ (2021). Remarks by Secretary of the Treasury Janet L. Yellen on \$1.25 Billion Award to CDFIs to Support Economic Relief in Underserved Communities Affected by COVID-19. Treasury.gov. <https://home.treasury.gov/news/press-releases/jy0229>.

data available, mean that projects in low-income communities do not get financed. Accordingly, private capital will require that subordinate, or first-loss capital be present in a transaction to serve as a loss “cushion.” The more cushion in any transaction, the faster and easier the federal investment will leverage private funds. Therefore, it is critical that GHGRF can be used as subordinated capital to facilitate high, reasonably priced private-sector leverage.

As discussed, the EPA must be thoughtful in developing private capital and leverage requirements. Private capital can be very difficult to attract in low-income communities, especially Tribal, rural, or persistent poverty counties, where physical distance from banking institutions and perceptions of risk work in tandem to greatly limit capital access. GHGRF should provide clear guidance on what portion of the funds should be granted to organizations and what should be leveraged and used for financing, and private capital leverage requirements should not exist on all funds. Many investments in low-income and disadvantaged communities 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.

To ensure that leverage still occurs in low-income and disadvantaged communities, the EPA can prioritize funding organizations with experience leveraging capital, such as community finance organizations. In general, experienced community finance organizations know the correct mix of capital (grant, debt) they need to design financial products uniquely adapted to their community. To maximize the positive impact on low-income communities, the highest level of flexibility possible should be given to grantees to design meaningful capital products for their communities.

Calvert Impact, like the Center for Impact Finance at the Carsey School of Public Policy, also holds that the “best way to ensure additionality is to direct substantially all of the \$27 billion toward low-income and disadvantaged communities”, as stated in their RFI response. The EPA should focus their efforts on smaller projects and consumers in low-income and disadvantaged communities to ensure that the GHGRF directs capital to projects that would not have otherwise been financed.

The EPA should also engage in a multifaceted understanding of additionality to make sure that these federal funds ultimately support projects that would not have been able to access affordable financing otherwise. The EPA should not only consider whether a project would have received financing, but also whether that investment would otherwise have been carbon free or reduced. This is especially important in very low-income areas where it is difficult for projects to absorb the additional debt necessary for the increased costs related to decarbonization. This has been a large driver behind the lack of penetration of GHG-reducing technologies (solar, heat pumps, electric water heaters, etc.) to date because the lack of access to affordable credit means that households and businesses cannot afford the upfront costs of installation that bring the long-term economic benefits.

To achieve this additionality, EPA funds should be used to buy down financing costs which are too high for Low-to-Moderate Income (LMI) consumers and households. An interest rate buy-down tool can be tailored to a variety of different types of products and markets, making it an adaptable tool for environmental justice and market transformation. In 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 GHGRF funds would be in a subordinate position providing the private capital with protection which will drive their part of the rate lower than if private capital had financed the entire first mortgage. A significant rate reduction can be achieved with this credit enhancement, typically 200 basis points or more, which presents significant interest savings that can offset the increased costs. This buy-down can often also allow a family to borrow money above standard Loan-to-Value ratios, allowing borrower money to go further. The long-term cost savings of living in an energy efficient home, coupled with owning an appreciable asset, make this a powerful wealth creation tool for low-income families.

As discussed, EPA funds also need to be set to take risk that private funds cannot or do not make to generate additionality, including serving as subordinate capital in a transaction. Likewise, as the GHGRF makes grants of capital to mission-based lenders, these lenders can blend this equity into their GHGRF funds, where it can serve as first loss capital, supporting product innovation. Additionality also requires lending in areas that are underserved by traditional capital markets and using EPA funds for financial products that are not otherwise available to low-income consumers.

EPA funds should also be used to support capacity and/or technical assistance for organizations engaged in GHG reduction activities across the entire value chain. Improved organizational capacity creates significant additionality, as organizations will strengthen their existing GHG reduction activities and/or add new product lines. As capacity is built and organizations become more efficient in their activities, these organizations can expand, serving additional communities that were previously unserved by the market and creating financing opportunities where there were previously none.

In summary, awardees should be required to report the additionality of their investments across a range of categories:

- EPA funds should be used to buy down financing costs when they are too high for LMI consumers / households
- EPA funds should be used to take risk that private funds cannot / do not take
- EPA funds should be used for financial products that are not otherwise available to LMI consumers or communities
- EPA funds should be used to support capacity building and/or technical assistance for an organization engaged in GHG reduction activities (defined across the value chain)

While the EPA should endeavor to capture these additionalities, it is critical that the EPA avoid any slow external testing processes to verify that these transactions would not have occurred without GHGRF financing, such as the “alternative availability” test under the CDFI Fund’s New Market Tax Credit program. Given the broad, household-level activities encompassed under the GHGRF, an external verification process would take too long and serve as major barrier to speed in deployment. Self-reporting provided by experienced federal grant administrators would address the GHGRF’s desire to create additionality without slowing deployment of this critical financial assistance.

For programmatic sustainability, EPA funds should also be distributed to experienced non-profit community finance organizations with deep community connections. Entrusting these mission-based lenders is a guaranteed recipe to ensure the continued charitability and operability of the funds. Community finance organizations have some of the lowest write-off rates on their loans in the country, in many cases much lower than traditional lenders. For example, in FY2020, the Opportunity Finance Network (OFN) member CDFIs reported a write-off rate of .48% across all lending sectors.⁶ This means that over 99% of all capital lent by these community lenders is ultimately repaid back to their institutions and ready to be recirculated back to their community. Calvert Impact likewise has had a less than 1.0% net charge off rate since inception (nearly 30 years), and it has never defaulted on the repayment of investor capital. All of its earnings are reinvested to grow its investments to further its mission.

Mission-based lenders attribute low write-off rates to their deep relationships in their communities and responsive risk management practices. The community finance sector works with its borrowers to provide hands-on, individualized support for borrowers who are struggling with repayment, often providing technical assistance and flexible repayment options. The EPA must rely on experienced lenders such as these not only to ensure deployment, but also to ensure that these funds are effectively recycled to achieve continued sustainability.

However, EPA should avoid sustainability requirements that require all funds to exclusively build balance sheets through being strictly allocated to revolving loan funds. It is critical that funds also be used to build the market. As discussed by the Center for Impact Finance at the Carsey School of Public Policy in their RFI, Calvert Impact likewise believes that grants for these market building activities improve the sustainability of the recipients over time – and that these investments in market infrastructure (data, impact evaluation, secondary market activity, community-level capacity building, etc.) create a high tide that lifts all boats. Calvert Impact subsequently also recommends avoiding making grant awards as “permanently restricted” capital.

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?

The Inflation Reduction Act has many potent energy incentives that stand to make the financing delivered by mission driven lenders with GHGRF funds more accessible to LMI consumers. Financial products should be developed around these other incentives, such as:

- **Electrical Vehicles (EVs):** Many credit unions and CDFIs provide vehicle financing. When EV credits are coupled with long-term cost savings for borrowers, it becomes financially plausible for LMI families to purchase an EV. For example, a discount on an electric vehicle from \$50,000 to \$42,500 still makes that vehicle completely out of reach for most American families. But if a community development credit union, with the help of credit enhancement from the GHGRF in the form of a loan loss reserve or guarantee provided by an intermediary, could offer \$0 down, 0% long-term financing to a family to

⁶ https://cdn.ofn.org/uploads/2022/05/03154422/OFN-Side-by-Side_FY2020.pdf

purchase the \$42,500 EV, monthly payments could reach a level that is more palatable for a much broader set of families. This is especially true if this offer is provided by a credit union that the family already knows and trusts from prior experience.

- **Home Energy Efficiency Improvements:** Many credit unions and CDFIs finance weatherization, the purchase of appliances such as dryers and stoves, and water heaters. Mission-based lenders are well situated to combine financing with Whole Home Energy Reduction Rebates to ensure that the low-income families that most need access to home energy efficiency improvements can access them. These rebates can provide up to \$8,000 in rebates for households that are under 80 percent of Area Median Income, but this requires significant work of the renter or homeowner to identify a contractor, conduct an assessment of the home's energy savings potential, pay out of pocket for the contractor's services, and then submit the paperwork required to qualify for the rebate. Instead, a local community lender could partner with a network of qualified contractors to go door-to-door in neighborhoods to offer these services at no upfront or ongoing cost to the family. This could be provided by a mix of grants and low-cost loans to the lender so they can offer a financing package that reflects the value of the rebate and the value of ongoing energy savings along with a guarantee not to increase (or perhaps more likely, to decrease) the family's monthly payments. Some of the funds could also provide added incentive for the contractor to ensure they focus on providing services in LMI communities.
- **Clean Energy Credits:** Many organizations in the community finance sector finance solar products, such as the Solar and Energy Loan Fund. These credits, offered for businesses and residential homeowners, can work in conjunction with community finance products to ensure that solar is accessible to LMI small businesses and families.

Past efforts to use tax credits or rebates to incentivize consumer behavior have failed to reach low-income communities because, among other things, 1) these communities and individuals do not tend to have a high tax burden, 2) they are not often the target of market education or outreach, and outreach that is done is not presented in a culturally competent way, and 3) it is not often a top priority of a family or individual when other challenges abound. If the new tax credits, rebates, and other incentives in the Inflation Reduction Act are to meet the Biden Administration's environmental and energy justice goals, these incentives need to be paired with extremely attractive financial packages and hands-on technical support provided through trusted local institutions. The EPA should thus work to develop and support financial products that ultimately complement these incentives, as they will mutually work together to increase access to these products for LMI families and businesses.

The American Rescue Plan Act of 2021 reauthorized and expanded the SSBCI program. Providing a combined \$10 billion to states, territories, and Tribes, this initiative is designed to expand capital access to small businesses in the wake of the pandemic, create jobs, and build entrepreneurship and opportunity ecosystems.⁷ Each state, territory, and Tribe has developed its own plans with its allocated funding, such as creating venture capital funds and various other credit support programs (e.g., loan participation and collateral support programs). Helping states, territories, and tribes transition to net zero economies was always an explicitly named

⁷ <https://home.treasury.gov/system/files/256/State-Small-Business-Credit-Initiative-SSBCI-Fact-Sheet.pdf>

potential economic benefit in the SSBCI program policy guidelines, leading some states to develop programs explicitly designed to help their industries with high-carbon output transition to the green economy.

Whether or not net zero transition is explicitly targeted by their programs, all states, Tribes, and territories will have SSBCI funding to support small businesses within their jurisdictions through various mechanisms. For small businesses and contractors that need financing for a mix of both GHG reduction activities and non-GHG reduction activities (such as building renovation), SSBCI funds can be leveraged with financial assistance from the GHGRF to ultimately help both critical federal programs accomplish their legislative purposes. The EPA should thus consider how to maximize SSBCI as a complement to the funding available through the GHGRF.

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.

There is a strong existing community development finance sector in the United States. This existing infrastructure includes:

- **Credit Unions:** There are more than 5,000 credit unions across the country, of which approximately 500 are designated as Community Development Credit Unions, Minority Depository Institutions, and/or CDFIs (together, CDCUs).
- **Community Development Financial Institutions:** There are 1,378 organizations designated as CDFIs across the US, of which 573 are structured as loan funds (“CDFI Loan Funds”), and the majority of which are non-profit organizations. There are also more than 60 certified Native CDFIs located in 23 states.
- **Non-profit real estate and solar developers:** There are thousands of non-profit developers of affordable housing and/or solar projects across the country who have current portfolios that can and should be decarbonized quickly.
- **Specialty Finance Organizations:** In addition of the organizations above, there are specialty finance and/or development organizations that are purpose-built to bring access to clean energy and clean energy technologies to low income and disadvantaged communities, such as PosiGen, Sunwealth, and Urban Ingenuity.

All of these organizations will need to be mobilized to ensure fast and effective deployment of eligible technologies in low-income and disadvantaged communities.

While the data collection and methodology surrounding the volume of green lending is as diverse as the organizations providing this financing, the Center for Impact Finance at the Carsey School of Public Policy estimates this combined lending at over \$1 billion per year⁸.

⁸ The Center for Impact Finance at the Carsey School of Public Policy RFI

To maximize the ability of eligible recipients to leverage and recycle Greenhouse Gas Reduction Fund grants, as discussed in our introductory remarks, the EPA should use intermediaries as non-governmental partners, relying on a hub and spoke model. The Small Business Administration Community Navigators program provides an effective example of a national hub and spoke model. The success of this program, however, relies on the diversity of the spokes chosen. Under this program, there were 8 Tier 1 hub grantees, as well as a host of Tier 2 and Tier 3 hubs. Each of those Tier 1 hubs was selected because they had specialized experience reaching and serving different market segments or provided a specific product.

We like many of our partners believe that the GHGRF funding should be awarded to multiple recipients for several reasons:

- As money flows through additional and unnecessary intermediaries, it ultimately increases the final cost of capital for the ultimate recipients. It also decreases administrative efficiency, ultimately providing less money for programming.
- It creates long-term market inefficiencies. Like water, capital continues to flow through familiar channels. While relying on one entity might feel expedient, it ultimately will limit innovation in the field over time by serving as a dam to the capital flow to low-income and disadvantaged communities.
- For GHGRF funding to effectively reach low-income and disadvantaged communities, this funding must also be accountable to these communities through its governance structures and must have the flexibility to make programmatic adaptations to serve these communities.
- It is too risky. If that one entity fails in its mandate or struggles to build the administrative capacity to oversee the fund, the entire GHGRF runs the risk of becoming a political failure. In the hub and spoke model, if one hub should encounter difficulty, the integrity of the broader program remains intact.

The EPA should subsequently target its funding to 3-10 direct eligible recipients, or hubs, allowing these hubs to direct resources to other lending institutions.

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?

To effectively deploy this capital in low-income and disadvantages communities, the EPA should rely on the community development finance infrastructure, as 84% of CDFI portfolios are currently deployed in low-income areas, to low-income people, or people of color⁹.

This is critical for the success of the GHGRF because the community development finance sector is unique in that it already has deep relationships with the low-income and disadvantaged communities it serves. Ultimately, the EPA must rely on this industry to ensure that GRGRF resources reach the disadvantaged communities and communities of color that will bear the highest burden of climate change.

⁹ https://www.cdfifund.gov/sites/cdfi/files/2021-10/ACR_Public_Report_Final_10062021_508Compliant_v2.pdf

As shown through the COVID-19 pandemic with (PPP) lending, the community development finance industry is responsive and capable of massive scale deployment when given effective resources to do so. While the PPP program was not originally set up for active participation from community finance organizations, the U.S. Small Business Administration and the Federal Reserve changed their policies to accommodate more non-bank lenders once enormous income disparities in PPP access came to light. Following those policy revisions, certified CDFIs quickly led the charge, doing more than \$34 billion of PPP loans throughout the program with much higher deployment rates in low-income communities than the general program averages¹⁰.

The existing community development finance sector has extensive experience in green lending and carbon-reduction financing activities. In fact, 55% of OFN members report existing lending products in green energy sectors¹¹. However, while there are many experienced green lenders throughout this sector, there also many mission-driven lenders that have never had access to the capital and resources necessary to create or scale their GHG lending products. The scale, depth and breadth of the community finance sector speaks for itself; in 2020, 807 CDFIs reported a total of \$111 billion in assets deployed across 6.2 million transactions.¹² Like with PPP, once given access to the GHGRF, the existing community development finance infrastructure will be poised to move quickly to develop locally-tailored solutions.

In 2020, The University of New Hampshire and Inclusiv, a network of community development credit unions, launched a free virtual Solar Lending Professional Training and Certificate program. This program was designed to increase solar financing in low-income and communities by harnessing the power of the existing community development infrastructure. In 2021 alone, 96 program graduates lent \$2.25 billion in green products. The success of this program demonstrates that once organizations newer to the GHG reduction lending space receive this type of targeted training and technical assistance, they can quickly develop and strengthen programs to rapidly deploy capital to build a stronger green economy.

Both the Solar Lending Professional Training and Certificate program and the rapid mobilization of PPP lending demonstrate the potential latent capacity in the existing community development finance infrastructure. For this reason, the EPA should focus its attention on mobilizing, supporting, and expanding the highly experienced existing community finance infrastructure in our country.

b. Eligible Projects

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

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

1. What are the barriers to private sector capital?

¹⁰ CDFIs Continue to Outperform Other PPP Lenders. <https://www.ofn.org/cdfis-continue-outperform-other-ppp-lenders/>

¹¹ Opportunity Finance Network

¹² https://www.cdfifund.gov/sites/cdfi/files/2021-10/ACR_Public_Report_Final_10062021_508Compliant_v2.pdf

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.

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.

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?

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?

Qualified Projects should include the deployment of the following technologies:

- Renewable energy generation (solar, wind, etc.)
- Vehicle electrification (cars, trucks, fleets, etc.)
- Vehicle charging infrastructure
- Clean fuels
- Building efficiency
- Building electrification

- Sustainable or regenerative agriculture



To effectively reach low-income and disadvantaged communities and provide direct economic and health benefits to families, deployment of these technologies should be prioritized in multi-family housing, single-family housing, community real estate (e.g., houses of worship, community centers, health clinics, schools), community solar accessible to low-income subscribers, small businesses, and vehicles owned or driven by low-income individuals.

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?

To reduce burdens on applicants, grantees, and/or subrecipients, EPA must find a way to receive substantive quantitative outcomes data and reduce reporting burdens to create an inclusive, functional program. To accomplish both goals, EPA should only collect output metrics that are truly necessary and provide capacity building tools surrounding data collection. In addition, we recommend the development and standardization of meaningful proxy estimations related to the reduction of GHG emissions and tools to assist in this estimation process. These proxy estimates should be based on reasoned averages, and there should be a systematic process for developing and disseminating this proxy data. This is because in many cases there

are not always cost effective, consumer-friendly ways of getting direct data. In these cases, the desire to have precise outcome data must be balanced by the desire to create an inclusive, functional program where funding can be quickly deployed to confront the challenges of climate change. We recommend that the EPA develop and publish these proxies for use across all eligible projects and programs.

Also regarding reporting requirements, we recommend that the EPA allow recipients to self-certify their reporting, providing their annual audit as confirmation that they are accurately representing themselves. Audits can be done on both financial performance and impact management, as we do at Calvert Impact. Lastly, we recommend that the EPA provide grantees with clear guidance and flexibility surrounding budget modifications over the course of their grant administration. With new programs, this ultimately supports successful grant administration, allowing grantees to adapt their program based on what is working well.

Additionally, the EPA can mimic some positive features of the CDFI Fund's Financial Assistance (FA) Awards. FA awards do not restrict funds solely for end deployment or specific programs, but instead allow for flexible usage between lending capital, loan loss reserves, and the delivery of technical assistance. This flexibility allows the CDFI to create the credit enhancement necessary to attract additional investment and to develop the correct mix of financial products and technical assistance services for their community. The EPA, however, is encouraged to mimic a more streamlined application process such as the CDFI Fund's Rapid Response Program (RRP), in order to allow for quicker funding deployment.

Neither the CDFI Fund's RRP or FA program require line-item budgeting, but they did have very specific rules on how funds can be used and allocated. Recipients are responsible for reporting that their funds were spent in a compliant manner, which is regularly tested in program-testing during a Single Audit. This allows maximum flexibility for those administering funds, while still providing strong oversight over the programs.

Additionally, the CDFI Fund FA awards allow up to 15% of the funds to be used for administration. This has been critical for the success of the program, allowing lenders the overhead they need to properly administer funds and supporting broader capacity building across the sector. Federal programs, such as the SSBCI program, which have not provided adequate administrative funding (e.g. 3-5%), have struggled with broad scale adoption.

Lastly, it is critical that the EPA does not re-underwrite individual loans under the GHGRF, as done by some federal guarantee and RLF programs (e.g. the USDA or EDA). This process greatly slows down the deployment of the funds with very little gain. Experienced lenders are well prepared to gauge and mitigate their own risk to preserve capital. Answering to their funders and communities, community finance organizations have extensive experience with risk management that the federal government does not have. Compliance can be ensured by making initial grants to lenders and other organizations with robust organizational capacity and through standardized reporting.

III. Execution, Reporting, & Accountability

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

In addition to the benefits of the on-the-ground capacity of the existing community finance industry, the community finance sector has experience taking, leveraging, and reporting on government funds for the benefit of LMI communities. It is paramount for GHGRF capital to provide maximum flexibility. If funds come with too many strings attached it will greatly hinder deployment, and particularly fast deployment. The EPA should hold firm to its primary goal of reducing GHG and allow the lenders in the program to determine how to use the fund's capital to create and enhance products to reach it.

For the EPA to get comfortable with deploying funds flexibly, it must ensure that the organizations involved in implementation have a track record of appropriately managing, deploying, and reporting on the use of government funds. The majority of the organizations in the community finance industry have decades of experience deploying federal, state, and local government funds with extremely minimal waste, fraud, or abuse. For example, the amount of fraud in large and fast-moving government programs like PPP is staggering when flexibility is not paired with appropriate accountability. But the PPP funds deployed by CDFI lenders have been shown to have greater reach into LMI communities, ultimately ensuring that more resources reached the intended recipients¹³. Similarly, defaults by first time homebuyers working with local non-profit lenders occur at a significantly lower rate than with other mortgage lenders.

As reported by 2020 OFN membership survey, CDFIs on average receive 19 percent of their funding from the federal government, 6 percent from state and local governments, and the rest from a diverse mixture of individuals, religious institutions, foundation, corporations, and banks.¹⁴The 25 percent of their funding that comes from government sources demonstrates their experience in managing government resources, which often result from long-term partnerships with the CDFI Fund, HUD, SBA, USDA, and a host of many other federal agencies. However, it is also important to note that 75 percent of their funding ultimately does not come from governmental sources, also displaying the community finance sector's capacity to leverage diverse capital sources.

In addition, all eligible entities seeking to serve as intermediaries or direct award recipients should meet the following criteria, informed by NRDC's RFI response:

- a. Have at least a five-year track recording of lending, especially in low-income and disadvantaged communities
- b. Experience administering federal grants and serving as an intermediary
- c. Demonstrate long-standing relationships with the industry that they are representing
- d. Have an existing revenue model and subsequently not plan to use GHGRF funding as their sole source of operations
- e. Have an effective model for how they will distribute funds in a cost-effective manner
- f. Demonstrate good, long-standing governance and staffing capacity

¹³ [CDFIs Outperform Other Paycheck Protection Program \(PPP\) Lenders – Partners for Rural Transformation](#)

¹⁴ https://cdn.ofn.org/uploads/2022/05/03154422/OFN-Side-by-Side_FY2020.pdf

- g. Display a viable pipeline of transactions and seek funding appropriate to the size of that pipeline
- h. Showcase strong support from the sub-recipients of the GHGRF funding
- 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?**

There are a variety of structures and mechanisms that could be implemented to ensure accountability to disadvantaged communities, spanning governance, operations, and the investment process. Below are options to consider:

- Require a certain percentage of community and/or small business representatives on the governing body and/or on the investment or decision committee, similar to CDFI or NMTC requirements, provided that the representative must reside in the communities being served.
- Form a separate Advisory Committee that requires all members reside in a disadvantaged community, and require reporting to that Advisory Committee. Several regional committees may be appropriate. It will be important to compensate committee members for their time and efforts.
- Require a certain percentage of projects funded to include a community ownership mechanism.
- Require evidence of community needs assessments and/or community engagement events pre-investment, as well as community surveys post-investment.
- Establish a national grievance mechanism whereby community members can submit issues directly to the intermediaries or to the EPA.
- Prioritize investing through community-based intermediaries who employ the above mechanisms.

While we understand that rapid deployment is a primary concern for not only the EPA, but our entire planet, we encourage the EPA to take the time necessary in implementation to ensure that there is community participation and accountability in the deployment of these funds. Smaller, community-based projects will ultimately lead to a greater reduction of carbon emissions over the long-run, as it builds markets and changes consumer behavior.

December 8, 2022

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

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

Dear EPA Environmental Financial Advisory Board:

We are writing to provide comments to EFAB on EPA's Greenhouse Gas Reduction Fund (GHGRF). Our response is informed by our deep experience in developing and advising on the green bank model, designing and implementing national and local financing programs, and building and operating financial institutions, programs, and initiatives that invest in GHG-reducing projects that drive benefits to low-income communities and households. Collectively, we have over eight decades of experience in this work, and we believe that there are excellent models and lessons learned to look toward (and others to avoid) as EPA structures this important program.

Our letter seeks to address two questions of paramount importance to EPA. First, how should EPA design a program that balances and maximizes: (1) GHG emissions and other air pollution reduction; (2) creates tangible benefits to low-income and disadvantaged communities and households; and (3) appropriately structures key financial considerations of additionality, leverage of additional capital, recycling, and accelerating market development? Second, what considerations should EPA take in its award process and ongoing oversight to ensure GHGRF capital flows to entities that will be good stewards of taxpayer dollars?

We appreciate your consideration of our comments and welcome any additional questions should they arise. We look forward to working with the EPA to design and implement a program that expands access to clean energy while producing measurable benefits for low-income and disadvantaged communities.

Sincerely,

Beth Bafford
Vice President of Strategy, Calvert Impact Capital

Adam Kent
Senior Advisor, Green Finance Center, Natural Resources Defense Council

Amber Kuchar-Bell
Chief Strategy and Operations Officer, Opportunity Finance Network

Susan Leeds
Founder and CEO Emeritus, New York City Energy Efficiency Corporation (NYCEEC)

Doug Sims
Senior Director, Resilient Communities, Natural Resources Defense Council

SECTION 1: MAXIMIZING THE IMPACT OF THE GHGRF

Introduction

Our letter focuses on the \$19.97 billion of general assistance and assistance to LI/DAC provided via competitive grants to Eligible Recipients.

The question standing before EPA is: how can GHGRF be allocated through *direct investment* and *indirect investment* to provide both *financial assistance* and *technical assistance* (TA) and ensure the goals of the legislation are met? An allocation approach should be designed with the end goals in mind. Key goals identified in the GHGRF legislation are: (1) GHG emissions and air pollution reduction; (2) delivering tangible benefits to LI/DACs; and (3) additionality, leverage of additional capital, recycling, and accelerating market development.

We believe these goals are best met by *distributed* GHG reduction technologies (e.g. building decarbonization, distributed solar including community solar plus storage, electric vehicles and personal mobility and related infrastructure for low-income and disadvantaged communities, and other small-scale distributed technologies addressing agriculture, small industry, etc.). This is based on the fact that these projects combine the “public good” benefit of GHG reductions with long-term household cost savings, asset appreciation (at the family and community level), increased resilience, and improved mobility, health, safety and comfort. These are proven GHG-reducing technologies, but have low or constrained market penetration, with limited demand signal for financing. Many of these distributed technologies lack adequate federal resources through other policies and programs, and are in need of financial assistance to scale in markets targeted by GHGRF. This approach ensures robust delivery of benefits to low-income and disadvantaged communities, strongly supports the legislative goal of assisting projects that otherwise lack access to financing, and offers excellent opportunities for leveraging and recycling GHGRF capital.

One significant implication of this recommendation is deployment – the extent to which financing products need to reach qualified projects, likely numbering in the tens of thousands, or even higher. Some examples will help to illustrate:

A 6kW solar panel installation for the average home costs from \$10,626 to \$13,230, and the national average cost for a heat pump is about \$5,500. A multi-measure net-zero decarbonization project for an existing 50-unit apartment building may cost roughly \$2 million, or \$40,000 per unit. With this range of costs in mind, we can posit that an average GHG-funded loan size (financing 50% of project costs) might be in the range of \$200,000 to \$250,000. Assuming a \$225,000 average loan size, and further assuming that 10% of the \$19.97 billion fund is allocated to TA, this implies that initially **about 80,000 loans must be originated to deploy the GHGRF one time**. With the goal of recycling funds and in support of the opportunity to develop more sophisticated approaches using GHGRF to de-risk loan portfolios and facilitate secondary market investment, this initial number can be multiplied many times. **Over time, GHGRF funds can potentially support financing for a million or more qualified projects.** Against this backdrop, community development financial institutions (CDFIs) (including banks, credit unions and loans funds) generally originate, on average, about 2,500 loans each year across all business lines, in addition to the (fewer but increasing) loans green banks originate. We can clearly see both a real deployment challenge and a significant

opportunity to positively impact large numbers of households and businesses across the country.

To solve this deployment challenge, hundreds of retail lending institutions across several established industries¹ must participate in the GHGRF. Below, we outline a diversified, networked hub-and-spoke strategy that envisions the mobilization of GHGRF funds delivering economic, health, and quality-of-life benefits to communities, households, and small businesses across the country, with a particular emphasis on low-income and disadvantaged communities. A significant secondary benefit is that several key lending industries and large numbers of lenders can be engaged in a process that leads to market transformation – green banks can grow and proliferate, and more traditional financial institutions that serve the day-to-day needs of Americans can become “green” lenders. Ultimately, “green” investments can become “mainstream” investments that do not rely as much on public subsidy.

Finally, to ensure the effective flow of funds that we envision and recommend in this letter, EPA should clarify the roles and responsibilities of various participants in the GHGRF ecosystem, in relation to both federal grant rules and the language of the statute.

By issuing such guidance to potential applicants, EPA can clarify different entities’ potential roles in this multi-layered, sophisticated grantmaking program and, in turn, enhance the quality of applications that the agency receives.

For instance, we envision a large number of “downstream” retail lending entities as essential players in this ecosystem. These retail lenders will be funded by Eligible Recipients and will use GHGRF funds to make large numbers of relatively small-sized individual loans to qualifying projects and technologies. This retail lending role can be labor-intensive; as such, it is critical that retail lenders be able to deploy GHGRF funding efficiently and pragmatically, within clear rules, and without excessive administrative and regulatory requirements.

The flexible nature of the GHGRF presents a unique opportunity for EPA to address these practical considerations in program design and through clear guidance to applicants. For example, EPA may wish to consider the process of funding each retail lender as an “activity” that constitutes a Qualified Project. This interpretation of the statute may alleviate the administrative burden on retail lenders, allowing them to focus on the all-important tasks of building pipelines of projects, engaging their customers, collaborating with project and community-level technical assistance providers, and originating and closing loans that fund GHG reducing technologies and projects for households, businesses, and communities. Although this model is not explored in this letter, we believe it warrants further consideration by EPA.

Allocation and Structure of Funds

We recommend that EPA anticipate funding multiple Eligible Recipients. An illustrative range of 3 to 10 awards would reduce concentration risk for EPA, increase innovation, and ensure that the right products and solutions are being developed for a variety of the highest emitting sectors with broad geographic coverage and locally proficient translation. This approach would also

¹ Established industries could include consumer finance, auto finance, small business finance, housing finance, commercial real estate finance, agricultural finance, among others.

ensure that Eligible Recipients are funded adequately to benefit from economies of scale, and that EPA can conduct appropriate oversight on a manageable number of direct grantees.

We think the risks outweigh the potential rewards of awarding all GHGRF capital to one single entity for a number of reasons – it is too risky²; like monopolies, a single entity also risks creating long-term market inefficiencies in low-income and disadvantaged communities³. A sole awardee would be much less accountable to the many diverse communities across the country that GHGRF should serve⁴; it would be highly unlikely to have the expertise, capacity, relationships, products, and strategies to effectively deploy general assistance capital and serve LI/DAC, and it will be the LI/DAC segments that would likely suffer⁵. Also, it is unlikely to have a complete national presence and so risks wasting time and resources developing untested and duplicative franchisees or subsidiaries.

Unless GHGRF deployment is diversified via a hub-and-spoke model that invests through multiple lending industries with multiple product and deployment strategies, there is real risk of under-deployment. The relevant industries/lending channels include green banks, CDFI⁶ loan funds, credit unions, community banks (MDI and CDFI), speciality non-bank community and green lenders, affordable housing mortgage lenders (including moderate income and low-income borrowers), and housing finance agencies (HFAs). There may be other emerging strategies like use of state revolving loan funds, but that is unknown at present.

Once awarded grant funds, Eligible Recipients should have flexibility to allocate and reallocate funds as needed based on actual deployment success in GHG- and other air pollution-reducing projects. For example, if an Eligible Recipient has \$1 billion in funds to allocate across 50 small business lenders for the purpose of financing the decarbonization of small business real estate and operations in their markets, instead of allocating \$20 million to each lender on day one, the Eligible Recipient can allocate \$5 million to each lender and then track progress on deployment to ensure the remaining funds get allocated to the lenders with clear success deploying funds quickly against the program's objectives. This will create a

² If that one entity fails in its mandate or struggles to build the administrative capacity to oversee the fund, the entire GHGRF runs the risk of failure. In the hub and spoke model, if one hub should encounter difficulty, the integrity of the broader program remains intact.

³ Like water, capital continues to flow through familiar channels. While relying on one entity might feel expedient, it ultimately carries the risk of limiting innovation in the field over time and can potentially serve as a dam to the capital flow to low-income and disadvantaged communities.

⁴ For GHGRF funding to effectively benefit low-income and disadvantaged communities, this funding must also be accountable to these communities through familiar and trusted governance structures and must have the flexibility to make programmatic adaptations to serve these communities.

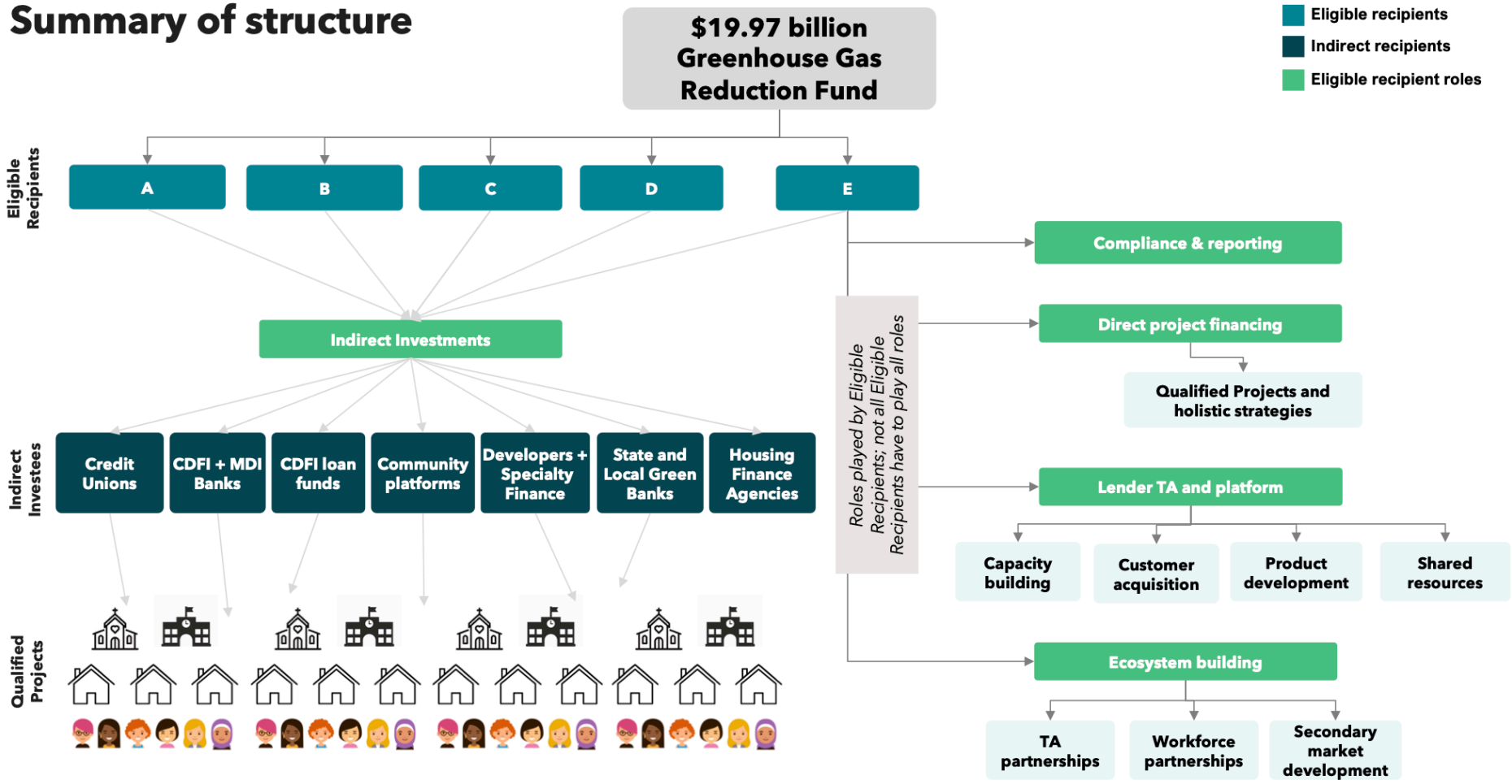
⁵ GHGRF must serve LI/DAC and can also provide "general" assistance that is not restricted to LI/DAC. One single entity is highly unlikely to have the expertise and relationships necessary to both deploy general assistance capital and simultaneously address the specific needs of LI/DAC market segments. Serving LI/DAC requires expertise, experience, and established relationships of trust. It also requires different strategies, financial products, prioritization of technical assistance, and strategic use of subsidy. Relying on one entity to effectively execute two fundamentally different strategies for two very different market segments creates significant risk of ineffective deployment and under-deployment to LI/DAC.

⁶ To be certified as a CDFI by the Treasury Department, an entity must: have a primary mission of promoting community development; provide both financial and technical assistance to borrowers; target at least 60% of its financing activities in eligible "target markets", which may include low-income or distressed census tracts, low-income borrowers, borrowers with low-income end-users, and other underserved communities; maintain accountability to the communities it serves, generally through representation on their board and/or special advisory boards; and be a non-governmental entity, except for Tribal government entities. (Source: [CDFI Fund, U.S. Department of Treasury](#))

beneficial, race-to-the-top dynamic among participating lenders. At the end of the period, some lenders may have received and deployed \$50 million and some may have only received and deployed the initial \$5 million. This can happen over time, including after the September 2024 deadline for EPA to disburse the GHGRF in grants. These downstream retail-facing lenders can have flexibility to use funds for various activities – loans, concessionary loans, soft debt, grants, technical assistance, and capacity building. Through this process, Eligible Recipients will learn which approaches are the most effective and share that information with its network, increasing program effectiveness.

The diagram on the following page illustrates our recommended structure for the GHGRF, including key actors, their responsibilities, and the proposed flow of funds.

Summary of structure



The Role of Eligible Recipients

Eligible Recipients, under grant awards from EPA, will have significant power over the impact, reach and success of the GHGRF. This is because Eligible Recipients have the responsibility of setting the terms, conditions, and costs under which funds will flow to other entities within the ecosystem of lenders and TA providers. Eligible Recipients will be responsible for attracting other entities to participate in the GHGRF. These downstream lenders and TA providers have the most labor-intensive roles in the ecosystem, since getting projects and technologies “over the finish line” – providing the financial and technical assistance needed at the borrower and community level – is the hard work of this program.

The more that Eligible Recipients acting as intermediaries seek to earn revenue by flowing funding to downstream program participants in the form of interest-bearing debt products and financing arrangements, the more financial burden will be placed on those participants. **We recommend that EPA incentivize Eligible Recipients – through both scoring and sizing of awards – to flow funds to other program participants in the form of grants and very low-cost financing arrangements akin to philanthropic Program Related Investments.**

In the proposed deployment strategy, Eligible Recipients play multiple, important roles including: (1) investing in indirect recipients; (2) providing lender technical assistance and shared platforms; (3) providing compliance and accountability services for EPA; (4) helping to create the GHGRF ecosystem; and (5) investing directly into qualified projects.

Indirect Financial Investment Role

Eligible Recipients should be able to clearly demonstrate their ability and strategy to “downstream” funds. Eligible Recipients should develop a model for “downstreaming” funds and resources to retail lenders (Indirect Recipients). This may include providing sub-grants, technical resources and financing products to Indirect Recipients. As an indirect investor, an Eligible Recipient should have a burden of care to ensure that all projects financed by downstream lenders meet GHGRF and EPA requirements for Qualified Projects.

Eligible recipients should be able to demonstrate that they can:

- Solicit and engage retail lenders as Indirect Recipients.
- Allocate funds to Indirect Recipients; make sub-allocation decisions based on transparent, fair, and effective criteria.
- Disburse funds to Indirect Recipients on a controlled basis, preferably against objective milestones (loans originated and closed in LMI/DAC and other communities) or project financings (e.g., a monthly draw asset-based facility, or staggered drawdowns on recourse debt).
- Hold the technical expertise and accountability to determine appropriate terms and/or products for Indirect Recipients that will facilitate GHGRF projects that benefit LI/DAC communities and households
- Make reallocation determinations and shift funding as needed based on activity of the Indirect Recipients.

There must be transparency and fairness regarding all costs associated with funds provided to Indirect Recipients. Excessive rates, fees, management fees, overhead allocations, or other revenues and cost recovery earned by Eligible Recipients on the provision of funding to Indirect Recipients can create substantive barriers to lenders participating in GHGRF and to deploying funds into Qualified Projects, and can diminish the level of benefits delivered to end-use borrowers, particularly LI/DAC households and communities. Indirect Recipients need both adequate operating funds and revenue opportunities to be motivated to participate in GHGRF, to do the hard work of developing project pipelines and to originate large numbers of relatively small loans. Excessive application and reporting requirements for Indirect Recipients can create burden as well, and Eligible Recipients should be prepared to provide Indirect Recipients with tools, systems and support to ease these burdens. It is essential to make this program attractive to downstream lenders, and this responsibility will rest with Eligible Recipients serving as intermediaries.

Given that each Eligible Recipient must be a nonprofit organization, best practices with respect to nonprofit financial management should apply:

- Earned revenues in excess of (1) allowable operating costs related to GHGRF direct investment or indirect investment activities, up to an administrative cost cap established by EPA; (2) the cost of servicing any debt directly supporting GHGRF direct investment or indirect investment activities; and (3) the establishment and maintenance of reserves for losses must be reinvested in program activities. Such reinvestment of revenue earned should prioritize and, as needed, subsidize LI/DAC activity, unless and until any disbursements or projections regarding beneficial LI/DAC investment are achieved or on track.
- Unrestricted net assets or accumulated funds (the equivalent of retained earnings) should be maintained at an appropriate level as a cushion against fluctuations in operating revenues and unanticipated risks. Excessive retention of retained earnings should be avoided and EPA should establish strong guardrails against private enrichment.

Lender Technical Assistance and Platform Role

Eligible Recipients should also be expected to provide lender technical assistance to their network of Indirect Recipients, including via the creation or strengthening of shared platforms that Indirect Recipients can use to drive GHG reduction and community co-benefits. These include:

- Technical assistance designed to assist lenders to acquire customers; adjust or develop appropriate underwriting guidelines and loan processes that facilitate investment in GHG-reducing technologies; and address learning needs, for example around GHG reduction technologies.
- Provide product templates, lending process tools, and data on performance for lenders to modify existing products and/or adopt new products that effectively finance GHG-reduction technologies.
 - Assist lenders to identify familiar, market-accepted financing products that can be modified or enhanced to finance GHG reduction technologies.

- Seek to develop new products and solutions where established products don't work.
- Establish matchmaking platforms to connect lenders with project- and community-level TA providers.
- Promote recognition and learning opportunities related to successful case studies, products, processes and lending strategies amongst Indirect Recipients.
- Develop other forms of TA responsive to lender needs.

Compliance Role

Eligible Recipients should be expected to monitor Indirect Recipient performance and ensure that those entities comply with GHGRF requirements. EPA cannot be expected to monitor the performance and compliance of hundreds, if not thousands of lenders. Instead, EPA should focus its oversight on Eligible Recipients, who in turn will be relied on to ensure Indirect Recipient performance and compliance. The details of grant agreements between Eligible Recipients and Indirect Recipients will be critical in ensuring Indirect Recipient performance and compliance.

Eligible Recipients' responsibilities in this role include:

- Execute and oversee grant agreements with Indirect Recipients that codify the Eligible Recipient's role in ensuring GHGRF-related performance and compliance, with appropriate remedies.
- Ensure that grant milestones are achieved, and pursue reallocation remedies as needed.
- Roll up financial and impact reporting for Indirect Recipients reporting; focusing on loan level outputs should be required by Indirect Recipients, and Eligible Recipients should have systems in place to report on retail lending of Indirect Recipients in the aggregate, including key metrics such as GHG emissions reduction, LI/DAC benefits delivered, project- and portfolio-level leverage, and loan-level performance.
- Ensure consistency in reporting data amongst Indirect Recipients.
- Report out on capital deployment volume in terms of investments in Qualified Projects, not capital commitments. Note that some green banks present many metrics in terms of capital commitments whether such commitments are utilized or not. This practice tends to inflate capital deployment impact metrics and obscure the economic value of actual GHG-reducing project investments.

Role in Helping to Create the GHGRF Ecosystem

Beyond providing financial assistance to Indirect Recipients and ensuring performance and compliance, Eligible Recipients should also make investments in the broader ecosystem of project delivery, helping to build the pipeline of investible projects and addressing barriers at a larger scale than any one Indirect Recipient could accomplish. This goes beyond the lender

technical assistance role discussed above, and will ultimately help GHGRF investment capital flow through Eligible Recipients and Indirect Recipients to qualified projects on the ground. In this role, Eligible Recipients should:

- Include existing or prospective partnerships with TA providers and/or the development of TA platforms as part of their grant applications.
- Develop effective partnering arrangements with project-level, community-scale and workforce development technical assistance providers.
- Engage with GHGRF-funded TA providers and report on joint activities.
- Develop and facilitate the creation of secondary markets to increase efficiency and lower costs of private capital through direct asset purchases, warehousing, asset-backed issuances, aggregation of data, and education of key market actors (ratings agencies, investment banks, etc.).

Direct Investment Role

Finally, Eligible Recipients can also make direct investments in projects, activities, and technologies that reduce or avoid GHG emissions and other forms of air pollution. As such, Eligible Recipients should modify existing or develop new products that clearly address financing gaps in GHGRF qualified projects, particularly those benefitting LI/DAC communities and households. It is possible that some Eligible Recipients will have the capacity to invest in much larger projects than Indirect Recipients. Those investments should still follow the prioritization GHGRF legislation has placed on delivering benefits to LI/DAC communities and households.

Qualified projects by definition also include investments that “assist communities in the efforts” of reducing GHG emissions and other forms of air pollution. We read that language as a specific nod to the weight GHGRF places on technical assistance and capacity building. For a deeper discussion on that, please see the Technical Assistance Section below.

Structuring the Flow of GHGRF Funding

At \$30 million for a 10-year grant administration period, EPA has limited administrative resources to manage a complex and multifaceted program. EPA should target a relatively small number (e.g., 3 to 10, but will depend on the quality of applications) Eligible Recipients and empower these recipients to downstream GHGRF resources to other lending institutions.

- **Use of intermediaries as Eligible Recipients:** By awarding program funds to intermediaries (defined by those entities that can perform the five roles covered in the section above), EPA can both successfully obligate the funds within the required timeframe and execute a strategy that allows funding to flow through a large number of lenders. An intermediary strategy can also maximize flexibility of federal funds. Intermediaries should be allowed to reallocate funds amongst retail-facing Indirect Recipients and downstream participating lenders beyond September 2024. This will provide time to engage a wider range of Indirect Recipients. Because as grantees, intermediaries have more flexibility over a longer timeframe to allocate and reallocate

funds than does EPA as Program Administrator, this provides some protection against slow or ineffective deployment by individual lenders who are Indirect Recipients.

- **Large-scale direct lenders:** We recommend emphasizing an intermediary strategy, but not to the exclusion of applicants who are large-scale direct lenders. There may be institutions with adequate loan volumes and geographic reach, who also have track records lending to GHG-reducing technologies and LI/DAC communities, who are strong candidates for deploying funding directly to Qualified Projects through their current and prospective customers. As all Eligible Recipients must be non-profits, such large-scale direct lenders will most likely be large CDFIs or credit unions with a national or multi-regional footprint. Joint applications from a collaborative of direct lenders such as regional green banks could also be entertained.

We recommend a minimum award size of \$500 million for two reasons: to encourage applications with scaled impact, and to assist EPA in accomplishing the goals of the statute within the confines of its administrative budget.

Technical Assistance

The statutory language recognizes the critical role of TA in unlocking the potential of green finance. The need for technical assistance is acute at the project level, especially for building decarbonization projects focused on multifamily housing, affordable housing, and solar deployment in low-income and disadvantaged households and communities. EPA must accordingly ensure that TA is built into every layer of the GHGRF ecosystem. In particular, we recommend that EPA awards create a structure for providing TA at two levels, as described below.

First, as previously discussed, **Eligible Recipients should be expected to provide lender TA and shared platforms to their respective networks of Indirect Recipients.**

In addition, **Eligible Recipients should be required to present and execute a detailed demand generation and TA strategy that will support community-, portfolio-, and project-level TA and capacity building to build a pipeline of initiatives or products that will ultimately be financed by either the Eligible or Indirect Recipients.** Community- and project-level TA, capacity building, and awareness building are key to creating markets for GHGRF financing across asset types (households, buildings, community solar, etc.). Capacity-building assistance should be tailored to individual communities' needs, supporting activities such as workforce development, small business development, culturally competent marketing and outreach strategies, and community-ownership of projects. In addition, by forming partnerships with TA providers, Indirect Recipients should look across their portfolio of investments for opportunities to decarbonize the work they have already financed.

The relationships between lenders and TA providers should go both ways. Lenders can train TA providers on the information required for a financing application, ensuring that the TA process will facilitate the ability for a customer to seamlessly apply for financing, and possibly helping them do that. And, a reciprocal referral system could be established so TA providers can refer projects to lenders, and lenders can refer potential projects for TA.

Eligible and Indirect Recipients should be encouraged to forge partnerships with experienced, successful TA partners, and not re-create the wheel. EPA should use proposal scoring criteria

that incentivizes applicants to advance meaningful partnerships prior to submitting an application, not just include language saying what they plan to do on TA.

SECTION 2: DEVELOPING THE GHGRF ECOSYSTEM

The allocation strategy discussed above places a significant amount of responsibility on the Eligible Recipients to deploy capital in a networked fashion to achieve GHGRF goals. Below we discuss (1) key criteria EPA should require from Eligible Recipients; (2) how to structure an application and award process that will facilitate a networked, diversified implementation; and (3) how EPA can build in compliance and accountability to ensure fidelity to the program goals.

In this section, we refer to the GHGRF's \$8 billion in funding for projects exclusively in LI/DAC as the "LI/DAC Fund" and the remaining \$11.97 billion for general assistance as the "GA Fund."

All Eligible Recipients

Eligible Recipients will assume primary responsibility for maximizing the GHGRF's reach and will have contractual relationships with EPA. Criteria for grantee eligibility, evaluation and selection, contractual commitments, disbursement procedures, grant monitoring, and supervision are thus all critically important to the success of the GHGRF.

Given the critical role of Eligible Recipients in developing the GHGRF ecosystem, EPA must ensure that **all** prospective Eligible Recipients meet certain key criteria:

Purpose – Any Eligible Recipient must be able to demonstrate how its use of funds will:

- Accelerate deployment of distributed GHG reduction technologies and anti-pollution projects in LI/DAC;
- Deliver clear, measurable equity-based outcomes, in addition to pollution-related ones; and
- Deploy public and private capital to drive new market creation and/or market transformation.

Experience – Any Eligible Recipient must have a proven track record of:

- Successfully raising, deploying, and managing public and private capital, including large sums of capital, either directly or through their networks.
- Successfully deploying capital, either directly or through their networks, into GHG reducing and anti-pollution projects, companies, or activities; and
- Administering government grants. In the absence of such experience, an applicant must demonstrate partnering, sub-contracting or staffing strategies that will address this need to EPA's satisfaction.

Financial Expertise – Any Eligible Recipient must be able to clearly and credibly demonstrate:

- Existing finance products that can be used for *qualified projects*, or a clear and credible commitment to modify existing or create new products that can be used for *qualified projects*;
- Established lending and grantmaking standards, systems, and infrastructure, including proven accounting systems, robust policies and procedures, sound information technology and data storage capabilities, and reporting frameworks that can be used to track grant, loan, and impact performance;
- A strategy that seeks funding that is “right-sized” for the deployment capacity within the industry the applicant intends to serve, including quantitative analysis providing details on anticipated loan volumes in relation to historical loan volumes and anticipated asset and origination growth rates within this industry;
- A seasoned CEO or Executive Director and senior management team with deep expertise in the clean energy lending and technology markets which the Eligible Recipient intends to serve; and
- A governance structure and record that reflects:
 - Best practices for nonprofit and financial management and oversight;
 - Responsiveness and accountability to the communities in which they operate; and
 - A board of directors and/or advisory boards that include subject matter experts and are representative of the communities in which they operate.

Relationships – Any Eligible Recipient must have:

- Trusted client/borrower networks and relationships in the states, regions, and/or communities in which they intend to operate;
- Long-standing and extensive relationships within the lending industry the applicant is proposing to serve as intermediary;
- Relationships with other capital providers and a history of raising and blending concessionary (public or private) capital with commercial capital and accessing the capital markets (including experience with institutional operational and financial diligence); and
- Institutions in the industry, ideally including technical assistance providers, as supporters to an applicant’s application who are committed to participate as indirect recipients via that applicant.

It will ultimately be incumbent upon Eligible Recipients to select and monitor their network of Indirect Recipients. However, EPA should require that all Eligible Recipient applicants include as part of their application an initial network of committed Indirect Recipients with which they intend to work. EPA should stress that, to the greatest extent possible and as applicable, these Indirect Recipients should meet most of the criteria laid out above.

Over time, Eligible Recipients are likely – and should be encouraged – to provide financial and technical assistance to additional Indirect Recipients not included in their original application, including new lending institutions that may not exist yet. EPA should thus require that in their applications, potential Eligible Recipient specify (1) the criteria they will use to evaluate, select, and monitor future Indirect Recipients, whether existing or newly established; (2) in the case of newly established Indirect Recipients, how the Eligible Recipient will ensure that these new lenders receive funding from other public and/or private sources and can demonstrate strong governance standards; and (3) the maximum amount that the Eligible Recipient plans to spend capitalizing new Indirect Recipients.

Eligible Recipients Serving LI/DAC

In addition to meeting the criteria described in the previous section, **an Eligible Recipient that intends to work in LI/DACs should be required to meet certain additional standards.** EPA can maximize policy outcomes by granting funds to multiple Eligible Recipients in the LI/DAC pool (within the confines of 3 to 10 total awardees overall, as discussed above). Capitalizing multiple entities in the LI/DAC pool will allow lenders to develop customized solutions that truly meet individual community needs. These entities and their identified Indirect Recipients must be able to demonstrate that they have the following:

- A demonstrated track record of successfully investing in low-income and disadvantaged communities;
- Trusted relationships in the LI/DACs in which they intend to operate;
- An understanding of the challenges that LI/DACs and low-income households face in accessing green finance and deploying low- and zero-emission products, technologies, and services;
- An ability to promote and facilitate community ownership of projects; and
- A governance structure and record that reflects:
 - A commitment to equity;
 - Accountability to the communities in which they operate; and
 - A board of directors and/or advisory boards that are representative of the communities in which they operate.

One of the lessons learned from other programs intended to be directed toward low-income and disadvantaged communities, such as the Paycheck Protection Program (PPP) included in COVID relief legislation, is that serving low-income and disadvantaged communities requires specialized market expertise. This need for specialized market expertise has also been a lesson learned by green banks who seek to serve low-income and disadvantaged communities. For this reason, the LI/DAC Fund (and, at minimum, 40% of the GA Fund) should be targeted towards recipients who can demonstrate this knowledge. The established lending infrastructure in LI/DACs is expansive, with existing institutions – including CDFI loan funds, community development credit unions, community development banks, state Housing Finance Agencies and Public Housing Agencies, Minority Depository Institutions, and Low-Income Credit Unions –

collectively holding over \$1.5 trillion in assets.⁷ CDFIs and other community-based lenders have the unique ability to leverage their extensive network and ensure rapid, equitable investment in rural and urban communities across the country.

There are some existing institutions that EPA should consider eligible for the LI/DAC Fund, given the criteria described above. Certain types of CDFIs, for instance, should qualify based on these criteria. These entities have already been through an intensive U.S. Treasury Department certification process that ensures they are good stewards of taxpayer dollars, are accountable to their community (in terms of both the financing they provide and their board representation), and have a history of successfully deploying capital in target communities. In addition, there is an existing network of nonprofit investment funds, green banks, and similar mission-oriented entities that meet the statutory requirements of an Eligible Recipient. Any of these entities that can demonstrate a successful track record of working in LI/DAC communities, with at least 50% of their lending and/or investment activities dedicated to serving such communities, should be considered eligible applicants for the LI/DAC Fund.

Requirements for GHGRF Applications and Awards

As noted above, statute creates two funding streams for Eligible Recipients: the GA Fund and the LI/DAC Fund. All Eligible Recipients – regardless of which funding stream they apply to – should be funded in relation to their scale, customer reach, and experience with GHG emissions reduction technologies, or that of the industries they represent. These entities should also be evaluated based on the strength of their industry relationships and down-streaming strategies. All applicants should demonstrate experience with government grant management; strength of governance, oversight and transparency; operational infrastructure to raise and manage private capital; plans to fund both financial assistance and technical assistance; overhead allocation; and systems available to track and report.

Beyond these cross-cutting requirements, EPA should take certain factors into consideration when structuring the application and awards process for both the GA Fund and the LI/DAC Fund.

First, EPA should establish a separate application process for each funding stream. The anticipated flow of funds would be largely similar with some key distinctions:

- Additional eligibility criteria for applicants to the LI/DAC Fund (see above section), or for those receiving the portion of the GA Fund that has been devoted to LI/DAC households, businesses, and communities.
- Monitoring and reporting protocols for LI/DAC Fund to ensure that funds actually benefit LI/DAC households and communities.
- Funding applications for both resources should provide for applicants who apply as intermediaries, applicants who apply as direct lenders, applicants who apply as both intermediaries and direct lenders.

⁷ Based on research conducted by the Center for Impact Finance at the University of New Hampshire's Carsey School of Public Policy.

- Applicants should apply separately for GA Fund and LI/DAC Fund but can apply for both.
- If awards are granted to a single applicant under both GA Fund and LI/DAC Fund, reporting should be segregated.

Second, the GA Fund should be subject to Justice40 principles and EPA should ensure that 40% of the benefits of the GA Fund resources benefit LI/DAC households and communities. This requirement supports the overall ability for GHGRF to achieve and demonstrate additionality. Additionality is tenuous in some key technology sectors for borrowers who are not LI/DAC community members (e.g., solar PV or electric vehicles).

Finally, **EPA should recognize that there is a greater need for technical assistance and financial assistance in the form of grants in the LI/DAC segment.** This reality means that lending business models that can successfully serve LI/DAC market segments likely need to allocate more GHGRF resources to project-level technical assistance and grants. This may result in lower leverage and slower recycling in the lending business model, although both leverage and recycling are achievable in LI/DAC market segments.

- For applicants that apply under the GA Fund, GHGRF revenues that are not required to support ongoing GHGRF operations and fund necessary reserves against losses should be utilized to subsidize LI/DAC activity, unless and until Justice40 goals are fully met. Unrestricted net assets, or accumulated funds (the equivalent of retained earnings) should be maintained at an appropriate level as a cushion against fluctuations in operating revenues and unanticipated risks. Excessive retention of retained earnings should be avoided. To the greatest extent feasible, earnings should be reinvested in eligible GHGRF activities.
- For LI/DAC Fund and the deployment of Justice40 funds, it is essential to ensure that CDFIs, credit unions with low-income designations, minority-owned institutions, and community banks serving these communities are represented and engaged. These lenders have expertise and deep experience necessary to serve LI/DAC customers. Another excellent strategy for reaching these communities is through housing finance agencies (HFAs) with whom CDFIs and other LI/DAC-serving lenders often partner.

Applicant Evaluation Criteria

Below we outline key considerations for EPA as it designs the GHGRF funding application. It is critical that EPA's application assessment and program accountability goals focus on clearly defined and intentional outcomes (e.g. LI/DAC benefits targeted, additionality, leverage, etc.) and provide flexibility to allow for the market and recipient to figure out the best way to achieve the outcomes and leverage.

As a threshold matter, EPA should evaluate for each applicant applying as an Eligible Recipient based on the key considerations described below:

- Applicant's proposed business model for serving as intermediary, especially the revenue model.

- If intermediaries lend money to downstream lenders – charging interest and fees earned on debt products – rather than sub-granting funds, this may slow and depress the development of the primary markets, particularly LI/DAC markets.
- It is essential that downstream lenders who are expected to develop project and transaction pipelines and make large numbers of small-scale loans have ample cost recovery and revenue opportunities to support this labor-intensive activity.
- Applicant’s strategy for attracting and engaging Indirect Recipients: How does the applicant propose to engage downstream lenders as Indirect Recipients? How many lenders are projected to participate and how many of these lenders are already firmly committed to participate in GHGRF? What are the key terms of engagement with downstream lenders? What are the planned application requirements for indirect investments?
- Applicant’s plan, capacity and experience to provide Indirect Recipients with access to lender-focused technical assistance and the additional supports and systems necessary for them to succeed.
- Applicant’s approach to ensuring availability of robust and effective project-level and community-level technical assistance: Does the applicant have engaged and committed technical assistance partners? Does the applicant have adequate staff with background and experience to work with both technical assistance partners and Indirect Recipients to provide a fully integrated suite of technical and financial assistance to potential borrowers, project developers, and community-based organizations?

In addition, EPA should evaluate proposals based on the applicant’s proposed cost efficiency of providing services to lender networks – in other words, how would an applicant applying as an intermediary pay for its various activities, as described below:

- Projected use of capital funds: portion of grant funds to be used for market-rate financing, concessionary financing, grants (to Indirect Recipients and Qualified Projects), technical assistance.
- Illustrative terms and requirements of both sub-grants and loan products; level of mark-up of sub-grants.
- Recognition of the interest earned on grant awards (prior to deployment).
- Amount of management or administrative fees.
- Proposed percentage of operating budget allocation in grant award.
- Securitization revenues anticipated and how these revenues will be reinvested to advance GHGRF objectives.
- Level of pricing, monies recycled versus spent outright, operating expenses, timeframe for recycling.
- Leverage projections: Applications may have a wide range of projections about the leverage an Eligible Recipient proposes to achieve. Leverage projections can be difficult to evaluate *a priori* especially for entities without a track record. As stated earlier, leverage is easier to achieve in some sectors than in others. EPA should

therefore focus on more concrete elements of applicants' proposals (lending program design, efficiency in flowing funds to borrowers/beneficiaries, approach to reinvesting earnings, ability to source and deliver pipeline, track record, etc.). Finally, leverage calculation methods can vary, so any historical leverage metrics provided need to be scrutinized to ensure an apples-to-apples comparison based on EPA's leverage reporting requirements for GHGRF.

- Intent for long-term sustainability of the enterprise.

Finally, EPA should also evaluate:

- Pro-forma financial model for proposed GHGRF award (for a minimum of five years of operations).
 - Demonstrate illustrative mix of grants, technical assistance, loan products and any other anticipated activities.
 - Project revenues from various activities; project expenses disaggregating personnel expenses and other program-related expenses.
 - Demonstrate recycling and reinvestment expectations.
 - Demonstrate "continued operability".
- Competent and skilled management team; proposals should also address the staffing needs to accomplish the activities and whether staffing is presently in place or needs to be hired.
- Risk management – in other words, proposals should:
 - Articulate key risks in successfully executing the proposed direct and indirect investment activities, and identify mitigating factors.
 - Explain key organizational policies and procedures that will promote the success of the Eligible Recipient in carrying out the proposed activities, and that will serve to mitigate key risks.
 - Describe the applicant's investment management policies: Who makes key investment decisions? What is the depth and experience of credit risk management staff? Describe composition of investment committees and approval levels.
- Explanation of governance structure.
 - Legal status of organization; non-profit status of organization; summary of key elements of by-laws and articles of incorporation.
 - Board structure and design; Board committee structure; current Board members and background information.

Grant Management and Disbursement Recommendations

Awards should be sized to winning applicants taking into consideration their individual or industry scale (evidenced by annual loan origination volumes, total assets under management and, as applicable, numbers of network institutions), breadth of customer access, ability to serve and deliver benefits to LI/DAC (for both LI/DAC Fund and GA Fund given Justice40 principles), and lending experience with eligible GHG emissions reduction technologies.

In addition, EPA should use a matrix/formula approach based on track record and scale to take into account the breadth, geographic reach, volume, asset base and capacity of existing industries. EPA should make the comparison based on green lending (not generic lending), and/or applicants should be required to show how their existing products will be adapted to green lending and what resulting volume of capital would be expected. Special consideration may be given to a green bank or similar organization due to its sophistication and experience with the underlying technologies.

Finally, EPA should negotiate and set clear deployment timelines with Eligible Recipients, based on milestones that tie future disbursements to a determination of whether an Eligible Recipient has sufficiently obligated their initial GHGRF funds. Similarly, Eligible Recipients should be required to include performance-based disbursement milestones for their Indirect Recipients, as well as a provision that requires Indirect Recipients who fail to deploy funds based on an agreed upon timeframe to return funds to the Eligible Recipient. These disbursement milestones should be tied to hard, quantitative results like loan amount closed (not loan amount in underwriting).

Measuring Outcomes

EPA should define clear impact standards and metrics for awardees to drive significant GHG and air pollution reductions, as well as meaningful energy and environmental justice impacts for low-income and disadvantaged communities. Overall, the agency should seek to understand the outputs generated by GHGRF funds and the outcomes the funds had on people and the planet. To balance reporting burden with speed of deployment, all reporting at the Qualified Project level should be quantifiable outputs (and when applicable, outcomes) reported by the Indirect Recipient to their Eligible Recipient.

Metrics

We recommend that EPA consider a short list of clear, overarching, quantifiable program outputs and outcomes that all Recipients will be responsible for reporting in a database system. Key metrics should include size of loan, term, project cost, technology financed, and LI/DAC benefits, as well as a more tailored set of metrics specific to each project vertical (e.g., building electrification, EVs, and so on). EPA should identify when national, standardized approaches to measuring outcomes could best be applied; when a regional approach makes sense; and when local, recipient-level reporting is needed. Currently, many green lending entities communicate impact differently. The GHGRF presents an opportunity for EPA to establish clear standards on impact reporting and measurement for all recipients to follow.

While all recipients should be expected to report a number of project outputs and outcomes, EPA should rely heavily on Eligible Recipients to do more detailed tracking and measurement, particularly on GHG emissions and transaction level data. Eligible Recipients should be expected to aggregate, study, and sample Qualified Projects across their network to gain a deeper understanding of outcomes. This includes the translation of loans, grants, or activities into GHG reduction estimates as well as understanding the role that access to Qualified Projects had on the beneficiaries (e.g., homeowner who electrified their home, small business who electrified their fleet, etc.). This can be done through various impact evaluation approaches and helps build evidence useful for the entire network of activities without placing this cost burden on every Indirect Recipient. They should also organize and aggregate transaction level data, which could enable the creation of active secondary markets.

In addition to consistency, EPA should promote learning among Eligible and Indirect Recipients to improve the use of metrics year over year. EPA should collate and publish core metrics, tailored sector-specific metrics, and qualitative reporting among practitioners to advance learning as well as share validated indicators recipients can use for the coming reporting cycle. The complexity and nascency of this undertaking warrants EPA's use of dedicated agency staff for metrics development, application in project implementation, and ongoing learnings.

Finally, EPA should ensure that GHGRF awardees can rely on independent, third-party professionals to provide assessments, validate project scopes, validate GHG savings estimates, and provide reliable cost estimates. To the greatest extent possible, EPA should seek to streamline these services to maximize efficiency and reliability, although local/state policy or code may require more tailored approaches in some instances.

Infrastructure for Reporting Reductions in Greenhouse Gas Emissions and Air Pollution

EPA should design a program that provides clear guidance to recipients on what projects/technologies are deemed high-priority for funding under GHGRF and the emissions-reduction factors of those technologies. By providing clear guidance, EPA can ensure that funds go toward projects that reduce GHG emissions and other air pollution while lessening administrative burdens on recipients. This would also reduce confusion among Eligible Recipients on how to account for the emissions reductions of a Qualified Project. Many lenders may lack the expertise to measure and track GHG emission reductions, nor should they be the ones deciding what is/isn't eligible to receive GHGRF financing. Once lenders report back on what technologies were financed, EPA can work with Eligible Recipients and third-party organizations to estimate total GHG and other air pollution reductions, as well as associated health benefits.

EPA guidance on emissions factors will help ensure that emissions reductions are being calculated in a comparable manner by all Eligible Recipients. Further, this guidance will help avoid the unwarranted exclusion of certain projects, whether building retrofits or transportation electrification, from consideration as a way to reduce emissions.

Ensuring Compliance and Accountability

EPA should ensure ongoing compliance and accountability for the fund by using existing reporting structures where possible.

Because of the size of this fund and its deviation from EPA's historical role, we recommend that EPA does not attempt to make individual loan level determinations of eligibility for this fund. Rather, a robust reporting and accountability structure could ensure that the funds are: a) spent in low-income and disadvantaged communities in ways that improve people's lives, and b) reduce or avoid greenhouse gas emissions and other forms of air pollution. CDFIs have experience with this type of reporting already and currently gathering and report significant financial and place-based data. For example, the CDFI fund already tracks the geocodes of each of the investments made by CDFIs and reports in a Transaction Level Report (TLR) and Use of Award Report (UAR). A similar reporting structure, with carbon reduction information layered on, would be a simple way to ensure these funds are spent in accordance with the law, maximize flexibility within the program, and ensure accountability. In addition, to ensure the financing is as flexible as possible and balanced with accountability the EPA should consider other federal financing programs like the CDFI Fund's Rapid Response Program (RRP), which defined allowable grant funding across a range of flexible categories.

Appendix: About the Authors

Beth Bafford is Vice President of Strategy at Calvert Impact Capital, a nonprofit financial institution that has raised more than \$4 billion from 20,000+ investors in pursuit of measurable social and/or environmental impact. Beth leads Calvert Impact Capital's strategy and new business development efforts to build financial products and services that accelerate private capital for the benefit of communities in the US and around the world, with a focus on how to unlock the traditional capital markets for good. She also leads the organization's loan syndications and structuring practice and oversees corporate strategy, communications and impact management and measurement.

Prior to Calvert, Beth was a consultant in McKinsey & Company's D.C. office where she focused on U.S. Health Reform strategy. She has also worked as a Special Assistant at the White House Office of Management and Budget during the drafting and passage of the Affordable Care Act, as a Regional Field Director and Community Organizer on the 2008 Obama for America campaign, and as a Senior Associate at UBS Financial Services. Beth received both her BA in Public Policy and MBA in Social Entrepreneurship at Duke University.

Beth serves on the Advisory Board for the CASE Initiative on Impact Investing (CASEi3) at Duke's Fuqua School of Business, the Investment Committee for the Aaron and Lillie Straus Foundation, the Impact Investment Committee for the Baltimore Community Foundation, the Advisory Board of Higher Ground Labs, and the Board of Directors of Founders First Capital Partners, a revenue-based financing firm focused on funding diverse founders. She lives in Washington, DC with her husband and four young children.

Adam Kent is the Senior Advisor in NRDC's Green Finance Center, working at the intersection of finance and climate, with a particular focus on the role housing and community development finance play in creating a more equitable and environmentally sustainable economy. Prior to NRDC, Kent was the deputy director in the Washington, D.C. office of the Local Initiatives Support Corporation (LISC). During his time there, he financed over 1,500 affordable homes for lower-income families and helped to grow LISC's solar financing. In addition, he developed and led LISC's Elevating Equity Initiative, a \$100 million effort devoted to fostering equitable and inclusive development in the neighborhoods surrounding the 11th Street Bridge Park. Prior to LISC, Kent worked as a high school math teacher in the D.C. Public Schools system and as a researcher at the Urban Institute. He serves on the board of Project Create, a D.C.-based arts nonprofit that delivers accessible multidisciplinary arts education and programming to youth and families. Kent holds a bachelor's degree in economics from Macalester College, a master's degree in teaching from American University, and a master's degree in public affairs from Princeton University.

Amber Kuchar-Bell is the Opportunity Finance Network's (OFN) Chief Strategy and Operations Officer and is responsible for strategic initiatives, corporate budgeting, and facilitating partnerships with major financial institutions, philanthropy, and new corporate partners. Prior to joining OFN, Amber was the CDFI Program/NACA Program Manager at the CDFI Fund. She was responsible for the design and implementation of the \$1.25B CDFI Rapid Response

Program and managed over \$200MM annually in grants and loans to over 300 organizations. Amber was also an investment officer for Calvert Impact, where she managed a \$68MM investment portfolio of CDFIs. Amber also worked at Momentum Capital as a commercial loan underwriter and Bay Federal Credit Union as a Sr. Consumer Loan Officer. Amber has a Master of Public Policy from Duke University located in Durham, North Carolina, and a Bachelor of Science in International Development from the University of California Los Angeles.

Susan Leeds is the founder of the New York City Energy Efficiency Corporation (NYCEEC), the country's first local green bank. Susan served as President and CEO of NYCEEC from 2011 to 2019 and currently serves as Director and Secretary of the corporation. NYCEEC is a non-profit that finances energy efficiency, electrification, and clean energy projects primarily in buildings. Leveraging an initial federal grant of \$37.5 million, NYCEEC has mobilized over \$400 million of public, private, and philanthropic capital to date for building-scale decarbonization investments.

Susan is a recognized leader in clean energy finance – as an entrepreneur, lender, advocate and consultant to the public and private sectors. Susan's recent consulting assignments include Association for Energy Affordability, Boston Green Ribbon Commission, Citibank, Energy Foundation, Kansas City, Massachusetts Clean Energy Center, New York Green Bank, NRDC, NYSEERDA, St. Louis, The Clean Fight, and various early- and growth-stage clean tech companies. Prior to founding NYCEEC, Susan worked as an advocate for NRDC and led fundraising for Equilibrium Capital. Susan spent over seventeen years working in capital markets in various positions in the U.S. and abroad. Susan holds an MBA in finance from the Wharton School and a BA from the University of Pennsylvania.

Doug Sims is Senior Director of the Resilient Communities Division at Natural Resources Defense Council (NRDC), where he manages a team of over 40 advocates working on climate finance and place-based, and people-centered strategies to improve lives while combatting and preparing for climate change. Doug founded and led NRDC's Green Finance Center, was instrumental in the design and launch of the New York Green Bank is a co-founder of global Green Bank Network, a membership organization whose members include the Clean Energy Finance Corporation (Australia), Connecticut Green Bank, GreenTech Malaysia, NY Green Bank, New Zealand Green Investment Finance, Development Bank of Minas Gerais (Brazil), Rhode Island Infrastructure Bank, DC Green Bank and Tata CleanTech (India). He authors papers, presents at conferences and advises jurisdictions around the world on green finance and sustainable infrastructure. He is a member of the Standards Board of the Climate Bonds Initiative, the board of directors of the Center for Sustainable Energy and a founding board member of Inclusive Prosperity Capital, a spin out of Connecticut Green Bank. An infrastructure finance lawyer by training, Douglass worked for a decade at Allen & Overy LLP, focusing on energy and infrastructure projects. Douglass holds a law degree from Harvard Law School and bachelor's degree from Stanford University.



EAST BAY ASIAN LOCAL
DEVELOPMENT CORPORATION

BUILDING HEALTHY, VIBRANT AND SAFE NEIGHBORHOODS



December 5, 2022

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

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

Dear Administrator Regan,

Chinatown Community Development Center (CCDC,) Brightline Defense Project (Brightline), Mission Economic Development Agency (MEDA), Little Tokyo Service Center (LTSC), Silicon Valley at Home (SV@Home), East Bay Asian Local Development Corporation (EBALDC), and the Tenderloin Neighborhood Development Corporation (TNDC) appreciate the opportunity to provide comments on the Greenhouse Gas Reduction Fund (GGRF) program design and implementation.

The Mission of the Chinatown Community Development Center is to build community and enhance the quality of life for San Francisco residents. We are a place-based community development organization serving primarily the Chinatown neighborhood, and also serve other areas including North Beach and the Tenderloin. We are a community development organization with many roles - as neighborhood advocates, organizers and planners, and as developers and managers of affordable housing.

CCDC believes in a comprehensive vision of community, a quality environment, a healthy neighborhood economy, and active voluntary associations. We are committed to the empowerment of low-income residents, diversity and coalition building, and social and economic justice.

Brightline is an environmental justice nonprofit working to empower communities and build sustainable environments. Brightline works with San Francisco Chinatown community organizations on air quality, food insecurity, parks and green space, SRO resident needs, language access, and workforce development.

CCDC, Brightline, MEDA, LTSC, SV@Home, EBALDC, and TNDC welcome the GGRF as a historic opportunity to further accelerate clean energy investments across the United States, and particularly welcomes the Fund's emphasis on low-income and disadvantaged

communities. This directly aligns with our organizations' commitment to supporting these communities.

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

Eligible Recipients:

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

In particular, we would urge the EPA to prioritize CDFI's that are also Minority Depository Institutions.

Eligible Projects:

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

Decarbonizing housing stock is a critical piece of reducing greenhouse gas. Decarbonization is not just about decreasing carbon emissions. It is also about energy and resource efficiency, improved health through better indoor air quality, addressing inequities through reducing energy burdens and building climate resiliency. Residential energy use produces roughly 20% of greenhouse gas emissions in the United States. If U.S. residential buildings were a country, they would be the sixth-highest emitter of greenhouse gases in the world. Historically, low-income and disadvantaged communities have been disproportionately impacted. The GGRF provides a unique opportunity to center these communities by lowering housing cost burdens, positioning them to take advantage of the innovations in the energy sector, and creating safe and healthy indoor environments.

In particular, we encourage the EPA to prioritize sustainable rehabilitation of existing housing stock that is already affordable or will be converted into affordable as part of the overall rehabilitation transaction.

Definition of Low-Income and Disadvantaged Communities:

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

With that said, Asian Pacific Islander American (API) communities are NOT considered a Target Market for the purpose of the CDFI fund. We STRONGLY urge the EPA to include AAPI's within any definition of Low-Income and Disadvantaged Communities. Similarly, it is imperative that the Latino community be included.

Additionally, affordable housing developers in urban areas should not be excluded based solely on mapping processes like the Climate and Environmental Justice Screening Tool and the California Communities Environmental Health Screening Tool (CalEnviroScreen). Mapping tools, like CalEnviroScreen, are imprecise as they combine many factors in a census tract and may inappropriately exclude disadvantaged and low-income communities. For example, in some neighborhoods in San Francisco's high density and aging housing stock communities are not defined as "disadvantaged" in most state definitions due to extraneous environmental health factors. The use of mapping based definitions may unduly exclude communities that would significantly benefit from the GGRF.

Structure of Funding:

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

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

Sincerely,

Malcolm Yeung, Executive Director
Chinatown Community Development Center

Eddie Ahn, Executive Director
Brightline Defense Project

Luis Granados, CEO
Mission Economic Development Agency (MEDA)

Erich Nakano
Executive Director, Little Tokyo Service Center

Regina Celestin Williams, Executive Director
Silicon Valley at Home (SV@Home)

Maurillo León, CEO
Tenderloin Neighborhood Development Corporation

Andy Madeira, CEO
East Bay Asian Local Development Corporation

Cc: Environmental Financial Advisory Board (EFAB) email to: 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: Greenhouse Gas Reduction Fund

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

The Coalition for Green Capital (the "Coalition") respectfully submits the following comments to the comments filed in response to the EPA's Environmental Financial Advisory Board ("EFAB") charge adopted by the Board in its October 18-19 meeting ("Charge"), and related comments filed in EPA's Request for Information ("RFI"): Greenhouse Gas Reduction Fund ("GHGRF") – Docket ID No. EPA-HQ-OA-2022-0859. The Coalition previously submitted comments on December 5, 2022, in response to the RFI (the "Coalition Comments"), and comments last week on the Charge. The purpose of these comments is to respond to assertions made by various commenters that disregard the purpose and express requirements of the new Section 134 of the Clean Air Act ("CAA") in Section 60103 of the Inflation Reduction Act, Public Law 117-169, 136 Stat. 1818 (August 16, 2022) regarding capitalization of a national green bank or similar independent, nonprofit national finance entity that must operate and make direct investments at the national, regional, State and local levels; while also making indirect investments in the form of funding and technical assistance to a broad and open access network of new and existing finance entities operating at subnational levels.

It is a general truth that people do not disagree much on ends, but differ instead on means. Thousands of pages of comments filed in response to the Charge and the RFI provide abundant confirmation of this observation. Almost no commenters, save one (and perhaps a few other skeptics)¹ of the GHGRF, disagree on the necessity of mobilizing massive new investment behind "any project, activity, or technology" that rapidly and efficiently "reduces or avoids greenhouse gas emissions or other forms of air pollution." CAA, Section 134(c)(3)(A). Ever increasing global emissions of GHGs, environmental injustice, and long-term economic

¹ See, e.g., RFI Comments of the American Enterprise Institute at 2 ("None of the dollars authorized...for the GHGRF should be spent...in that merely reducing GHG emissions is not a useful end in itself.... Carbon dioxide...is not 'carbon,' and it is not a 'pollutant'...."). We have reviewed hundreds but not all of the comments filed in response to the Charge and the RFI in an effort to provide meaningful comments in the relatively short period prior to the EFAB's deadline to provide recommendations to EPA; we cannot say if comments we did not review would affect the substance of our comments.

opportunity all call for the United States to lead the world in the “rapid deployment of low- and zero-emission products, technologies, and services.” Section 134(c)(1)(A). Almost all agree as well that the United States should lead also in acutely, quickly and continuingly focusing that deployment on benefitting “low-income and disadvantaged communities,” and assisting the “efforts of.... communities to reduce or avoid greenhouse gas emissions and other forms of air pollution.” Sections 134(a)(3), (c)(3)(B).

That leadership road must be paved by “partnership with, and by leveraging investment from, the private sector.” Section 134 (c)(3)(A). We doubt that anyone would challenge the assertion made in the Coalition Comments that at least a trillion dollars, of which almost all will have to come from the private sector, is needed to finance and deploy “qualified projects that would otherwise lack access to financing.” Section 134(b)(1)(B). Nor do we think serious challenges can be made to the estimate that at the very least \$200 billion of qualified projects that otherwise lack access to financing must occur in low-income and disadvantaged communities.² If anything, these estimates woefully undershoot the need for the grant funds for General Assistance under Section 134(a)(2) (the “GA Fund”) and the grant funds for Low-Income and Disadvantaged Communities under Section 134(a)(3) (the “LIDC Fund”) to capitalize fully as an “eligible recipient” as defined in Section 134(c)(1), at least one national green bank that uses its public funding to crowd in ten times and more investment in qualified projects from the private sector than the appropriated funds of approximately \$20 billion into the “rapid deployment” of “qualified project[s].”

EPA should capitalize a national green bank with the approximately \$20 billion available in the GA and LIDC Funds so that it can engage in an economically prudent balance of “direct investment,” Section 134(b)(1) “at national, regional, State, and local levels,” (b) (1)(A), and “indirect investment,” (b)(2), at the “State, local, territorial, or Tribal level or in the District of Columbia” through a purposely broad and wide-ranging network of both existing and new “public, quasi-public, not-for-profit, or nonprofit entities..., including community-and low-income-focused lenders and capital providers,” (b)(2), as indirect recipients. The totality of such investment would “ensure continued operability” of the national green bank as required under Section 134(b)(1)(C). A growing, balanced portfolio of direct and indirect investments also would enable the national green bank to continue to operate over the time period necessary to fulfill the mandate in Section 134(b)(2) that it “provide funding and technical support to establish new or support existing” entities in a large and open network of indirect recipients operating at the State and local levels.

To be clear, the Coalition intends to compete for funding under the GA and LIDC Funds as the national green bank. A reasonable number of commenters support the need for and legal mandate in Section 134 for the capitalization of a national green bank using funds from the

² See Coalition Comments at 9.

GHGRF.³ Those commenters opposed to such capitalization of a national green bank make four basic contentions. In summary, as set forth in more detail below, they are:

First, “[Community development financial institutions (“CDFIs”)] and community finance organizations should be both eligible entities and/or indirect recipients under the GHGRF.”⁴ Commenters with this view make no reference to the contrary mandate for a national entity in Section 134(b)(1)(A) and apparently want EPA to make hundreds or even thousands of awards to purported “eligible recipients” that operate solely at the local and community levels. At the same time, others favor “minimizing” the number of purported “eligible recipients” to a membership-based pass-through entity whose members are credit unions and CDFIs,⁵ none of whom operate at a national level or otherwise limiting the total of eligible recipients to “a small number” of such entities that operate at a State or local level.⁶ But an eligible recipient must be controlled by an independent Board, instead of explicitly ineligible recipients. None of these commenters offers any legal or fact-based reason why a single national green bank supporting a broad and open network with up to hundreds or thousands of such entities as indirect recipients is not both the ideal way to fulfill the stated purpose and legal requirements of Section 134 and the optimal solution to the desire of the commentators to participate in fulfilling the purposes of the GHGRF.

³ See, e.g., RFI Comments of Americans for an Energy Economy at (“We would support the creation of a national green bank. . .”); RFI Comments of Dream.org (“This is why we call for the EPA to use at least \$20 billion in GGRF funding to create a National Green Bank.”); Charge comments of the South Carolina Energy and Resilience Accelerator (“The EPA should consider designating significant funding from these sections to a National Green Bank”); RFI Comments of the Solar Energy Industries Association (“For the roughly 20 billion dollars allocated for financial assistance and technical assistance in the form of direct or indirect investment, SEIA supports the establishment of a national green bank”).

⁴ RFI Comments of the Opportunity Finance Network (“OFN Comments”) at 20; *id.* at 3 (“[F]unding cannot be deployed to CDFIs and other mission lenders only as subrecipients.”). See also, e.g., RFI Comments of Inclusiv (“Inclusiv Comments”) at 32 of 42 (“GHGRF investments can and should be designed and deployed by the local, community-based financial institutions...”). Interestingly, some commenters also assert that CDFIs and other community finance organizations in and of themselves are “qualified projects” under Section 134(c)(3), see, e.g., OFN Comments at 14, ignoring that a “qualified project” is not defined with reference to an entity and instead refers to a “project, activity, or technology” that does the things specified in Sections 134(c)(3)(A) and (B).

⁵ See RFI Comments of Ecority at 3-4 (to provide “lowest cost of capital...EPA must minimize the number of intermediaries between the EPA and the targeted households and community businesses”) and 13 (EPA should “provide grants directly to organizations (such as Ecority) instead of going through an intermediary (such as a single national green bank.”) Ecority is a membership-based consortium of credit unions and CDFIs. See *id.* at 1. That is, Ecority is a pass-through entity that acts solely on behalf of its member credit unions and CDFIs.

⁶ See RFI Comments of Natural Resources Defense Council (“NRDC Comments”) at 2 (“dozens if not hundreds of Nonprofit Lenders across several established industries must be coordinated by a small number of skillful, seasoned intermediaries in a networked fashion”).

Second, some commenters argue that the local finance entities, should have “maximum flexibility” to “create the lending products to meet the objectives” set by the EPA.⁷ Some commenters, on the other hand, while advocating against capitalization of a national green bank (again, without making legal or fact-based arguments as to why), recognize that “EPA should strongly vet each Eligible Recipient’s strategy on how it plans to deploy GHGRF capital, and how the proposed form(s) of financial assistance address current financing gaps while minimizing intermediation cost markups.”⁸ The optimal solution is to capitalize a national green bank that sets objectives with EPA and encourages local flexibility in meeting those objectives through direct investments and indirect investments working with indirect recipients.

Third, many commenters contend that CDFIs and credit unions are ready and able to invest in “qualified projects.”⁹ However, these same commenters acknowledge that of these entities, currently only a few hundred at most, representing less than 5 percent of such entities, offer at least one green lending product.¹⁰ Moreover, other commenters report that these same entities originate, on average, only about 2,500 loans each year across their stated business lines (none of which are specific to clean energy products, technologies, or services).¹¹ Moreover, some of these commenters assert that EPA should ignore the express definition of a “qualified project” to allow for grant funds to be used to capitalize local finance entity activities for purposes other than those expressly mandated under Section 134.¹² While we do not see textual justification for this interpretation of “qualified project” under Section 134(c)(3), funding of a national green bank would allow the bank to provide “funding and technical

⁷ See, e.g., OFN Comments at 21.

⁸ NRDC Comments at 44; see also *id.* at 51-55 (acknowledging that a national green bank is an eligible recipient, but asserting that local finance entities such as CDFIs are also “eligible recipients”). NRDC does correctly observe that under Section 134, a broad range of local finance entities, including CDFIs, credit unions, housing finance agencies, and public housing authorities can be indirect recipients. See *id.* at 51.

⁹ See, e.g., Inclusiv Comments at 33 (“The existing capillary banking system of over 11,000 community-based financial institutions can quickly transition to finance decarbonization projects in climate-impacted communities....”).

¹⁰ See, e.g., OFN Comments at 15 (Less than 200 of the more than 390 CDFIs that are members of OFN’s pass-through consortium “already offer at least one green lending product” in the “commercial building, residential, multi-family, community scale solar, flexible products, and transportation” sectors.); Inclusiv Comments at 22 of 42 (Inclusiv’s market research shows that approximately 508 “credit unions, community banks, and CDFI loan funds currently offer dedicated green loan products....”). These roughly 510 community finance entities represent less than 5 percent of the over 11,000 of such entities.

¹¹ See NRDC Comments at 2, n.1. As further noted in the NRDC Comments, this lack of financing expertise and experience among community finance entities “presents both a real deployment challenge and a significant opportunity to positively impact large numbers of households and businesses across the country.” *Id.*

¹² See, e.g., RFI Comments of Local Support Initiatives Corporation (“LISC Comments”) at 4 (EPA should “structure financial assistance as flexible capitalization grants to CDFIs, which will in turn blend these dollars at the enterprise.... level.”).

assistance” to enable these same entities to invest in “qualified projects” as expressly defined in Section 134(C)(3).

Fourth, perhaps because some number of local finance entities lack the expertise and experience in financing clean energy, products, technologies, and services necessary to fulfill purposes of Section 134, some commenters urge delay on awarding grants from the GHGRF.¹³ Sections 134(a)(1)-(3) require grant awards to be made “beginning not later than 180 calendar days” after the date of their enactment (*i.e.*, no later than mid-February 2023). Any delay in the awarding of grants that can be used to effectuate the purposes of the GHGRF in a timely manner will delay the reduction or avoidance of emissions of GHGs and other forms of air pollution (and the increasing cumulative warming impact of GHG emissions is what is making the climate crisis worse each day) and will delay and deny the environmental justice benefits that can be delivered using grant awards from the GHGRF. EPA should capitalize at least one national green bank as soon as its administrative process permits.

These four points are discussed in more detail below.

I. Section 134 requires funding of at least one national green bank

The CDFIs, CDCUs, and their controlled pass-through membership organizations are not “eligible recipients” as defined under Section 134(c)(1) and as directed to operate under Sections 134(b) and (c)(3), including providing financial assistance to qualified projects at the national, regional, State, and local levels as required under Section 134(b)(1)(A). Instead, these entities are explicitly listed in Section 134(b)(2) as part of the much broader category of indirect recipients that are the expressly intended beneficiaries of indirect investments made by an eligible recipient. Although we have not had time to review each and every comment filed in response to the RFI, we have yet to see comments that tried to demonstrate that an entity that does not operate at a national, regional, State, and local level meet the legal requirements imposed on an eligible recipient under Sections 134(b) and (c).

The question of the number of “eligible recipients” should be determined by considering the best ways to achieve the goals of Section 134 (especially the goals for the GA and LIDC Funds). As discussed above, some commenters (who otherwise oppose or do not support the capitalization of a national green bank), correctly observe that the provision of capital to deploy clean energy products, technologies, and services at the lowest cost requires fewer, not more, intermediaries and a small, not large, number of higher level entities with the requisite skill and experience to coordinate a large network of downstream community financing entities.

But no comment we have read so far explains cogently why a “small number” of higher level coordinating entities is superior to one national green bank (as the “eligible recipient”)

¹³ See, *e.g.*, NRDC Comments at 68 (“If EPA determines it must begin making awards by February 2023, it should consider making only a small pot of funds available for February awards.”)

coordinating a large and broad network of downstream financing entities (as indirect recipients) that operate at a subnational level. This approach is not only expressly contemplated under Section 134, it is both in theory and will be in practice the most inclusive, the most likely to produce maximum investing by the private sector, and provide benefits to low-income and disadvantaged communities both rapidly and over time. This is why, for example, we have one Federal Reserve, one Corporation for Public Broadcasting – each with large, powerful underlying networks of regional, State and local entities.

One fears that, at bottom, the assertions proffered by some commenters who advocate that subnational finance entities should be treated as “eligible recipients” under Section 134 reveals preferred outcomes more than reasons grounded in the law or facts. For example, Inclusiv by its own self-description in its comments does not qualify as an “eligible recipient,”¹⁴ but is (as the Coalition has been stating publicly for many months) an extraordinarily well-suited entity to serve as an indirect recipient (as is each of its members). However, Inclusiv asserts without reference to any law or facts that “Concentrating all resources into a single national green bank runs a high risk of excluding community development and racial-justice focused financial institutions and increases the risk that funds will not be deployed in a timely manner to the low-income and disadvantaged communities that the GHGRF is designed to serve.”¹⁵

Inclusiv’s assertion regarding a national green bank is contrary to the clear mandate for such an entity in Sections 134(b) and (c), and is not logical:

- First, resources are not concentrated for purposes of mandated direct and indirect investments under Section 134(b) if they are initially used to capitalize a national green bank and no subnational finance entity is excluded from receiving financial assistance and technical support from a national green bank as an indirect recipient, including Inclusiv and each of its members.
- Second, the focus on providing financial assistance and technical support for low-income and disadvantaged communities is an express requirement under Section 134 regardless of who receives a grant award as an eligible recipient; it is grievously inaccurate to suggest that an eligible recipient that obtains a grant award, regardless of whom it is, will not be competent or caring enough to meet its clear legal obligations under Section 134.
- Third, the Coalition or any other “eligible recipient” with a decade of experience, a diverse and independent multi-stakeholder board of directors, and a large identified

¹⁴ See Inclusiv Comments at 35 of 42 (describing itself as a “CDFI Intermediary” that “serves as the designed apex institution to channel resources” to its member finance entities that is governed by the leaders of its member finance entities). As such, Inclusiv is a pass-through membership organization without an independent board of directors.

¹⁵ *Id.* at 1 of 42.

backlog of “qualified projects” would be unable to deploy capital in a “timely manner,” especially if local finance entities that are members of Inclusiv, OFN, Ecority and other pass-through membership organizations for subnational finance entities are ready and able to take “funding and technical assistance” from an “eligible recipient.”

It appears that Inclusiv and similar commenters recognize that as a matter of law they are not “eligible recipients” but are concerned that they do not control an “eligible recipient.” No entity that is itself not an “eligible recipient” should be able to control an applicant; that would and should disqualify the applicant from being an “eligible recipient.” On the other hand, important stakeholders, such as Inclusiv, can be represented on the board of directors of a national green bank. In addition, an advisory board or separate board made up of indirect recipients governing some or all of the 11,000 subnational finance entities Inclusive states are ready to “quickly transition to finance decarbonization projects” could be established by the national green bank to address the concerns of Inclusiv and others regarding the governance of the national green bank.¹⁶

Contrary to the attitude and tone expressed in many of the comments, Section 134 does not envision a we-they or antithetical positioning of subnational finance entities that are not lawfully “eligible recipients” and a national green bank awarded grants from the GA and LIDC Funds. Rather, the two are intended to work together to meet the goals of Section 134. The words and structure of Section 134 clearly describe how one or more awards from the GA and LIDAC Funds must go to national entities, such as a national green bank, that in turn must operate without other funds on a continuing basis while investing directly and also coordinating a broad and open access network of indirect recipients in which any number of subnational finance entities (that by definition are not “eligible recipients” but are intended indirect recipients) participate nonetheless can further the purposes of Section 134. Subnational finance entities, such as CDFIs and credit unions, cannot use their manifold access to other capital (which itself is provided, insured or guaranteed by the federal government) to play this national role because of the restrictions on the use of grant awards from the GA and LIDF Funds under Sections 134(b)(1)(c) and (c)(1)(B). But such entities can use their federally provided, insured or guaranteed general purpose capital in their clean energy financing activities as indirect recipients.

¹⁶ See *also* Charge Comments of Americans for Financial Reform Education Fund, et al; at 24 (“The EPA should require each direct recipient to establish a Community Accountability Board (CAB) to oversee the disbursement of its funds and ensure capital is flowing in a manner that meets local community need.”)

II. EPA should state detailed objectives and closely monitor, but embrace changes in market conditions

Some commenters urge EPA to pursue some but not all the goals of Section 134. For example, the NRDC Comments provide a summary of goals¹⁷ that does not include the obligation of an “eligible recipient” that receives a grant award to deliver a positive return on its investments so it can “ensure continued operability,” the imperative of making direct investing, the necessity of partnering with the private sector – and perhaps most importantly the critical importance of maximizing the total amount of capital directed at the goals of GHGRF over at least a ten-year period.

With this limited set of goals, NRDC then asserts that notwithstanding the purposely broad definition of “qualified projects” in Section 134(c)(3), EPA should predefine what products, technologies, and services are “qualified projects” that can be supported by grants from the GA and LIDAC Funds and prioritize the deployment of “distributed GHG reduction technologies.”¹⁸ At the same time, NRDC correctly asserts that such grants should “maximize greenhouse gas emission and air pollution reductions.”¹⁹ *id.* at 31. NRDC, however, does not demonstrate that the deployment of qualified projects limited to “distributed GHG reduction technologies” would be expected to maximize the avoidance or reduction of emissions of GHGs and other forms of air pollution per dollar of grant provided by the GA and LIDC Funds. An applicant asserting that it is an “eligible recipient” with regards to the GA and LIDC Funds should have to show it will meet all the requirements and goals of Section 134 when it provides EPA the business and financial plan that addresses all the sectors in which it proposes to commence direct and indirect investing as required under Section 134(b). EPA should not choose or otherwise prescribe strategies or tactics for applicants regarding their direct and indirect investments beyond what is expressly required under Section 134. Instead, it should state objectives in accordance with the stated purpose and requirements of Section 134. It should enshrine in the grant award in the contract requirements for the capitalized entity to meet its objectives in conformance with Section 134 and be accountable to EPA, indirect recipients and low-income and disadvantaged communities for any failure to do so.

An “eligible recipient” is not merely a pass-through entity to funnel grant award funds to indirect recipients, a bureaucratic coordinator, or an entity focused solely on providing technical assistance to its members. An “eligible recipient” that receives a grant award is the

¹⁷ See NRDC Comments at 4.

¹⁸ NRDC Comments at 5 (emphasis in original); see also *id.* at 31-40 (describing technologies that should be prioritized or excluded).

¹⁹ *Id.* at 31.

agent of the GHGRF, a legally-bound counterparty to a contract with EPA, an entity that makes direct investments at the national, regional, State and local levels with a probability of success that rises as its capital increases, and a maker of indirect investments comprised of “funding and technical assistance” to the vitally important “State, local, territorial, or Tribal” or District of Columbia entities that will invest along with the “eligible recipient” “in partnership with, and by leveraging investment from, the private sector.” This role is perhaps new to some commenters but is not unlike other nonprofits funded by government to perform roles deemed best suited to non-governmental actors. The essential elements of oversight, reporting, checks, balances and remedies can be set forth in the RFP, but they must be enshrined in the grant award contract.

Moreover, EPA should firmly reject the suggestion that it not faithfully adhere to the definition of “qualified project” in Section 134(c)(3). For example, as noted above,²⁰ LISC assert that “EPA structure financial assistance as flexible capitalization grants to CDFIs, which will in turn blend these dollars at the enterprise.... level.”²¹ This suggestion runs counter to the express requirements of Section 134. Such asks for flexibility in the use of grant funds beyond what is permitted under Section 134 should ring a warning bell for EPA: stick to the stated purpose and express requirements of Section 134 in order to avoid the dissipation of grant funds used for purposes not expressly mandated under Section 134 to support the unrelated but otherwise laudable financing activities of local financing entities.

III. EPA should require fact-based presentations from any proposed “eligible recipient”

NRDC acknowledges and correctly describes how the Coalition Consortium shows at p 51 passim that CGC and its open access network of state and local green banks have far more experience and track record in investing in clean energy products, technologies, and services than all the other nonprofit finance entities.²² Moreover, NRDC correctly acknowledges that already existing green banks have substantial experience working with a broad range of local finance entities, including both CDFIs and credit unions, who act as retail loan originators for loans, of which a large proportion are in low- and moderate-income communities and households.²³

²⁰ See note 12, *supra*.

²¹ LISC Comments at 4.

²² See NRDC Comments at 51.

²³ See *id.* at 57.

However, the thousands of local and community-focused finance entities, including CDFIs and credit unions, have all had far greater access to capitalization and guarantees and insurance for many years than green banks have had. The question begged is why these finance entities have done relatively little investing in “any project, activity, or technology...that reduces or avoids greenhouse gas emissions and other forms of air pollution.”²⁴

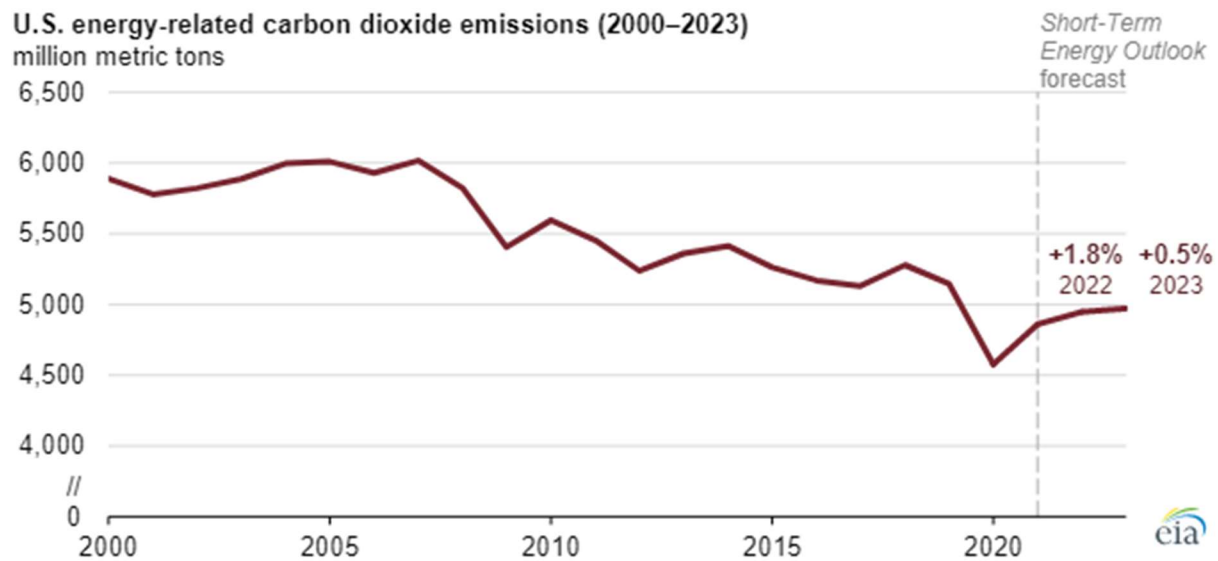
Moreover, in all the thousands of pages of comments we have read there is a paucity of evidence that CDFIs, credit unions and other local finance entities engage in public private partnership as required by Section 134(c)(3)(A). Instead, they make general consumer finance, small business and mortgage loans for the most part – these types of financing activities are laudable but not part of the stated purpose or within the express requirements of Section 134.²⁵ Both direct and indirect recipients must partner with the private sector. Any proposed “eligible recipient” must demonstrate the capability to do so.

²⁴ It has to be recognized that CDFIs, perhaps like any public policy initiative, are not immune from criticism or doubt about their capacity to contribute to the stated mission of Section 134. See Mehrsa Baradaran, How the Other Half Banks: Exclusion, Exploitation, and the Threat to Democracy, Harvard University Press: 2015, at 167 (“At their peak, there were one thousand CDFIs...However, the majority of the funds went toward community development projects...allotted first to real estate development in low-income communities and second, to businesses operating in those areas.”) CDFI Annual Certification and Data Collection Reports issued annually by the Treasury Department support this conclusion: nothing resembling a “qualified project” as defined under Section 134(c)(3) is even reported. Nevertheless, the Coalition will show in its application as an “eligible recipient” how if capitalized it will provide “funding and technical support” in support of the vision of a rapid “transition” in lending by a wide range of existing and new public, quasi-public, not-for-profit and nonprofit entities, including CDFIs and credit unions.

²⁵ With regards to the financing activities of CDFIs, the LISC Comments state that “According to the Treasury Department, CDFIs leverage grant investment 8:1 with private sector investment from banks, foundations, and other impact investors.” LISC Comments at 2. This same statement is echoed in the Comments of Calvert Impact, Inc. (“Calvert Comments”) and comments of others. See, e.g., Calvert Comments at 7 (“Community finance organizations are adept at facilitating high private-sector leverage, with CDFIs typically generating an 8:1 leverage ratio on investment.”). Interestingly, the Calvert Comments cite a weblink for a speech given in 2021 by Treasury Secretary Yellen as support for the reported 8:1 leverage ratio. See *id.*, n.5. In the speech (as provided in the aforementioned weblink) Secretary Yellen actually said: “By one measure, every dollar injected into a CDFI catalyzes eight more dollars in private-sector investment” (emphasis added). Virtually all public investment catalyzes private sector investment that can be direct (i.e., the direct result of the public investment, such as private sector investment in a community solar project with greater subscription participation by low-income households resulting from a loss reserve product provided by a state or local green bank) and indirect (i.e., proximately related to, but not the direct result of, the public investment, such as private investment in a restaurant spurred by increased demand resulting from public investment in a nearby highway). Given the language of Section 134(c)(3)(A) (“in partnership with, and by leveraging investment from, the private sector”), a leverage ratio based on directly resulting private sector investment is the ratio that should be used for investments in “qualified projects”, and as properly recognized in the NRDC Comments at 16-17 consistent definitions of “leverage” are critical for accurate comparison. It is unclear from the comments if the reported 8:1 leverage ratio for CDFIs regards only directly resulting private sector investment or is instead a much broader “catalyzation” ratio that also includes indirectly resulting investments.

IV. It's time for action

Perhaps the single statement in all the comments read so far to which we reacted with the greatest dismay is this from NRDC: "If EPA determines it must begin making awards by February 2023, it should consider making only a small pot of funds available for February awards."²⁶ The climate crisis grows more serious every day as NRDC itself knows as well as any other.²⁷ Since the pandemic faded away, emissions are increasing.



After 14 years of practice and policy advocacy for a national green bank, the Coalition and its open access network of state and local green banks has backlogged investment, detailed plans in accord with the purpose and requirements of Section 134, and lacks only the capital to

²⁶ NRDC Comments at 68.

²⁷ "The single greatest fact in modern political history is the increase in the concentration of carbon dioxide in the Earth's atmosphere from 290 parts per million in 1850 to 418 parts per million in 2021." Richard J. Evans, Regius Professor Emeritus of History at the University of Cambridge. *The Fence*, Issue 13, Autumn 2022, page 15.

accelerate providing benefits to low-income and disadvantaged communities by driving adoption of “any project, activity, or technology...that reduces or avoids greenhouse gas emissions and other forms of air pollution.” If others are not ready to invest, EPA must not wait. If capitalized by GHGRF, the Coalition is ready to provide them the “funding and technical assistance” that will get them ready.

Thank you for the opportunity to provide comments as you consider your recommendations to EPA. We look forward to working with the EFAB, and with the various commenters to achieve the ends of successfully implementing the Greenhouse Gas Reduction Fund.

Sincerely,

A handwritten signature in blue ink, appearing to read "Eli Hopson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Eli Hopson

Executive Director / Chief Operating Officer

Coalition for Green Capital



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: Greenhouse Gas Reduction Fund

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

On behalf of the Coalition for Green Capital, I want to commend the Environmental Financial Advisory Board for the considerable amount of work that has been done since the Board accepted the Greenhouse Gas Reduction Fund ("GHGRF") charges from EPA in October. The slides for the December 1, 2022, public meeting are evidence of that work, as well as the expertise of the members of the Board. The Coalition for Green Capital submits the following information for the Board's consideration as you finalize your analysis.

The Role of Clean Air Act § 134

When submitting the charge to the EFAB, EPA encouraged the Board to construe its assignment broadly, and the slides outlining the workgroups' analysis to date is consistent with that request. When EPA receives the EFAB's report and makes decisions regarding how to structure the GHGRF, however, the agency will be bound by the language in Section 134 of the Clean Air Act. The statutory text defines key terms such as "eligible recipient" and creates obligations that every eligible recipient that receives a grant must be able to fulfill. For example, an "eligible recipient" of a grant under the \$8B Low-income and Disadvantaged Communities Fund ("LIDC Fund") and the \$11.97B General Assistance Fund ("GA Fund") must be a national non-profit "designed to provide capital, leverage private capital, and provide other forms of financial assistance for the rapid deployment of low- and zero-emission products, technologies, and services." CAA § 134(c)(1)(A). Entities that were designed for another purpose, such as to provide credit or housing to underserved communities, cannot become eligible recipients simply because of their interest in expanding their mission to include green financing.

The statute creates obligations that every "eligible recipient" that receives funding must be able to fulfill – such as direct investment in qualified projects at the national level and indirect investment through funding and technical assistance provided to other institutions that invest in qualified projects at the regional, state, and community levels. By mandating that any eligible recipient both invest in qualified

projects at the national level and to provide funding and technical support for other entities at all other levels reflects Congress's intent to have the money awarded under the LIDC and GA Funds be used to establish a national, nonprofit finance institution. Entities that are limited to operating within a limited geographic area or that intend to use the grant solely to benefit its members would not be capable of fulfilling those obligations would not be eligible recipient. They would remain eligible to be the beneficiary of indirect investment of GHGRF money by the national nonprofit green bank.

The direct investing must be prioritized to provide financing the private sector would not otherwise provide. EPA describes this concept as that of "additionality," and has stated a clear preference for proposals that maximize the amount of funds that will provide additional, necessary financing. While it may be difficult to identify a precise way to confirm the additionality of a use of funds, by definition uses of funds that are designed to compete with available commercial financing by providing a more attractive interest rate or lower costs of financing fall outside of what could be considered additional.

The statute also requires an eligible recipient to manage its direct investments at the national level to ensure continued operability of the GHGRF. As a result, an eligible recipient must have a viable business plan that ensures continued operations for many years to come. To achieve the primary goals of §134, the business plan also must show how it will help EPA fulfill *both* the goals of greenhouse gas emissions and other air pollution reduction and advancing environmental justice, with the majority of the investment under the two funds in "low-income and disadvantaged communities." EPA should define such communities in a unique, precise way to give guidance to all "eligible recipients," or alternatively should require applicants to provide precise definitions that will allow EPA to evaluate the communities in which the money will be spent.

The statute also contains a definition of "qualified projects" that will impact which entities could be considered eligible recipients and which projects can be funded. "Qualified projects" include "any project, activity, or technology" that falls within two carefully defined categories:

"(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."

The statutory definition of qualified projects cannot be read to allow GHGRF grants to be used to fund general economic development or affordable housing projects. Including technologies that directly reduce or avoid greenhouse gas emissions or other forms of air pollution in a larger development or housing project would not make the entire project eligible for funding. If the grantee can demonstrate that commercial financing was not available for those technologies, however, it may be possible for an eligible recipient or an indirect recipient to provide funding for the cost of adding them to a project.

When viewed together, these provisions undoubtedly constrain the universe of entities that are potential eligible recipients, and do so in ways that would impact the options EPA has regarding the structure of the program. The EFAB should be clear that its final report provides EPA with information on a range of finance entities that could – as a technical matter – be used to provide green financing based on the Board's experience and expertise, but is not an attempt by the Board to define the scope of EPA's authority or discretion under Section 134. Despite the fact that such an interpretation would go

beyond the specific GHGRF charge questions before the Board and fall outside the role of the EFAB as specified in its charter, the potential for the EFAB's report to be misunderstood as EFAB's interpretation of Section 134 is significant and clear statements to the contrary are warranted.

The attachment to this letter contains additional information prepared by the Coalition for Green Capital regarding the reasons why Congress intended the GHGRF to be used to capitalize a national green bank, how all other interested entities would then be able to receive funding as indirect recipients, and other issues relevant to your final evaluation.

Thank you for your consideration of this information.

Sincerely,

A handwritten signature in green ink, appearing to read 'K. S. Minoli'.

Kevin S. Minoli

Counsel for the Coalition for Green Capital

Enclosure

Attachment

Why did Congress write the statute written to require a national green bank?

Congress directed EPA to create a national green bank as the most effective use of public dollars to impact greenhouse gas emissions and address environmental injustice. In particular, a national green bank will:

1. Set **national priorities** for investing in “qualified projects” in partnership with EPA, recognizing that both direct and indirect investing goals will change over time.
2. **Manage risk** over a broad portfolio of indirect and direct investments, maximizing the total amount of investment but guaranteeing total positive return as required by statute.
3. Partner **efficiently** with EPA in order to manage risk to the very low levels historically achieved by American Green Bank Consortium members. In effect the national entity is an extension of EPA, enabling financial functions the agency cannot conduct but giving effect to agency goals in a fiscally efficient manner.
4. Create **open network** of indirect recipients, not limited only to those prepared to make investments in “qualified projects” at the present time. Successful deployment of capital would unlock additional capital for high performing intermediaries.
5. **Standardize.** While local green banks and financing institutions have local advantages, a national green bank, working in partnership with local green banks and financing institutions can help standardize a range of documents and procedures (credit, for example), as well as provide asset management and back-office services. These activities would significantly reduce the “soft costs” of financing. In smaller projects, sometimes the legal costs alone can overwhelm the economics of the project.
6. Provide product support (a product for financing heat pumps, for example) and capacity building that will enable these lenders to expand their offering to clean energy and energy efficiency projects. A national green bank would have the scale to provide capacity building at local green banks, the ability to develop and disseminate new financial products, and the buying power to negotiate the best pricing from vendors.
7. Accelerate the **recycling** of funds. Most clean energy project loans have long maturities (since the projects have long asset lives). Through standardization of contracts and underwriting standards, these loans can be aggregated and sold to bond investors. In so doing, the proceeds can be re-lent to new projects. This recycling increases the amount of money that can be lent. In addition to establishing these standards, a national green bank can act as warehouse and agent in acquiring loans from local green banks and selling them.

8. Lead effort for collection of data which provides for an ability to better analyze risk and hence permit private sector participants to feel more comfortable with these clean energy-related investment opportunities. In addition to credit and energy-related data, a national green bank can work with health care partners to better establish the benefits of clean energy and health. Scale matters in data collection.
9. Negotiate directly with national suppliers. Supporting bulk negotiation with critical clean energy equipment manufacturers creating consistent availability for local projects and more favorable terms for participating contractors.
10. The larger the capitalization of the national green bank, the larger its debt capacity relative to the debt capacity created if the EPA were to split the capital among many recipients. The NCB would therefore be able to more appropriately leverage its own balance sheet than available in the case of multiple recipients.
11. Simplify oversight and reduce administrative expenses. A national green bank would limit the amount of oversight and administrative expenses required, as the bank would manage reporting and oversight for all of the intermediary participants, simplifying the oversight burden for EPA and reducing the overall admin expense required to support federal contracting requirements.

What are the risks of dilution?

As EFAB considers the most effective models for the Greenhouse Gas Reduction Fund, several of the proposed alternatives would significantly dilute the pool of capital available for capitalization. In particular, the proposed alternatives, such as regional or sectoral recipients, in addition to not complying with the statute, also pose the following risks:

1. Reduce debt capacity, thus lowering total investment
2. As the number of “eligible recipients” increases, the difficulty for EPA to manage risk among all of them increases, and the difficulty for them in creating a broad net positive portfolio increases, given that each must invest both directly and indirectly
3. Competition among indirect recipients for support from multiple national green banks will lead to reduced standards at both levels
4. Failure to establish common standardization, efficient securitization, thereby reducing leverage
5. Inability to negotiate favorable transactions with OEMs and distributors of critical products
6. Limits ability to reduce “backoffice” costs to indirect recipients since scale advantages are reduced
7. Cannot allocate capital where most needed to achieve “additional” public-private investment and to focus on “low-income and disadvantaged communities” as circumstances and needs change over time; instead locked into initial allocation
8. Cannot move capital from one sector to another over time as sectoral needs change due to lock-in of initial funding

9. Unable to balance risk over broad portfolio; the smaller are discrete portfolios, the greater the risk, or alternatively the more the EPA has to manage risk itself as to all investing, which is not a desirable role for the agency
10. Increase administration and transaction costs for EPA
11. Create confusion and redundancy among indirect recipients seeking to participate in on-lending by multiply direct recipients.

National Green Bank / Fund Strengths and Weaknesses

The Consortium offers the following comments on slide 24:

1. The competition is not only “inter-state” but inter-sectoral, inter-product, and between recipients to encourage higher performance over time
2. The country wants to drive more public private investment into the sectors that **maximize** the reduction and avoidance of greenhouse gas emissions and other forms of air pollution in low income and disadvantaged communities **per public dollar**. This objective will cause sectoral allocation to change over time.
3. The specific physical and financial products that implement a strategic decision will change over time and therefore capital allocation also should change over time. This observation is not theoretical but based upon the experience of existing green banks. The key role for the eligible and indirect recipients is to fill in market gaps where traditional finance institutions do not lend. By “incubating” financial structures and building a portfolio of credit-worthy loans, green banks demonstrate the attractiveness of new areas for traditional lenders so that green banks can step out of the way, letting the market take over. Because there is an evolution of combinations of technologies, credit counterparties, and business models, there is an ever-evolving frontier of market gaps. The very reason the law required an independent entity is to give it the flexibility to respond to these changing market gaps.
4. The sectoral requirements of DOE’s Loan Program Office gives a clear example of the perils of establishing industry “silos.” Because of these sectoral requirements, authority could not be transferred from one area where there was inadequate demand for loans (nuclear, as one example) to renewable energy projects where there was strong demand. Markets and technologies change.
5. It is likely that most nonprofits that could become indirect recipients are not yet formed or not yet ready to invest heavily in the physical and financial products that are “qualified projects.” The national green bank should support the development of new participants, particularly in low income and disadvantaged communities that are not currently served by a sustainable finance institution, welcome all future participants and not be locked exclusively into supporting only those presently seeking funds.

6. In addition to reducing the burden to EPA, the efficiencies of reduced administration, national monitoring, partnership with EPA, are tremendous cost savings and efficiency benefits of capitalizing a national green bank.
7. The scale of capitalization directly correlates to more leverage with private sector investing and greater recycling, producing substantially more total investment over a reasonable relevant time.
8. The asserted weaknesses/challenges are not likely to be realized
 - The management challenge of creating a single fully capitalized green bank is far easier than creating many different management teams doing the same or similar jobs or redirecting multiple existing organizations from their current purpose
 - The “ramp-up time to operationalize” is much faster when capitalizing an existing consortium with billions of dollars of backlog in qualified projects, existing know-how, and go-to-market plans ready to roll out right now
 - The costs of capitalizing many “eligible recipients” directly from EPA will be much higher than the costs of capitalizing one
 - One entity distributing to many indirect recipients is by far the most efficient model for on-lending
 - The “concentration of funds in one entity” does not “elevate financial management and political risks.” To the contrary, the funds are not concentrated but largely distributed through indirect investing to many regional and local investors, while at the national level the agency and national green bank manage the portfolio via contract to reduce risk and achieve net positive return. It would seem beyond the scope of the EFAB to evaluate political risk.
 - A “broad scope” does not “create challenges in planning.” To the contrary, if we want a national strategy, with local implementation, then it follows we should want a national green bank. And a national strategy for the reduction and avoidance of emissions of greenhouse gases and other pollutants in low income and disadvantaged communities is what the president and innumerable others have called for. The real challenge is lack of coordination of strategies when they are delegated to regions, states, or localities with no means to coordinate across state lines, across affected sectors, and for all low income and disadvantaged communities.
 - Capitalizing a national green bank is said to require “new capacity/entity to address the broad remit and requirements, which could delay timely distribution of funds.” It is true that being ready to go is an important aspect of the merits of any application for funding.

What is the best administrative structure to get funds to communities?

Every green bank is a community organization, but every community organization is not a green bank. A national strategy must be developed to ensure disadvantaged communities across the United States have access to funds to lower greenhouse gas emissions and address climate injustices through the GHGRF.

A National Climate Strategy was intended to be published with the passage of the Build Back Better Act. This national roadmap of reducing GHG emissions across the supply chain is vital to accomplishing the administration's goals. As that national strategy is being developed and published, EPA must move forward and require the recipient to develop a comprehensive plan rooted in local, state, and national community engagement.

The national green bank will design a multi-tiered engagement process to ensure the national strategy is inclusive, funds are reaching the local level, and there's a mechanism of accountability. In our RFI comments, we discussed that a national green bank would develop a thorough mapping process to identify priority communities nationwide for initial investment. Following that process, we engage in a participatory planning process with partners on the ground and execute community benefits agreements. For example, partners on the ground can be environmental groups, elected officials, and municipal staff from towns, cities, and states that have developed extensive planning processes to address climate change (i.e., climate action plans, green new deals, and resiliency plans). These plans are naturally aligned with the mission and objectives of the national green banks. We want to build upon the work of these existing planning processes to align financing with the greatest needs across the country. This participatory planning process will bring together the various planning initiatives and identify capital needs and opportunities to develop markets for clean energy deployment.

To continue using this example, the result of the participatory planning process will be a community benefits agreement (CBA). The CBA will define the needs and solutions identified during the planning process. This document will also specify the partners and determine the roles of the involved parties. It will document the process providing transparency and accountability. Our priority with the CBA is to align the benefits from the GHGRF with the statute and work with EPA to determine what other benefits could be attributed to the funds. The signatories of the community benefit agreements will be the involved parties, and it will be legally binding.

There is no national strategy to address the climate crisis. And there is no precedent for conducting a national engagement strategy to address the climate crisis. It is in the best interest of the National Green Bank and EPA to commit to developing a national strategy to deploy the GHGRF. There needs to be a mechanism to monitor and track progress at both a local and national level.

EPA EFAB Charge Questions

In addition, we submit the following comments in response to the EFAB Charge Questions:

Objectives

- **Charge Question I.a.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?**

To aid eligible recipients and give itself a more manageable task in awarding funds, EPA should provide a clear, consistent, and transparent definition of “low-income and disadvantaged communities.” We recognize that several agencies and other entities within the federal government have already published definitions or standards for designating a community as “low-income” or “disadvantaged” under

programs they administer and that many of those entities have built robust screening tools designed to help identify which communities are considered low-income or disadvantaged under the office's particular definitions. Definitions of "low-income" or "disadvantaged" that are generated for use in other federal programs or for different purposes are unlikely to be equally effective at identifying the communities that should be prioritized by an eligible recipient that receives funding under the GHGRF for investments, funding, and technical assistance. As a result, we do not recommend EPA wholly adopt any "off-the-shelf" definitions for these key terms. In particular, EPA should not use definitions—or the resulting classifications—used in the context of determining the geographic boundary in which a community-based financial institution may operate, as those definitions do not include any consideration of environmental burdens. There is no basis in Section 134 for eliminating consideration of environmental impacts when identifying those communities that should be prioritized for investment under the GHGRF.

At the same time, EPA need not launch a time-consuming effort to "recreate the wheel." Rather, EPA should define the subject geographic and demographic markets by combining those components or aspects of existing definitions that are particularly relevant to the GHGRF's purpose. For example, EPA should not adopt the entire definition of "disadvantaged community" relied on by the CEQ because it covers at least some communities that are not burdened by emissions of greenhouse gases, other forms of air pollution, or the production or combustion of fossil fuels. However, some aspects of the CEQ definition focus on identifying communities that are burdened by emissions of greenhouse gases, other forms of air pollution, or the production or combustion of fossil fuels. EPA can also incorporate relevant aspects of the agency's EJ Screen tool, and the Department of Energy's ("DOE") Priority Energy Communities methods.⁴ These existing efforts to define environmental damage, low income, and historic underinvestment can serve EPA in deciding the direction of grant funds.

- **Charge Question I.a.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?**

How EPA defines "low-income and disadvantaged communities" is critical to shaping the business plans of eligible recipients for grants and for achieving the statutory purposes. As discussed in more detail below, that definition must include considerations of the pollution burden historically imposed on communities and the disproportionate energy burden low-income communities have borne and will continue to face. We urge EPA to require eligible recipients to show in detail how they will cause both direct and indirect investment in such communities for the majority of the GHGRF awards.

For direct investment as defined in Section 134(b)(1), Congress required that the eligible recipient "prioritize investment in qualified projects that would otherwise lack access to financing." Historically, the financial sector has not provided fair and equal access to financing for racial minorities and low-income communities. Therefore, EPA should direct applicants to identify how they will determine what "qualified projects" should be prioritized on the grounds that financing is lacking. In that explanation, an applicant should specify the obstacles to conventional financing that must be overcome, such as

ownership by or location in a low-income or disadvantaged community, and how to overcome those challenges.

The Biden Administration has repeatedly established a strong commitment to ensuring the prioritization of historically disadvantaged communities as a key factor in transitioning to a clean economy. In Section 219 of Executive Order 14008: Tackling the Climate Crisis at Home and Abroad, the Administration acknowledges: “To secure an equitable economic future, the United States must ensure that environmental and economic justice are key considerations in how we govern. That means investing and building a clean energy economy that creates well-paying union jobs, turning disadvantaged communities—historically marginalized and overburdened— into healthy, thriving communities, and undertaking robust actions to mitigate climate change while preparing for the impacts of climate change across rural, urban, and Tribal areas.”

Additionally, in the Interim Implementation Guidance for the Justice40 Initiative Memo, the Administration outlines direction by the President for the Director of the Office of Management and Budget (“OMB”), the Chair of the Council on Environmental Quality (“CEQ”), and the National Climate Advisor in consultation with the White House Environmental Justice Advisory Council (“WHEJAC”) to jointly publish guidance on how certain federal investments might be made toward a goal that 40% of the overall benefits of such investments flow to disadvantaged communities—the Justice40 Initiative. The Justice40 Initiative is acknowledged as a critical part of the Administration’s whole-of-government approach to advancing environmental justice.

Finally, in September 2021, the Environmental Protection Agency released the report Climate Change and Social Vulnerability in the United States , which provided critical data-based context towards the urgency of ensuring that climate investments are prioritized for disadvantaged.

Definitions or tools that are not based on environmental considerations—and more precisely not based on consideration of impacts from greenhouse gases; other forms of air pollution; or the production, delivery, and use of energy from fossil fuels—will generate results that are not tailored to addressing the GHGRF’s purpose. For example, Census tracts can misdirect investments pursuant to Section 134 because this measurement divides larger communities into multiple Census tracts and combines smaller communities with neighboring communities. Both these features can obscure the location of “low-income and disadvantaged communities.” Nor should EPA define the boundaries of communities solely using constructs such as an investment area or targeted population as the criteria used by the Department of Treasury’s Community Development Financial Institutions Fund (“CDFI Fund”) to determine if a CDFI will serve a “Target Market.” As noted above, income and financial metrics alone also will miss the mark, because they do not consider the energy and environmental burdens faced by communities.

If EPA decides not to identify precisely the geographic and demographic markets meeting the definition of “low-income and disadvantaged communities,” then the agency must require eligible recipients to identify with specificity the “communities” where they propose to provide directly “financial assistance” and indirectly “funding and technical assistance” consistent with Section 134(b) of the CAA (Use of Funds) or the precise measures and metrics that the eligible recipient will use to identify those communities when implementing the grant. Great specificity will permit EPA to discern the differences among competing applications. It then can give greater value to applications that serve the statutory

purposes to the maximum degree. Specifically, in the event EPA depends on eligible recipients for the definitions, then it should require them to address the following:

- **Definitions of disadvantaged communities they will target and the reasoning behind their definitions**

EPA should require each applicant to identify the variables it will use to define and prioritize disadvantaged communities. In making these definitions, eligible recipients must simultaneously consider environmental, economic, and social factors and how these factors relate to one another and the purpose of the GHGRF. Definitions that prioritize only one type of variable (economic, social, or environmental) without addressing the needs created by the others should be rejected.

- **Specific priority geographies and reasoning behind those priorities**

In many environmental justice hotspots and frontline areas, communities have been and are disproportionately impacted by local factors such as particulate air pollution from industrial processes, vehicles, or fossil fuel production and combustion. Eligible recipients should identify the characteristics of hotspots they plan to address through their investment strategy. They should explain how their strategy will both remedy the specific environmental problems and support the economic development of surrounding communities.

- **Anticipated environmental, health, and energy impacts in target communities**

Eligible recipients should identify the specific environmental and energy benefits they plan to deliver in discrete geographic and demographic markets. For example, when addressing energy burdens, eligible recipients should assess the specific sources of energy burden in the communities and explain how their business plan will benefit members of the community. Eligible recipients should identify specific health issues arising from greenhouse gas emissions and air pollution and then show how they mitigate adverse experiences currently suffered in the relevant communities.

- **Intended GHG and air pollution reductions**

Eligible recipients should explain the specific sources of greenhouse gas emissions and other forms of air pollution in the selected communities they intend to address and how they intend to abate them by means of “rapid deployment of low- and zero-emission products, technologies, and services.” EPA should reject applications that fail to articulate a well-thought-through strategy identifying the specific “products, technologies, and services”—a requirement that specifically means all three measures must be utilized for the purpose of Section 134 to be realized.

- **Second-order GHG emissions impacts**

EPA will be aware that investment may reduce GHG emissions in one location but redistribute them elsewhere. For example, a building electrification project might reduce GHG emissions onsite but cause a new electrical load at a nearby fossil fuel-fired electric generating unit that emits GHGs and other forms of air pollution for the surrounding community. Eligible recipients should explain to EPA where their activities might create new electrical loads, the impacts of such loads on greenhouse gas emissions and air pollution, and how they plan to address both potential increases in emissions and air pollution in those areas. They should also explain how they plan to protect communities that could suffer harm from increased electricity production expected to result from their investment strategies.

- **Justice40**

EPA should apply Justice40 goals to its assessment of the merits of applications under the GA Fund. To this end, the same definition of “community” used for the LIDC Fund should be applied to the GA Fund.

- **Charge Question I.a.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.**

First, any grant made under either the General Assistance (GA) Fund or the Low-Income and Disadvantaged Communities (LIDC) Fund must facilitate both direct and indirect investment into qualified projects, as Congress used mandatory language in both Sections 134(b)(1) and (b)(2). In addition, grants made under the LIDC Fund must facilitate both the direct and the indirect investment into qualified projects in low income and disadvantaged communities only.

Second, both direct “financial assistance” and indirect “funding and technical assistance” must be made in the context of a “qualified project.” Section 134(b)(1)(A) requires an eligible recipient to provide financial assistance to “qualified projects” at the national, regional, State, and local levels,” while Section 134(b)(2) requires an eligible recipient to provide funding and technical assistance to “entities that provide financial assistance to qualified projects at the State, local, territorial, or Tribal level or in the District of Columbia.”

As a threshold matter, all “qualified projects” must be a “project, activity, or technology.” While those terms are broad, they are not limitless. Paying off an entity’s pre-existing operational debts, for example, is unlikely to be a qualified project because it does not appear to be a “project, activity, or technology.”

From the broad range of types of assistance that could constitute “any project, activity or technology,” Congress authorized the use of grants made under the GHGRF for just two types. Section 134(c)(3) specifies that a qualified project must be a “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.”

Ideally, an “eligible recipient” would demonstrate to EPA that its business plan integrates both types of “qualified projects.” Considering the requirement that an “eligible recipient” invest both directly and indirectly, support new and existing intermediaries, recycle funds, “ensure continued operability,” and otherwise meet all the statutory mandates, it is difficult to imagine an applicant presenting a coherent business plan that does not integrate and aim at both types of “qualified project.”

In any event, the community assistance category requires an applicant to show exactly how it proposes to aid communities “in the efforts of those communities to reduce or avoid greenhouse gas emissions and other forms of air pollution” Section 134(c)(3)(B) (emphasis added). As drafted by Congress, this

provision empowers communities to be the ones to decide what efforts they want to take to reduce emissions, and it requires an eligible recipient to support the efforts chosen by the community. By drafting it this way, Congress was clear that the obligation on eligible recipients is not simply to spend money in low-income and disadvantaged communities but to use grant funds to invest in the communities themselves.

To ensure that low-income and disadvantaged communities are able to fully participate in and benefit from the GHGRF, EPA should rely on Section 134(c)(3)(B) to distinguish between applications that propose to use grant funds to increase the amount of business the applicant or members of its network will do within low-income and disadvantaged communities that they already serve and applications that propose to increase the amount of funding available for low-income and disadvantaged communities to expand their businesses. EPA should require applicants to demonstrate how their proposal will ensure that the long-term value of the investment of GHGRF Funds will remain in and belong to the community and not the eligible recipient or its members. Other laudable assistance or worthwhile community efforts—such as general economic development projects—do not fulfill the requirements of Section 134.

In connection with all financial assistance, the applicant should be obliged to show how it will:

- “prioritize investment in qualified projects that would otherwise lack access to financing” (Section 134(b)(1)(B));
- “recycle and monetize” the “fees, interest, repaid loans” and other revenue generated from qualified projects (Section 134 (b)(1)(C)); and
- “ensure continued operability” (Section 134(b)(1)(C)).

In short, the LIDC recipient cannot primarily or even mostly engage in non-remunerative “financial assistance and technical assistance” without violating the conditions of Section 134(b)(1). To comply with this law, EPA must require eligible recipients for awards from the GA Fund and the LIDC Fund to show how their business model serves the relevant communities, leverages the private sector, promotes only “qualified projects” (and not some other product or service, however laudable), and will be self-sustaining economically over time.

- **Charge Question I.b.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?**

EPA correctly identifies the importance of using the GHGRF grant funds to increase total investment. We estimate that to meet President Biden’s emissions goal at least \$1 trillion must be invested in the next decade in addition to what the private sector otherwise will cause. We estimate further that “low-income and disadvantaged communities” need at least \$200 billion of this additional investment. EPA

should call for eligible recipients to explain in detail how they will fill these investment gaps. That is why the objective of “high private-sector leverage” is absolutely required in the design of the program and the requirements imposed by EPA on eligible recipients.

In championing the GHGRF, the sponsors of the legislation have explained publicly that they envision the capitalization of a national green bank as the purpose of the legislation. Therefore, EPA should require eligible recipients to show how either through a national green bank or in some other way they will utilize efficiently conventional, prudent banking tools. These must include at least the following across a portfolio of investments:

- “Mobilize” private sector investors to partner in financing specific qualified projects,
- Cause the private sector to purchase debt and other assets aggregated by the “eligible recipient,”
- Obtain loans from the private sector at favorable rates, and
- Attract new private sector financing into the relevant product and geographic markets.

Eligible recipients that do not propose to capitalize, organize, manage, and execute with such tools through a national green bank should explain in detail how they will operate otherwise to “facilitate high private-sector leverage.”

Here follows a summary of questions relating to “leverage” that we suggest EPA require eligible recipients to answer in detail:

- **Explain financing competence and plans:** Eligible recipients should specify how they will safely and effectively leverage funds and obtain lines of credit to comply with Section 134(b)(1)(C). In this regard, eligible recipients should show in detail how they have and how they will in the future recycle funds, and how they will partner with the private sector in investing in low and zero emission projects and products.
- **Show how “leverage” will be limited to statutory purpose.** GHGRF funds can be used only for “qualified projects.” To this end, eligible recipients with organizational or institutional objectives that lie outside the scope of “qualified projects” should show how they would separately track the GHGRF Funds through recycling, partnering, and other financing to the statutory purpose. EPA should require eligible recipients that have balance sheets derived from other investment activity to demonstrate that they will not commingle or otherwise use GHGRF capital directly or indirectly to support investing in anything other than “qualified projects.” For example, an applicant may not deposit GHGRF capital on its balance sheet, borrow against that capital, and then use anything less than all that capital to invest in “qualified projects.” This restriction applies to investing by indirect recipients as well. Section 134 is aimed exclusively at increasing (and then monitoring) investing to “qualified projects.”

- **Demonstrate a plan for positive returns overall.** Positive returns on an entire portfolio are essential for an “eligible recipient” to maintain continued operability over time as required by Section 134. Therefore, EPA should ask eligible recipients to explain how they will obtain net positive returns, whether they intend to grow capital, and how they will maximize “leverage” generally and in “low-income and disadvantaged communities” over at least a 10-year period. In this explanation, they should address in detail how they intend to balance any nonremunerative provision of services and grants to indirect recipients and communities with the imperative to be operationally sustainable and to grow capital to achieve the greenhouse gas and pollution reduction generally and specifically in low-income and disadvantaged communities. This is particularly important to enable entities that are not yet ready to receive before September 30, 2024 (when all funds must be obligated) to become indirect recipients in the future. Section 134(b)(2) requires the “eligible recipient” to “provide funding and technical assistance to establish new or existing” members of an indirect investing network. Eligible recipients will be unable to expand that network to “new” members or continue to support “existing” members in future years if they do not “ensure continued operability.”
- **Provide details on public-private investing:** EPA should require that eligible recipients explain in detail existing and proposed future plans to partner with private sector investors. In doing so, they should identify, to the extent possible, the specific physical products and projects that they believe will involve partners, based on their capabilities and future business plans.
- **Show competence in recycling and partnering:** EPA should ask eligible recipients to show how their board and management team have recycled funds for investments that fall within the scope of “qualified projects” and how they partnered with private sector investors for such specific projects. EPA should not rely on recycling and partnering for other types of projects as satisfactory evidence of track record or future plans suitable for receiving funds as an “eligible recipient.” Investing in “qualified projects” is the relevant expertise. In this connection, to the extent available, eligible recipients should report on historical default rate, average interest rates, and rates of adoption of “qualified projects” (“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”). Eligible recipients with scant experience in driving the adoption of “qualified projects” should explain how they propose to gain the skills necessary to invest at optimal speed and volume in the projects and products composing the clean power platform. Eligible recipients that wish to focus only on assisting “communities in the efforts of those communities to reduce or avoid greenhouse gas emissions and other forms of air pollution” will fail to show that they can meet the other requirements of the definition of “eligible recipient” such as the three direct investing activities under Use of Funds (b)(1) or the imperative of supporting an indirect network.
- **Speed Matters:** EPA should require eligible recipients to show how they intend to expedite private sector “leveraging.” All else being equal, it is better to reduce emissions and pollution sooner rather than later from a global warming, pollution, and socio-economic point of view.

Therefore, eligible recipients should explain their Day 1 and Year 1 plans for “mobilizing private funding.”

- **Charge Question I.b.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?**

We suggest EPA require details on how the applicant will ensure its operability for at least one decade. The one-time capitalization of one or more “eligible recipient[s]” is meant to launch a prudently investing, long-term successful, national non-profit investing entity that can address the dual mission of avoiding climate crisis and causing a beneficial clean energy transition in “low-income and disadvantaged communities.”

Pursuant to Section 134, an “eligible recipient” also must invest directly on “national, regional, State and local levels.” It cannot, therefore, focus only on the “State and local levels.” This requirement comports with the need to reduce greenhouse gas emissions and other pollutants everywhere in the country and with the need to focus on “low-income and disadvantaged communities” that are found in all states and regions.

In presenting a strategic plan for such mandatory national and regional direct investing, the “eligible recipient” should discuss a sectoral approach to investing. It must achieve a positive return on its entire portfolio, partner with private sector investors, recycle funds, and seek to avoid doing what the private sector would do on its own. Given these constraints, the applicant should explain on a national and regional level the sectors—including both product and geographic markets—in which it initially intends to invest.

EPA should require that eligible recipients show how they will align investments with at least the following programs and projects:

Inflation Reduction Act Additional Related Programs

- The ZET Fund, \$7 billion, to make grants to states, municipalities, and Tribal governments to deploy or benefit from zero-emission technologies.
- Clean Energy Incentives for Individuals, Section 13302, extends tax credits for capital costs of qualified residential clean energy property expenditures, including a variety of zero emission technologies.
- Energy Community Reinvestment, Section 50144, \$5billion: To “retool, repower, repurpose, or replace energy infrastructure” or “enable operating energy infrastructure to avoid, reduce, utilize, or sequester air pollutants or anthropogenic emissions of greenhouse gases.”
- Clean Heavy-Duty Vehicles, Section 60101, \$1billion: Granting mechanism “to help replace dirty medium and heavy-duty vehicles with zero-emitting vehicles.”

- Funding to Address Air Pollution at Schools, Section 60106, \$50million: Granting mechanism “to monitor and reduce air pollution and greenhouse gas emissions at schools.”
- Low Emissions Electricity Program, Section 60107, \$87 million: Technical assistance and education programs for consumer-related groups, low-income, and disadvantaged communities, and others to reduce greenhouse gas emissions from electricity generation.
- Climate Pollution Reduction Grants, Section 60114, \$5 billion: For a competitive grant program for state planning and implementation of greenhouse gas reduction programs.
- Environmental and Climate Justice Block Grants, Section 60201, \$3 billion: To award grants “for environmentally-related activities that benefit disadvantaged communities.”
- Energy Infrastructure Reinvestment Program, Section 50144, \$5 billion and \$250 billion in loan guarantees to “(1) retool, repower, repurpose, or replace energy infrastructure that has ceased operations; or (2) enable operating energy infrastructure to avoid, reduce, utilize, or sequester air pollutants or anthropogenic emissions of greenhouse gases.”

Bipartisan Infrastructure Law

- Electric and Reduced Carbon Buses: \$5 billion. State and local government entities and nonprofit entities that can arrange financing for sales eligible under this program are eligible receiving entities.
- Pollution Prevention: \$100 million for the Pollution Prevention Program.
- **Charge Question II.a.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**

The requirements for meeting the definition of “eligible recipient” each can be satisfied only by appropriate “governance structures, reporting requirements and audit requirements.” These requirements are ongoing. An applicant cannot merely be in compliance at the time of the application but instead must remain continuously in compliance during the entire term of the grant it seeks. Here are the four requirements that require governance, reporting, and auditing:

- To be “eligible,” the nonprofit must be “designed” to “provide capital, leverage private capital, and provide other forms of financial assistance for the rapid deployment of low- and zero-emission products, technologies, and services.” To comply with this provision, an applicant must show the EPA that it is “designed” by charter, history, organization structure, management expertise, and board composition to fulfill these mandatory functions. A nonprofit “designed” for some other purpose, however laudable and consistent with other statutory authorities, does not meet this requirement. For example, a nonprofit with the primary purpose of investing in general economic development is not an “eligible recipient” under Section 134, although it can be an indirect recipient of “funding and technical support.” Governance structures must be disclosed to assess whether an applicant complies with this provision.

- Nonprofits that take deposits are excluded from the definition of “eligible recipient.” This provision bars credit unions, or organizations that derive their funds from credit unions, from applying directly. EPA should not permit as an “eligible recipient” the creation of a mere paperwork construct that is in effect a front for an entity that cannot qualify as an “eligible recipient.” An “eligible recipient” must have a board, charter, by-laws, proposed management team, business plan, financial plan and capability to fulfill all the requirements of Section 134. No mere paper shell of a nonprofit founded and controlled by entities ineligible to apply or unqualified to deserve a grant can be advanced as an appropriate “eligible recipient.”
- To be “eligible,” the nonprofit can be funded only by “public or charitable contributions.” It cannot be funded, therefore, by the private sector to any degree. Section 134 clearly calls for the “eligible recipient” to partner with the private sector as opposed to being a subsidiary, affiliate, or entity in any way supported by the private sector. To comply with this provision, eligible recipients should explain to EPA how they are currently funded. If they claim to rely on “charitable contributions,” then they must also prove their status as 501(c)(3) certified charitable organizations. Governance and reporting must comply with the regulations concerning such status.
- A nonprofit seeking to be deemed “eligible” must explain to EPA how its governance, reporting and auditing practices and processes will enable it to “invest[s] in or finance[s] projects alone or in conjunction with other investors.” EPA should interpret the word “projects” to mean “qualified projects.” Governance, reporting, and auditing suitable, for example, to small business lending in general will not necessarily serve the carefully defined purposes of Section 134.
- **Charge Question II.a.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?**

A viable national green bank can not only sustain but actually multiply the initial one-time capitalization under GA and LIDC Fund grants many times over during the years and decades required to avoid or reduce GHG emissions and other forms of air pollution at scale.

Given the magnitude of the challenge, it is essential that to ensure scale, scope, and cost-reducing efficiency, it is best to fully capitalize a national green bank. By contrast, making multiple grants to smaller entities will inevitably reduce the total amount of investment needed to redress environmental injustice and emissions and air pollution reduction.

A purpose-built national green bank is ideal for full capitalization because its board, management, and skill sets will be focused on the mission of Section 134 as opposed to some other objective. Changing the direction and capability of an existing institution is one of the most difficult of all organizational challenges. Instead of hoping for such a transformation by an applicant seeking to be an “eligible recipient,” EPA would be far more likely to achieve the goals of Section 134 by requiring a fully capitalized national green bank to support additional green investing by existing nonprofits that can add to their other objectives a component of investing in “qualified projects.” To that end, eligible recipients should be required to show how grants, technical support, and other assistance can enable existing nonprofits to enter into green investing.

Execution, Reporting, and Accountability

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

EPA has correctly identified the need to “reduce burdens on applicants, grantees, and/or subrecipients.” Eligible recipients should be required to identify such burdens and show how they will reduce them. They include at least the following measures that any applicant should be required to address. First, it should show how it will bear to the maximum degree feasible the costs to comply with necessary data-gathering, audits, and other monitoring of performance. Second, to support indirect investing, it should engage in efforts on national, regional, and local levels to increase efficiencies and lower costs for supply chains of “qualified projects.” Third, it should address the myriad impediments to financing and deployment in energy markets, such as the soft costs of permitting and financing. EPA should require eligible recipients to explain in detail their plans for reducing all these “burdens.”

A national green bank should be able to satisfy the most stringent of EPA monitoring and reporting requirements, not only as to its own direct investment but also on behalf of all members of the network of indirect lenders to which it has extended funding and technical support. Imposing that burden on each of the members of this network directly would multiply overhead costs. It would open the door to divergent methods of accounting, measuring, and reporting, which in turn would cause a lack of clarity and the inability to respond quickly to market changes. Any applicant that proposes to decentralize such systems should be required to explain how it can avoid multiplying the costs of such activities.

Second, EPA should request that any eligible recipients explain how they would negotiate with original equipment manufacturers and distributors for the lowest unit cost supply contracts, timely delivery, and other supply chain efficiencies.

Third, product adoption and project formation have in the past occurred too slowly given the urgency of addressing both climate change and the greenhouse gas and pollution reduction in low-income and disadvantaged communities, namely, emissions and pollution reduction and investment in low-income and disadvantaged “low-income and disadvantaged communities.” Project implementation delay is a burden that reduces leverage in all its dimensions and contributes to increased social and environmental damage. Eligible recipients therefore should be asked how they would expedite product marketing and

adoption and project formation without incurring inappropriate risks or engendering possible waste, fraud, and abuse of funds.

In connection with all three activities, EPA should require eligible recipients to show how “technical assistance” for indirect investors will reduce burdens. It is critical that an “eligible recipient” not foster a network of indirect investors that are burdened by redundant, proliferating expenses among all members.

In addition, EPA should adopt a term and condition for any grant award made under the GHGRF that provides grant recipients with the same flexibilities regarding use of Program Income that are provided to recipients of EPA funding for revolving loan fund programs contained in 2 C.F.R. § 1500.8(d).

- **Charge Question III.b – What types of requirements could EPA establish to ensure the responsible implementation and oversight of the funding?**

– AND –

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

The EPA has rightly identified governance as critical to determining whether an applicant is an “eligible recipient” and, if it is, whether its application is meritorious. Governance must be substantively established as opposed to being merely a matter of form.

Section 134 excludes any for-profit, deposit-taking, or not-for-profit entities from the scope of “eligible recipient.” In order to give full meaning to the Congressional intent, EPA should also bar such excluded entities from creating mere paperwork fronts of nonprofits that are created to pass funds through to the excluded entities.

The “Use of Funds” strictures of Section 134 require a unique set of skills and experiences for the board, advisory boards, and management teams. The EPA should require eligible recipients to explain in detail how the use of the funds, national scope, the mandate of directly and indirectly investing, the imperative of addressing “low-income and disadvantaged communities,” and the narrow focus of “qualified projects” all will be reflected in its detailed operating plan. An applicant that has historically pursued investing for other purposes, no matter how worthy, should be obliged to explain how it proposes to meet the obligations that the GHGRF imposes on any “eligible recipient.”

EPA should require any applicant to demonstrate in its “governance structures” and its “reporting” compliance with diversity goals in the dimensions of race, ethnicity, national origin, gender, regional location, partisan affiliation, and skill set, at a minimum.

Congress wanted to guarantee, and the EPA should confirm, that the applicant for direct receipt of a GHGRF grant is truly independent of government. The applicant’s “governance structures” must manifest such independence. For this reason, eligible recipients are not “eligible” if their regulation or

governance indicates support by any other government funding program or implies a guarantee that government would fulfill its obligations in the event of default. Independence from the federal government assures that the national direct recipient is not backed by the full faith and credit of the United States either explicitly or by an implication perceived in the market.

EPA should state the reporting and audit requirements that will be required of direct and indirect recipients and call for eligible recipients to provide adequate detail demonstrating how they will comply with the requirements. Eligible recipients should explain their safety and soundness policies for asset management – including at least credit underwriting, portfolio diversification, loss reserve requirements, internal controls, cybersecurity and other necessary functions suitable to managing substantial capital.

EPA can incorporate reporting and auditing requirements established by some other federal agency or department, but it should not delegate responsibility for implementing and overseeing operation of the GHGRF to some other agency. No other agency has the experience or the continuing role of assuring that the eligible recipients for funds are committed to combatting climate change and redressing environmental injustice.

We urge that EPA either dictate its requirements or ask eligible recipients to propose how they would address the following issues through reporting and auditing:

- Showing how direct and indirect investing is confined to “qualified projects”
- Providing for contractual relationships between the direct recipient and indirect recipients of “funding and technical assistance”
- Reporting the status of creating “new” indirect recipients
- Reporting on standardization, securitization, and recycling
- Reporting on partnerships with private sector investors
- Demonstrating “operability” on an ongoing basis
- Tracking “funding and technical assistance” to indirect recipients
- Accounting for community assistance
- Managing risk
- Monitoring and reporting on reductions and avoidance of “greenhouse gas emissions and other forms of air pollution” through both direct and indirect investing
- Reporting on overhead, including compensation and benefits for employees
- Assessing performance against objectives for “rapid deployment of low- and zero-emission products, technologies and services”
- Reporting on job creation, health benefits, training results, and other benefits for “low-income and disadvantaged communities”
- Producing beneficial impact on wages

- Allowing for changes in strategy and tactics as circumstances change • Ensuring mitigation of conflicts of interest

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VICE-CHAIRMAN
Veterans Committee

VICE-CHAIRMAN
Workforce, Housing, and Community
Development Committee

December 2, 2022

Dear Members of the Environmental Financial Advisory Board,

As a Commissioner of the second largest county in the United States, and a strong advocate for environmental justice initiatives, I encourage you to ensure that funding from the Infrastructure and Investment Jobs Act (IIJA) and the Inflation Reduction Act (IRA), the most significant legislation in U.S. history to tackle the climate crisis and strengthen American energy security, including but not limited to the Greenhouse Gas Reduction Fund be earmarked to disadvantaged communities predicated on place based need rather than formula funding to make certain these communities are prioritized. Additionally, it is important to prioritize grant dollars for pre-development projects such as storm water management, solar power projects and other climate resilient infrastructure investments that develop projects in an integrated way.

This November (2022), the Cook County Board of Commissioners unanimously approved a resolution I introduced (see addendum) to create a Cook County Justice40 Infrastructure Fund Initiative, which affirms the County's commitment to furthering the principles of the federal Justice40 Initiative and seeking all available resources to do so by directing Cook County to advance health equity and climate justice in alignment with Justice40 by applying for federal grants made available by the aforementioned legislation to deliver at least 40 percent of the overall benefits from such investments in climate and clean energy to disadvantaged communities. Also, the legislation directs the County to adhere to procurement policies that regulate equitable participation of minority and women business enterprises in the execution of grant-related projects and requires a quarterly report from the Budget Director on grants received.

This legislation is in line with the County's Policy Roadmap, which seeks to support healthy, resilient communities that thrive economically, socially, and environmentally and helps inform funding proposals by working and investing in environmental justice and sustainability by supporting projects spanning from community solar to comprehensive transit planning to water infrastructure, in addition to increasing access to electric vehicle charging stations throughout Cook County.

Thank you for your attention to this matter. Please do not hesitate to contact me if you have any questions.

Sincerely,

Donna Miller
Cook County Commissioner, 6th District



Board of Commissioners of Cook County

118 North Clark Street
Chicago, IL

Legislation Details (With Text)

File #:	22-3910	Version:	2	Name:	JUSTICE40 INFRASTRUCTURE FUND
Type:	Resolution	Status:		Status:	Committee Reports
File created:	6/9/2022	In control:		In control:	Finance Committee
On agenda:	6/16/2022	Final action:		Final action:	11/17/2022
Title:	PROPOSED SUBSTITUTE RESOLUTION to FILE #22-3910				

COOK COUNTY JUSTICE40 INFRASTRUCTURE FUND INITIATIVE

WHEREAS, infrastructure systems in the United States are in a period of significant disrepair and are increasingly vulnerable due to climate change; and aging infrastructure, new technologies, increasing complexity, and increasing incidents of severe weather due to climate change pose new challenges to the resilience of those infrastructure systems; and

WHEREAS, the climate resilience challenge is most severe in disadvantaged communities which are hurt “worst and first” by flooding, extreme heat, extreme cold, and other results of climate change, and these disparities are the result of governmental policies that deliberately institutionalized racial disparities in financing, funding, and delivery of services; and

WHEREAS, to build an equitable climate-resilient future for Cook County, reparative climate resilient infrastructure investments are necessary to close the infrastructure gap that has resulted from past policies, and to enable communities that have been subject to disinvestment, underinvestment, and marginalization to fully participate in and benefit from such development; and

WHEREAS, failing to make such reparative investments would perpetuate racial disparities by putting new money into old systems that were designed to maintain inequitable outcomes; and

WHEREAS, reparative climate resilient infrastructure increases the capacity of communities to respond to and recover from the impacts of climate change, and may include renewable energy, energy storage, residential and commercial building energy efficiency, green infrastructure to mitigate and manage stormwater and heat islands, EV charging infrastructure, and other built infrastructure; and

WHEREAS, experts have determined that predevelopment funding at the local and project levels is the critical gap in accelerating efforts of the Federal Government to support climate-resilient infrastructure systems and regional economies, and to create a steady stream of “shovel worthy” and well-maintained community projects; and

WHEREAS, Cook County has been a leader in addressing historic and continued disinvestment and inequities that have negatively impacted Black, Latinx and other marginalized residents by advancing equity for all residents in Cook County through policies and investments; and

WHEREAS, the foundation for this approach was laid in the Cook County Policy Roadmap, which has guided policy and investment priorities for the county budget, the Equity Fund, CARES Act funding, and American Rescue Plan Funding (ARPA); and

WHEREAS, the Cook County Equity Fund Taskforce supports Cook County’s work to intentionally realign government policies, practices, and resource allocation to advance racial equity and ensure all Cook County residents can live healthy, prosperous lives; and

WHEREAS, the County’s Policy Roadmap, Sustainable Communities Pillar, seeks to support healthy, resilient communities that thrive economically, socially, and environmentally and helps inform funding

proposals for the Equity Fund and ARPA including by working and investing in environmental justice and sustainability by supporting projects spanning from community solar to comprehensive transit planning; and

WHEREAS, the Smart Communities Pillar seeks to provide an innovative infrastructure that will change how we live, work, and connect through investments in transportation and water infrastructure, in addition to increasing access to electric vehicle charging stations throughout Cook County, focusing on where there are currently large gaps in service areas, primarily in the south and west suburbs, and investing in digital equity; and

WHEREAS, President Biden made historic commitments to advance environmental justice and spur economic opportunity for disadvantaged communities by establishing the Justice40 Initiative within his first weeks in office; and

WHEREAS, the Justice40 Initiative is a whole-of-government effort to ensure that Federal agencies work with states and local communities to make good on President Biden's promise to deliver at least 40 percent of the overall benefits from Federal investments in climate and clean energy to disadvantaged communities; and

WHEREAS, the Infrastructure and Investment Jobs Act (IIJA) created a funding source to advance environmental justice, and spur economic opportunity by investing in reparative climate resilient infrastructure; and

WHEREAS, the Inflation Reduction Act (IRA), the most significant legislation in U.S. history to tackle the climate crisis and strengthen American energy security, created an additional funding source that counties can apply for directly including but not limited to a \$27 billion Greenhouse Gas Reduction Fund at EPA, which establishes two different types of grant programs. The first is a \$7 billion competitive grant program for state and local governments and other eligible entities, to provide financial and technical assistance to enable low-income and disadvantaged communities to deploy or benefit from zero-emission technologies. The second is a \$19.97 billion competitive grant program for state and local governments, among other eligible entities, to either: Provide financial assistance to qualified projects and recycle repayments from fees, interest and repaid loans to maintain the financial assistance program; OR provide financial and technical assistance to create or support public or nonprofit entities which would then provide financial assistance to qualified projects; and

WHEREAS, qualified projects under this second grant program include those that reduce greenhouse gas emissions in partnership with the private sector or through community-led efforts. Additionally, \$8 billion of the \$19.97 billion is reserved for projects in low-income and disadvantaged communities; and

WHEREAS, the Environmental Protection Agency (EPA) must begin awarding grants within six months of the IRA's enactment; and

WHEREAS, counties can submit funding requests directly to the EPA for both programs; NOW THEREFORE, BE IT RESOLVED, by the Cook County Board of Commissioners, that Cook County is committed to advancing health equity and climate justice for disadvantaged communities through the Justice40 Initiative; and

BE IT FURTHER RESOLVED, that Cook County is committed to applying for grants from the IIJA and IRA for the purpose of advancing the principles of the Justice40 Initiative within Cook County; and

BE IT FURTHER RESOLVED, that upon the award of any IIJA or IRA grants that incorporate the Justice40 principles, the County shall adhere to the provisions in the Cook County Procurement Code (Chapter 34, Article IV) related to the equitable participation of M/WBEs; and

BE IT FURTHER RESOLVED, that the Budget Director shall report on IIJA or IRA grants received by the County and on ARPA programs that incorporate the Justice40 principles on a quarterly basis.

Sponsors:

DONNA MILLER, BRIDGET DEGNEN, BRANDON JOHNSON, LARRY SUFFREDIN, FRANK J. AGUILAR, ALMA E. ANAYA, LUIS ARROYO JR, SCOTT R. BRITTON, JOHN P. DALEY, DENNIS

DEER, BRIDGET GAINER, BILL LOWRY, KEVIN B. MORRISON, PETER N. SILVESTRI, DEBORAH SIMS

Indexes:

Code sections:

Attachments:

Date	Ver.	Action By	Action	Result
11/17/2022	2	Board of Commissioners	approve as substituted	Pass
11/16/2022	2	Finance Committee	recommend for approval as substituted	Pass
10/20/2022	2	Board of Commissioners	defer	Pass
10/19/2022	2	Finance Committee	recommend for approval as substituted	Pass
10/19/2022	1	Finance Committee	accept as substituted	Pass
6/16/2022	1	Board of Commissioners	refer	Pass

PROPOSED SUBSTITUTE RESOLUTION to FILE #22-3910

COOK COUNTY JUSTICE40 INFRASTRUCTURE FUND INITIATIVE

WHEREAS, infrastructure systems in the United States are in a period of significant disrepair and are increasingly vulnerable due to climate change; and aging infrastructure, new technologies, increasing complexity, and increasing incidents of severe weather due to climate change pose new challenges to the resilience of those infrastructure systems; and

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WHEREAS, the foundation for this approach was laid in the Cook County Policy Roadmap, which has guided policy and investment priorities for the county budget, the Equity Fund, CARES Act funding, and American Rescue Plan Funding (ARPA); and

WHEREAS, the Cook County Equity Fund Taskforce supports Cook County's work to intentionally re-align government policies, practices, and resource allocation to advance racial equity and ensure all Cook County residents can live healthy, prosperous lives; and

WHEREAS, the County's Policy Roadmap, Sustainable Communities Pillar, seeks to support healthy, resilient communities that thrive economically, socially, and environmentally and helps inform funding proposals for the Equity Fund and ARPA including by working and investing in environmental justice and sustainability by supporting projects spanning from community solar to comprehensive transit planning; and

WHEREAS, the Smart Communities Pillar seeks to provide an innovative infrastructure that will change how we live, work, and connect through investments in transportation and water infrastructure, in addition to increasing access to electric vehicle charging stations throughout Cook County, focusing on where there are currently large gaps in service areas, primarily in the south and west suburbs, and investing in digital equity; and

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WHEREAS, qualified projects under this second grant program include those that reduce greenhouse gas emissions in partnership with the private sector or through community-led efforts. Additionally, \$8 billion of the \$19.97 billion is reserved for projects in low-income and disadvantaged communities; and

WHEREAS, the Environmental Protection Agency (EPA) must begin awarding grants within six months of the IRA's enactment; and

WHEREAS, counties can submit funding requests directly to the EPA for both programs;

NOW THEREFORE, BE IT RESOLVED, by the Cook County Board of Commissioners, that Cook County is committed to advancing health equity and climate justice for disadvantaged communities through the Justice40

Initiative; and

BE IT FURTHER RESOLVED, that Cook County is committed to applying for grants from the IIJA and IRA for the purpose of advancing the principles of the Justice40 Initiative within Cook County; and

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BE IT FURTHER RESOLVED, that the Budget Director shall report on IIJA or IRA grants received by the County and on ARPA programs that incorporate the Justice40 principles on a quarterly basis.

*Expanding the range of opportunities for all by
developing, managing and promoting quality
affordable housing and diverse communities.*



December 5th, 2022

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

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

Dear Administrator Regan,

EAH Housing appreciates the opportunity to provide comments on the Greenhouse Gas Reduction Fund (GGRF) program design and implementation.

At EAH Housing our commitment to affordable housing has allowed us to grow into one of the largest and most respected nonprofit housing development and management organizations in the western United States. As part of the Building Sustainable Communities Initiative, our staff in the Real Estate Management and Operations is implementing our Green Operations and Maintenance Best Practices Manual. This manual is a comprehensive approach to green management that can be shared and modeled with other nonprofits, property owners and building managers.

We know that environmentally responsible practices are wise investments that bring value to our properties and to our communities—creating good places to live, work, play, study and raise families—Green community workshop with Hawai'i Energy today and for the future.

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

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

Eligible Recipients:

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

Eligible Projects:

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

Decarbonizing housing stock is a critical piece of reducing greenhouse gas. Decarbonization is not just about decreasing carbon emissions. It is also about energy and resource efficiency, improved health through better indoor air quality, addressing inequities through reducing energy burdens and building climate resiliency. Residential energy use produces roughly 20% of greenhouse gas emissions in the United States. If U.S. residential buildings were a country, they would be the sixth-highest emitter of greenhouse gases in the world. Historically, low-income and disadvantaged communities have been disproportionately impacted. The GGRF provides a unique opportunity to center these communities by lowering housing cost burdens, positioning them to take advantage of the innovations in the energy sector, and creating safe and healthy indoor environments.

Definition of Low-Income and Disadvantaged Communities:

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

Structure of Funding:

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

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

Sincerely,



Laura Hall, President and CEO
EAH Housing

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



December 6, 2022

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

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

To the Environmental Financial Advisory Board,

We were pleased to provide input ahead of the December 15th EFAB meeting based on our experience as a consortium of credit unions and CDFIs working together to design and successfully implement financing solutions in different consumer product markets. As we have had the opportunity to refine the mechanisms we believe could benefit low-income and disadvantaged communities, we are providing additional information to EFAB for consideration.

To refresh, our consortium consists of independent operating credit unions from across the nation with over one hundred billion dollars of assets. We have a history of collectively developing products and implementing operations at a scale that achieves public trust, exceptional regulatory performance, and accountability to provide credit and investment in local communities that produce positive social impact.

The law charges EPA with creating a program that enables low and disadvantaged communities to deploy or benefit from zero-emission technologies, specifically calling out distributed technologies on residential rooftops. While many of the investments empowered by the GHGRF will be targeted to industrial and commercial investments, to achieve the goals of the Fund, it will be necessary to do retail-level financing of GHG-reducing projects within low-income and disadvantaged communities. Our particular concern deals with balancing the need to incent demand while avoiding layering additional debt on those who can least afford it.

Notwithstanding the many additional federal support programs authorized in the Inflation Reduction Act and other federal laws, it is reasonable to anticipate many circumstances (especially among low- or middle-income households) where there are little or no direct cost savings for implementing clean energy technologies over the life of the loan. This may be the case even when accounting for the very low costs of capital that the EPA can unleash using a loan guarantee or interest rate subsidy model. In these circumstances, it may be necessary for EPA to include in the loan package additional ways to lower the cost of the loan through other types of loan subsidies to incentivize these borrowers to make investments in the clean energy projects covered under the loan program.

Ecority is providing as an Addendum (attached hereto) a white paper describing one approach that we encourage EFAB to include among the options available to EPA to address cost concerns for low-income and disadvantaged communities. Under this model, EPA backstops the cost of improvements to protect low-income participants from incurring negative financial benefits, especially the pernicious effects of increasing unproductive debt burdens. By providing an assurance of cost reductions relative to the status quo, EPA can more likely stimulate demand.

EPA will also need to address the amount of subsidy to distribute under the GHGR Fund program for temporal Fund deployment objectives. Two important juxtaposed tradeoff factors for EPA's consideration should include the following: (1) the targeted time frame for infrastructure purchases and loan production to consumers in low-income and disadvantaged communities, and (2) the pace by which EPA deems it appropriate to deplete the GHGR Funds to incent the implementation of these green projects in low-income and disadvantage communities.

This backstop funding may be the critical determinant of whether GHG technologies are widely adopted at a rapid pace in low-income and disadvantaged communities. If project advocates can provide guarantees to households (borrowers) that actual savings will exceed their costs of financing such an investment, participants will be more willing to engage in the program.

Thank you in advance for the opportunity to submit this supplemental information. If you have any questions, please feel free to contact Rob Talley at rob@talleyandassociatesinc.com or (202) 460-9114

ADDENDUM

Overview of a Proposed Structure to Create a Savings Subsidy Backstop Using Grant Allocations from the GHGR Fund

While an abundant supply of credit can be created by providing financial support to install green technologies and products through the Greenhouse Gas Reduction (GHGR) Fund, adding more debt to a financially struggling household must be considered carefully. As such, we believe one critically important objective in designing an effective loan program for households in low-income and disadvantaged communities is to create the appropriate structure to incentivize those households to implement projects in a financially responsible manner.

To a household, such an incentivization structure can be achieved with a guarantee that the cost savings from installing green technologies and products will be greater than its all-in cost, including financing. Absent such certainty, adding more debt to a financially struggling household is not only irresponsible but also risks running afoul of the myriad of consumer protection laws.

One effective approach for achieving these important objectives is to design a loan program that is based on the following attributes:

1. Financing for any such system is available at the lowest possible rates, with payment obligations in all periods remaining below what the low-income or disadvantaged household will realize in actual savings from the project.
2. Institutions marketing such solutions (system plus financing) are doing so in full compliance with the myriad of consumer protections.
3. Cash flow shortfall protections must exist for the entire duration that any loan amount is due and outstanding.
4. Solutions providers should refrain from artificially extending the maturity dates of financing terms to promote low monthly payments that keep households perpetually indebted. In addition, financing durations should not be materially mismatched from the life of the systems being installed.

Project-Specific Economic Considerations

Based on this design approach, we propose allocating a portion of the GHGR Fund to create a Savings Subsidy Backstop. To illustrate how such a mechanism would work, assume the following project attributes.

Project Investment (Amount is assumed to be net of all rebates, tax incentives, etc.)	\$10,000
Interest Rate of Loan	5%
Term / Payment Frequency	10 years / Monthly
Monthly Payment / Annual Cost	\$106 / \$1,273
Total Payments Over Life of Loan	\$12,728

At its most basic level, such a project plays out in three scenarios:

Scenario 1: The monthly cost savings resulting from the project exceeds the monthly loan payment. In this scenario, no subsidy is required, and savings from the project are available to the homeowner.

Scenario 2: Loan payment obligations exceed cost savings. A subsidy structure would cover the amount of any shortfall in payments. Since this scenario could occur for numerous reasons over the life of a loan, a portion of the GHGR Fund would need to be placed in reserve to accommodate such a shortfall to support the monthly payment obligations on the debt (Savings Subsidy Backstop). In the alternative, EPA could elect to authorize an incentive payment to subsidize a portion of the cost to deploy green technologies and products, thereby lowering the total cost of the loan.

Scenario 3: Loan payments exceed savings at inception, while cost savings exceed loan payments over the entire term of the loan. In this scenario, the amounts set aside for the Savings Subsidy Backstop could eventually be released and recycled.

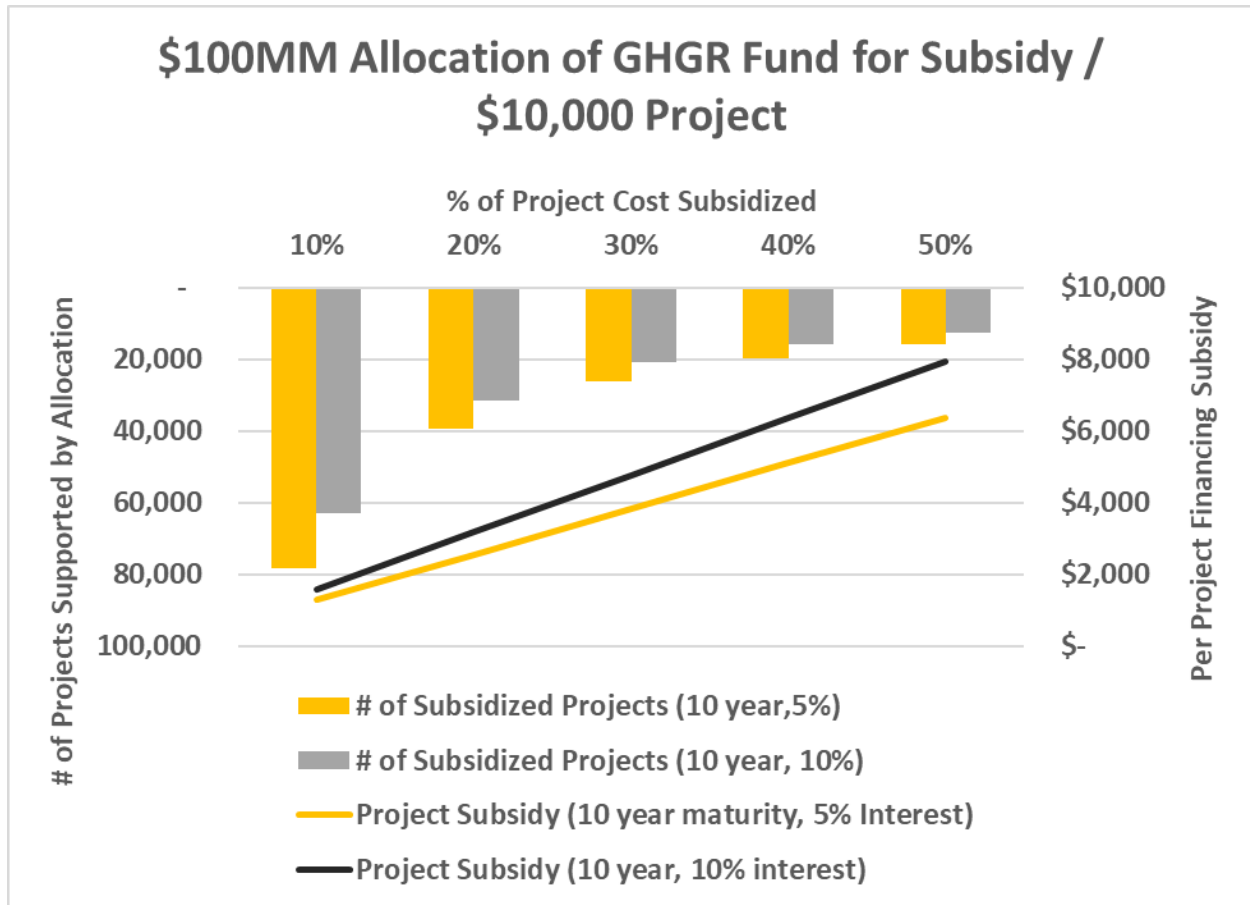
Project sponsors and accompanying lenders must consider several other factors in designing any such program. These include:

- Homeowners may change their behavior of systems usage if their costs are fixed/capped and additional usage is deemed to be “free.”
- Cost savings assume sustained availability of the system. Equipment failures and other drivers of non-availability will need to be considered in the life of loan warranty programs.
- Changes in homeownership during the life of a project loan introduce a myriad of issues on property transfer.

Taken altogether, addressing such considerations will require localized knowledge, financial counseling, and administrative capability in loan origination and servicing to achieve positive outcomes for all constituent parties.

Scaling Deployment

To understand the implications of the Savings Subsidy Backstop at scale, the following chart depicts a scenario for each \$100 million of GHGR Fund allocated to create such a backstop reserve:



To begin, assume a project with a net investment of \$10,000 and that the project requires a 20 percent subsidy to support the borrower's financial capability to repay a 10-year loan at an interest rate of 5 percent.

Under this scenario, the required subsidy initially would be approximately \$2,546 for each loan of \$10,000. By contrast, if the required subsidy were estimated to be at 50 percent of the net investment, then the amount of Savings Subsidy Backstop initially required in reserve for that project would increase from \$2,546 to \$6,364 for each loan of \$10,000.

Over time, any *excess* funds held in reserve would be released and recycled toward supporting additional green projects. A portfolio-based approach to managing reserves from the Savings Subsidy Backstop is also the best method to mitigate risk from individual households, specific regions, or types of projects.

Also depicted are the number of projects that each \$100 million would support under various subsidy levels. For instance, if the subsidy requirement were 10 percent, approximately 78,500 projects could be supported through the Savings Subsidy Backstop. If the subsidy requirement were 50 percent, the number of supportable projects covered under the Savings Subsidy Backstop would correspondingly be reduced to 15,700 projects or an 80 percent reduction in program size. Under these assumptions, the Savings Subsidy Backstop requirement is linear. Said differently, if the subsidy requirement were 50 percent, then the support of the same 78,500 projects would require an allocation of \$500 million of the GHGR Fund, or a 500 percent increase in the capital requirement.

Another relevant factor for evaluating the effectiveness of the Savings Subsidy Backstop is the interest rates applicable to these green projects. As illustrated in the above example, in the case of a \$100 million allocation at a 10 percent subsidy requirement combined with a *10 percent* interest rate (as compared to a 5 percent interest rate) would reduce the number of actionable projects by 15,000, or 19 percent reduction due to higher interest rates.

If \$5 billion from the \$7 billion tranche (for competitive grants to enable low-income and disadvantaged communities) were allocated under this methodology, a 10 percent subsidy level would support a little over 3.9 million households. By contrast, if the initial subsidy reserve requirement were 50 percent, only 785,000 household projects could be launched.

Summary

Low-income households have little to no means to make investments to reduce greenhouse gas emissions unless the investments are fully financed. Furthermore, to avoid putting households in a worse financial condition, the financial savings from the project must exceed the debt service payments and generate a material reduction in household expenses.

Situations that potentially worsen households' financial condition risk running afoul of a myriad of consumer protection laws. Equally important, the reputational consequences of such outcomes to providers, financial institutions, and, ultimately, the EPA should give pause to such undertakings.

Done correctly, however, the Savings Subsidy Backstop maximizes GHGR Fund leverage by lowering default risk, enabling capital to be sourced at the lowest possible rates. Tangible economic benefits will be realized by households while accomplishing the primary objective of reducing GHG emissions.

Finally, it should be noted that the Clean Air Act provides EPA with broad discretion to determine the amount and pace of the financial subsidies provided to low-income and disadvantaged communities. This discretion would apply to funding provided under sections 134(a)(1) and (a)(3) for a total of \$15 billion of the \$27 billion authorized in the GHGR Fund.

Based on this authority, EPA has the authority to allow eligible entities to make an incentive payment that would subsidize a portion of the cost to deploy the green technologies and products and thereby lower the cost of the loan. Furthermore, EPA could elect (as an alternative to the Savings Subsidy Backstop) to provide incentive payments for those low-income and disadvantaged households in greatest need of the subsidy to incentivize further the rapid deployment of green technologies and products in these communities.



December 5, 2022

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

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

Dear Administrator Regan,

On behalf of Eden Housing, I appreciate the opportunity to provide comments on the design and implementation of the Greenhouse Gas Reduction Fund (GGRF) program. With new resources approved by Congress, this program provides the U.S. Environmental Protection Agency (EPA) with a unique opportunity to support zero-emission technologies and projects that reduce or avoid greenhouse gas emissions impacting low-income and disadvantaged communities.

To support this program's effectiveness, I urge you to ensure that affordable housing, where millions of the nation's most disadvantaged households live, remains a priority use for these funds. With this goal in mind, I also encourage you to make Community Development Finance Institutions (CDFIs) eligible to serve as the primary capital deployment vehicle for the GGRF.

Eden Housing is one of California's oldest non-profit housing developers, and since our inception in 1968, Eden has partnered with communities across the state to develop, acquire, and preserve more than 10,000 affordable apartments — providing homes to 22,000 low-income Californians.

Eden recently signed on to the U.S. Department of Energy's Better Climate Challenge, a national leadership initiative calling for reduced greenhouse gas emissions, job creation and partners in promoting healthy, safe and thriving communities. Better Climate Challenge Partners commit to a 50% or more reduction in greenhouse gas emissions across their building portfolio over the next 10 years, and Eden is already identifying how to make this a reality in our properties.



Eden welcomes the GGRF as an historic opportunity to further accelerate clean energy investments across the United States, and particularly welcomes the Fund's emphasis on low-income and disadvantaged communities.

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

Eligible Recipients:

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

Eligible Projects:

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

Decarbonizing housing stock is a critical piece of reducing greenhouse gas. Decarbonization is not just about decreasing carbon emissions. It is also about energy and resource efficiency, improved health through better indoor air quality, addressing inequities through reducing energy burdens and building climate resiliency. The GGRF provides a unique opportunity to center low-income and disadvantaged communities in these efforts, by lowering housing cost burdens, positioning them to take advantage of the innovations in the energy sector, and creating safe and healthy indoor environments.

Definition of Low-Income and Disadvantaged Communities:

There exist several definitions for low-income and disadvantaged communities within current Federal programs. For example, the **CDFI Fund established definition of an eligible "Target Market"** as well as the New Markets Tax Credit program and existing HUD housing programs provide



guidance that meaningfully captures low-income and underserved communities. These definitions include consideration of individual borrower characteristics as well as the communities where borrowers and projects are located. Adopting these definitions would create standardization and lower costs of compliance, as government program awardees already track and report their activity based upon these definitions.

Structure of Funding:

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

Thank you for the opportunity to provide comments and highlight our priorities in executing the GGRF. We look forward to working with you to ensure the Greenhouse Gas Reduction Fund is a success. Please let us know if Eden can be of any assistance. You can contact me at: Imandolini@edenhousing.org.

Sincerely,

Linda Mandolini
President
Eden Housing

Cc: Environmental Financial Advisory Board (EFAB)



December 5, 2022

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

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

Dear Administrator Regan,

Evernorth appreciates the opportunity to provide comments on the Greenhouse Gas Reduction Fund (GGRF) program design and implementation.

Evernorth (EN) is a nonprofit organization that provides affordable housing and community investments in Maine, New Hampshire, and Vermont. EN is deeply knowledgeable of local markets, has close connections with local and regional organizations, and understands the policy and regulatory framework guiding affordable housing and community development across northern New England.

With offices in Portland, ME and Burlington, VT, EN raises capital to invest and lend for affordable housing, to strengthen our economy, and to improve our environment through energy efficiency. EN has raised and deployed over \$1B in equity capital for affordable housing and built more than 12,550 energy efficient affordable homes and apartments for low- and moderate-income people across our region.

Evernorth operates EN Energy Services which seeks to maximize energy efficiency and optimize building systems. Over the past 5 years, the work of EN Energy Services has saved \$1.7M in lower energy costs across 30 affordable housing properties.

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

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

Eligible Recipients:

We would ask that the EPA **prioritize Community Development Financial Institutions (CDFIs)** as the primary capital deployment vehicle for the GGRF. We believe that CDFIs or similar existing state

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Phone: 802.863.8424 Fax: 802.660.9034

120 Exchange Street, Suite 600, Portland, ME 04101
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community development financing entities would be ideal stewards of GGRF funding because of their long-standing track record of mission lending.

Eligible Projects:

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

Decarbonizing housing stock is a critical piece of reducing greenhouse gas. Decarbonization is not just about decreasing carbon emissions. It is also about energy and resource efficiency, improved health through better indoor air quality, addressing inequities through reducing energy burdens and building climate resiliency. Residential energy use produces roughly 20% of greenhouse gas emissions in the United States. If U.S. residential buildings were a country, they would be the sixth-highest emitter of greenhouse gases in the world. Historically, low-income and disadvantaged communities have been disproportionately impacted. The GGRF provides a unique opportunity to center these communities by lowering housing cost burdens, positioning them to take advantage of the innovations in the energy sector, and creating safe and healthy indoor environments.

Definition of Low-Income and Disadvantaged Communities:

Consider using a simple definition such as: Low-income means income, adjusted for family size, or not more than:

- (1) For Metropolitan Areas, 80 percent of the area median family income; and
- (2) For non-Metropolitan Areas, the greater of:
 - (i) 80 percent of the area median family income; or
 - (ii) 80 percent of the statewide non-Metropolitan Area median family income

Other standard definitions for low-income and disadvantaged communities utilized in current Federal programs like NMTC often don't translate well to rural areas. Each state has unique and specific challenges related to historically disadvantaged groups and environmental impacts of climate change. In rural communities costs related to heating, especially in areas utilizing unregulated fuels for heat, transportation and high housing cost stress rural populations. While adopting standard definitions would create lower costs of compliance and oversight, including flexibility for rural states to define these areas will increase program impact and drive real results for low-income people.

Structure of Funding:

It is critical that the **GGRF funds be as flexible as possible** to meet the needs of low-income individuals living in disadvantaged communities and the front-line practitioners who serve them. Providing a mix of grants, forgivable grants and equity-like investments will help ensure affordability for the end users. Specifically, low- and moderate-income homebuyers cannot absorb any additional debt to cover the increased costs related to green and sustainable materials and features. Further, existing multifamily residential portfolios have already leveraged debt and cannot afford to pile on additional debt and



Investing in communities. Building possibilities.

remain financially viable for owners and affordable to residents as the properties undergo green retrofits. This challenge also extends to community facilities and community-serving retail uses that are already leveraging as much hard debt as possible. All these projects need concessionary financing and by allowing a flexible structure, these investments will ultimately determine how deeply projects can go in terms of greenhouse gas reduction improvements while ensuring the equitable deployment of GGRF funds.

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

Sincerely,

Nancy Owens

A handwritten signature in blue ink that reads "Nancy Owens".

Co-President, Evernorth

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

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foundcom.org



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

December 1, 2022

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

Dear Administrator Regan,

Foundation Communities (FC) appreciates the opportunity to provide comments on the Greenhouse Gas Reduction Fund (GGRF) program design and implementation.

FC welcomes the GGRF as a historic opportunity to further accelerate clean energy investments across the United States, and particularly welcomes the Fund's emphasis on low-income and disadvantaged communities. This directly aligns with FC's commitment to supporting these communities. FC is a nationally recognized nonprofit organization that empowers low-income and disadvantaged families and individuals through quality affordable housing and tools to increase their educational and economic standing. FC's responsibilities include assisting residents to be good stewards of the environment, understanding finances and promoting well-being. FC is a DOE Better Climate and Better Buildings Challenge partner, with climate change goals that directly align with the goals of the GGRF.

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

Eligible Recipients:

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

Eligible Projects:

We encourage the EPA to include funding that targets **affordable housing in the set eligible activities**. Decarbonizing housing is a critical step to fight climate change with





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impacts greater than efficiency. These include positive health outcomes due to improved indoor and outdoor air quality, improved financial stability due to utility bill savings, and improved building conditions that increase climate resilience. Additionally, we address inequities in energy-burdened communities. Residential energy use produces roughly 20% of greenhouse gas emissions in the United States. If U.S. residential buildings were a country, they would be the sixth-highest emitter of greenhouse gases in the world. The GGRF provides a unique opportunity to center these communities by lowering housing cost burdens, positioning them to take advantage of the innovations in the energy sector, and create safe and healthy indoor environments.

Definition of Low-Income and Disadvantaged Communities:

There are several definitions of low-income and disadvantaged communities within current Federal programs. We believe the following definitions are most accurate: the **CFDI Fund established definition** of an eligible “Target Market”, the New Markets Tax Credit program and existing HUD housing programs. All three provide guidance that meaningfully captures low-income and underserved communities. Additionally, the definitions include consideration of individual borrower characteristics as well as the communities where borrowers and projects are located. Adopting these definitions will create standardization and lower costs of compliance, as government program awardees already track and report their activity based upon these definitions.

Structure of Funding:

The **GGRF funds must be as flexible as possible** to meet the needs of low-income individuals living in disadvantaged communities and the front-line staff who serve them. Providing a mix of grants, forgivable grants and equity-like investments will help ensure affordability for the end users. Specifically, low- and moderate-income multifamily building owners cannot absorb additional debt to cover the up-front costs needed to make major sustainable improvements. Existing multifamily properties already leverage large amounts of debt (\$20 million +) over 15 years and must balance financial viability for the owners with affordable rents. This challenge also extends to community facilities and community serving retail uses that already leverage as much hard debt as possible. All these projects need concessionary financing. By allowing a flexible structure, these investments will ultimately determine how deeply projects can go to reduce greenhouse gas emissions.

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

Sincerely,

Walter Moreau, Executive Director

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



A partner agency of



United Way for Greater Austin



EQUAL HOUSING OPPORTUNITY



Resources for the Greenhouse Gas Reduction Fund:
Case Studies and Frameworks to Advance Equitable Climate Projects

Case Studies of Equitable Climate Projects

Green Housing Upgrades and Integrated Building Decarbonization

Housing upgrades and decarbonization projects should be targeted towards low-income and disadvantaged communities through a process that does not increase rent or energy burden.

- [Affordable Residential Program](#) by Philadelphia Energy Authority
- [The Plan to Turn Blighted Houses into a New Source of Green Power for the Grid](#)
- [Healthy Homes Program](#) by Energy Outreach Colorado and City of Denver, Colorado
- [Home Electrification Equity Project](#) by Habitat for Humanity East Bay/Silicon Valley and The Cities of Berkeley, Fremont, Hayward, and Oakland, California
- [Multifamily Soft Story Retrofit Program](#)

Technology and Assessment

Technology and data collection are needed to help identify communities most vulnerable to the effects of climate change, accelerate the transition to sustainable infrastructure, and ensure projects are reaching low-income and disadvantaged communities.

- [Resilient Cities Catalyst](#) by Resilient Cities Catalyst and city of Pittsburgh, Pennsylvania
- [Vehicle Grid Integration](#) by The Alan Turing Institute

Transportation

Sustainable transportation projects should be targeted towards underserved communities both to fill mobility gaps as well to reduce the harmful effects of air pollution in vulnerable areas.

- [Unlocking Capital to Electrify Truck and Bus Fleets](#)
- [Clean Mobility Options](#) by CALSTART, Shared Use Mobility Center, and CivicWell
- [Mobility Hubs](#) by Metropolitan Transportation Commission
- [Clean Mobility in Schools Project](#) by California Climate Investments
- [Our Community Car Share Sacramento](#) by Sacramento Metropolitan Air Quality Management District
- [CalVans](#)
- [Ecosystem of Shared Mobility](#) by San Joaquin Valley Air Pollution Control District
- [Green Raiteros](#) by Shared Use Mobility Center and Hewlett Foundation
- [Clean Transportation Program](#) by Energy Commission's Fuels and Transportation Division
- [Bus Replacement Program](#) by the California Energy Commission
- [Clean Vehicle Assistance Program](#) by Beneficial State Foundation and California Air Resources Board
- [Clean Cars 4 All](#) by California Air Resources Board

- [Access Clean California](#)

Resilience Hubs/Centers

Resilience hubs enable vulnerable communities to direct resources and initiatives towards their localized needs before, during, and after natural disasters to build resilience in the face of climate change.

- [Resilience Hubs Can Help Communities Thrive -- and Better Weather Disasters](#) by Pew Charitable Trusts

Frameworks for Advancing Equity

Making Equity Real Framework

The [Making Equity Real Framework](#) is a tool that we at Greenlining use to ensure that equity is at the core of an entire program in every step including the goals, process, implementation, and evaluation. This framework was developed as part of Greenlining's efforts advising and shaping climate change funding programs in California. California offers a variety of climate change funding programs that aim to both fight climate change and also create community co-benefits. These funding programs can improve air quality and community health, reduce consumers' energy bills, and create clean economy jobs. But far too often these programs fail to adequately reach the communities with the greatest needs, especially low-income communities of color. For that reason, we believe officials designing these programs must make a conscious, thoughtful effort to embed social equity into all aspects of each program's process. We believe that these same considerations apply to federal financing and incentive programs. Here is a brief overview of the framework:

1. The program's **Goals, Vision, and Values** should explicitly state the social equity goals of the funding program to help ensure these goals get prioritized.
2. The program's **Process** should include working with partners who have social equity expertise and incorporate strategies for inclusive outreach and technical assistance.
3. The **Implementation** of climate change funding programs is critical. Staff must make sure that awardees have the resources and tools they need to get the greatest possible environmental and economic benefits and minimize unintended negative consequences. Programs should target community-identified needs.
4. Finally, programs should **Evaluate** their impact, based on clearly defined social equity goals and criteria track success. This requires proactive planning to collect the data needed, so that administrators and officials can use the analysis to improve the program going forward and inform the design of future emissions reductions programs.

Our theory is that by intentionally building equity into all aspects of a program, we can achieve the strongest equity outcomes in frontline communities.

Equitable Community Investment Standards

The [Greenlined Economy Guidebook](#) offers a roadmap to build a new economic system that radically meets the needs of the people who have suffered the most under our current paradigm, particularly people of color.

In order to achieve “greenlined” community investment, we have developed a set of rules to govern funds and programs intended to address poverty and inequity. Without standards, we end up reinforcing the structures that caused these problems in the first place. These standards are meant to address failures of equity in our current community investment model. We use the phrase “community investment” broadly to refer to community-oriented projects in disinvested communities across many different sectors, including housing, real estate, infrastructure, transportation, parks, food and nutrition, health and small business, to name a few. In this guidebook, we focus on large-scale community investments, particularly those that have the potential to accelerate or catalyze significant change in a neighborhood.

1. **Emphasize race-conscious solutions.** Race-conscious policies like redlining and urban renewal got us to this point, and race-neutral approaches can't fix the underlying inequities. Investment needs to target and prioritize the most impacted communities.
2. **Prioritize multi-sector approaches.** Programs may be siloed, but problems are not. We need to prioritize approaches that address multiple issues and sectors at once.
3. **Deliver intentional benefits.** Benefits cannot trickle down to communities; they need to go directly to the people in the most impactful ways, while avoiding increasing or creating new burdens.
4. **Build community capacity.** Long-term disinvestment and discriminatory policies can erode a community's capacity for leadership, organizing or political capital. Acknowledging the ways that structural racism has impacted the capacity of communities of color to undertake community development projects is a key part of improving investments.
5. **Be community-driven at every stage.** Lifting up community-led ideas and sharing decision-making power is an important element of truly community-centered investment. Community members and organizations should be part of every phase of the project or policy, from goal-setting to analysis.
6. **Establish paths toward wealth-building.** We need community ownership of assets and opportunities to continue building wealth. In a Greenlined Economy, as many people as possible should be able to participate in wealth building, which will include a broader set of pathways beyond homeownership with lower barriers to entry.

We imagine that these standards could be applied to community investments by diverse actors, including public agencies, philanthropic organizations, private investors or community-based organizations advising or developing their own investment strategies.

About The Greenlining Institute

The Greenlining Institute (“Greenlining”), works toward a future where communities of color can build wealth, live in healthy places filled with economic opportunity, and are ready to meet the challenges posed by climate change. Our multifaceted advocacy efforts address the root causes of racial, economic, and environmental inequities in order to meaningfully transform the material conditions of communities of color in California and across the country.

December 9, 2022

Response: Request for Public Comments, EPA GHGRF

Environmental Finance Advisory Board
Environmental Protection Agency

Submitted Electronically via efab@epa.gov

RE: Request for Comments on the Greenhouse Gas Reduction Fund

Dear Distinguished Members of the Environmental Finance Advisory Board:

On behalf of Groundswell, we appreciate this opportunity to provide public comments on the implementation of the newly created Greenhouse Gas Reduction Fund (GHGRF). We are grateful to be able to share our experiences and perspectives.

So that you have a sense of where we come from, we would first like to introduce ourselves and our work. Groundswell (groundswell.org) is a 501c3 nonprofit organization, our mission is building community power, and we serve low- and moderate-income (LMI) households and communities that have been historically under-resourced and marginalized. In pursuit of our mission, we develop, build, and operate community solar projects, community resilience hubs that incorporate solar and energy storage, energy efficiency programs that reduce household energy burdens, and subscriber management software and support solutions that distribute energy savings to our LMI customers. In addition, we lead multiple research and data science initiatives that put our experience and knowledge to work towards broader market transformation. Groundswell currently serves more than 6,000 income-qualified households with more than \$3 million per year in energy savings; delivers clean energy programs in DC, GA, IL, MD, and NY; and leads multiple national research and data science projects with a particular focus on studying project finance strategies that expand LMI access to the benefits of clean energy.

As such, the following comments are offered from the perspective of experienced clean energy project developers, practitioners, and researchers who exclusively serve LMI households and under-resourced communities in diverse locations across multiple states. Where applicable, we have included references and links to data sets and multi-year research studies for additional background and reference.

Comments and Recommendations

Reparative investments to close infrastructure gaps are necessary to deploy clean energy infrastructure in historically under-resourced and disadvantaged communities, therefore the GHGRF should prioritize grant funding to fund the gaps including project predevelopment costs. Without this support, many projects in disadvantaged communities will never make it to the financing stage.

In our role as a nonprofit developer of LMI-serving community solar and resilience hub projects, Groundswell has completed construction on multiple projects in DC, GA, IL, and MD, with additional projects underway in each of these markets as well as in upstate NY. The majority of the projects we have completed are located in communities that were previously subjected to racist policies and practices such as redlining, the physical legacies of which are still very present and impacting local communities today. As a result, it's typically more expensive to build projects in under-resourced neighborhoods because you have to fix and/or upgrade so many aspects of the infrastructure (e.g., electrical service and transformers in addition to facility-level issues such as roof and other structural repairs) before you can install anything new.

Specifically, in our experience, the lack of investment in real estate and other built infrastructure in these communities has also resulted in under-investment in electrical and grid infrastructure. As a result, interconnection costs in under-resourced communities are often much higher than in neighborhoods that have had consistent investment and development.

For example, Groundswell completed a community solar project at Dupont Park SDA Church in 2019, which is located an under-resourced community East of the Anacostia River in the District of Columbia, as a part of the DC Solar for All program. Project interconnection costs exceeded \$40,000 – more than 10x the typical interconnection cost for community solar projects in DC – because of the extensive utility-side upgrades that the project had to pay for in order to connect the solar project to the grid. We have had this same experience of much higher-than-average interconnection costs for projects in historically under-resourced communities on multiple projects.

While we are not aware of any national studies documenting the prevalence of this experience, a 2021 article in *Wired* reported on how our nation's economic divide is reflected in the electric grid:

<https://www.wired.com/story/an-outdated-grid-has-created-a-solar-power-economic-divide/>

Additional costs related to histories of disinvestment, underinvestment, marginalization, and racist policies are not limited to physical aspects of the build environment. We often have to provide legal and administrative support to the community partners for whom we develop solar and resilience projects in order to clear titles and/or remove liens. For example, a church we partnered with in DC had changed its name in the early 1900's but had never updated its property titles. We worked with the church to

research documentation to prove the name change so that the church could reclaim clear title to their land and property. In the Chicago area, we worked with a community-based nonprofit to clear multiple tax liens and reclaim three land parcels that had been taken by the county and land banked so that they could proceed with a solar project.

While the Inflation Reduction Act's addition of tax credit "adders" to the ITC for renewable energy projects located in under-resourced communities will help to cover additional costs such as these (which will undoubtedly help increase equitable deployment of solar projects in under-resourced communities), the tax provisions will not be sufficient to close the gaps. Past policies such as redlining not only starved communities of investment, but they also left the people who live there stuck with higher energy bills due to old and inefficient housing, more vulnerable to the impacts of climate change, and facing higher costs to install solar because so many repairs and upgrades are often necessary as a part of the process. The context, and the history, into which these policies will be implemented is material to how they will be deployed.

Ensure that GHGRF funds are used to fund/finance projects and programs that would not be economically competitive on their own – such as smaller projects and projects with high social and environmental benefits but low economic returns.

Unlike ten years ago, there is a robust market for various forms of green finance including green bonds, energy performance contracts, and other tools that serve economically competitive commercial projects. GHGRF funds should not be available for projects that are able to be financed on the private market and should instead be directed toward areas of market failure – where projects with high social and environmental benefits lack sufficient scale and/or economic return to be financed without a source of financing that views ROI through a more comprehensive lens. This may also include incremental additional investment in project features or technologies with strong additionality but low economic returns (e.g., deep decarbonization of buildings, incorporation of energy storage).

To that end, existing leaders in green finance may be important partners in GHGRF deployment and should be consulted to ensure that the GHGRF doesn't duplicate work the private market is already doing well.

Along similar lines, EPA should view CDFI's as important partners implementation partners because they are focused on serving disadvantaged communities with financing solutions that are tailored to their needs.

CDFI's already serve disadvantaged communities as financing partners and have increasing experience financing clean energy and climate resilient infrastructure. For example, Rochdale Capital, a Black-founded and led financial institute that is currently applying for recognition by US Treasury as a CDFI,

recently provided construction financing to City of Refuge in Baltimore for a community resilience hub project developed by Groundswell. Rochdale’s financing will enable community ownership both the solar and energy storage elements of the project.

Implementing the GHGRF shouldn’t duplicate or compete with strong, existing financing infrastructure.

EPA should consult with US Treasury and the US DOE’s National Community Solar Partnership to inform the implementation plan for the GHGRF so that it complements other major IRA programs, such as the ITC’s new direct pay option, to optimize benefits to LMI and disadvantaged communities including the potential for community ownership.

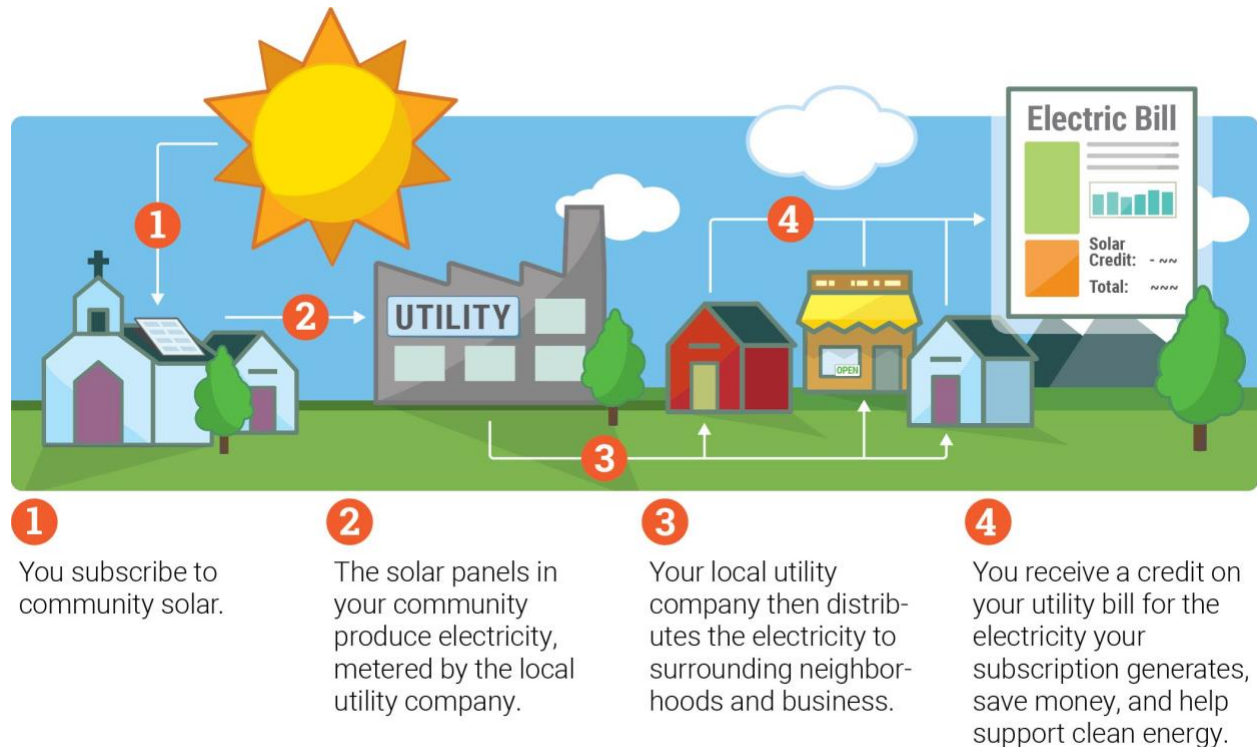
The “direct pay” option for the ITC created by the Inflation Reduction Act holds the potential of enabling community ownership of ITC-eligible clean energy and energy storage assets. Community ownership of clean energy assets will enable LMI communities to receive greater economic benefits from clean energy – which may include greater savings, the wealth-creating benefits of ownership, and the intangible economic benefits of being able to exercise agency over the sources of energy production serving one’s community. This policy change is well-aligned with the statutory purposes of the GHGRF and with the Justice40 policy, and consultation across EPA and US Treasury together with DOE’s National Community Solar Partnership will optimize community benefits.

While tax credits, including the ITC, have proven to be an effective incentive for increasing the generation of clean energy both in absolute terms and as a percentage of total US clean energy production, tax credits as an incentive mechanism reward wealth with ownership and force those without wealth to pay rent. The unintended result of tax credits having long been the only national incentive for clean energy is that low-wealth residents and communities, as well as the nonprofits that serve them, have had to pay more for clean energy than big companies and wealthy households that could benefit directly from the tax credit.

The direct pay option included in the Inflation Reduction Act is an enormous step forward towards enabling everyone to benefit equally from the savings and other benefits associated with clean energy. While the direct pay option applies to nontaxable entities including nonprofits, and does not extend to individual LMI households, LMI households will still be able to benefit from the resulting greater energy savings through nonprofit-owned community solar. That’s because nonprofit owners will no longer be required to pay a premium to tax equity investors, who up until now had to own every project for nonprofits to see any benefit from the ITC. For example, even if a solar project was located on a church that was using all the electricity from the project, the solar project still had to be owned by a tax equity investor who could monetize the ITC. Any savings that trickled down to the church had to accommodate the tax equity investor’s rate of return requirements over and above the value of the ITC. Thanks to the new direct pay option, that’s no longer true. Now, nonprofit owners will not only be able to benefit fully

and directly, they'll also be able to share the full economic benefit of the ITC with LMI households through community solar.

Community solar, or shared solar, enables multiple households to receive clean energy from a single centrally located solar array. For example, solar panels installed on a church or community center rooftop can provide power to surrounding homes, or solar panels installed on the roof of a multifamily apartment building can provide power to the many individually metered residences in the building. As further background, the illustration on the following page depicts how community solar works.



For the \$7 billion committed to state, local, and Tribal governments, GHG intensity of electricity and average LMI energy burden as measured at the county level should be included in funding allocation decisions.

Utilizing GHG intensity of electricity to prioritize funding will ensure that projects and programs supported by the GHGRF are maximizing the impact of funding towards the goal of decarbonizing the grid.

Incorporating average LMI energy burden as a metric for prioritizing funding will link decarbonization with clean energy savings for LMI communities. It is imperative that LMI energy burdens be measured at

the county level. As Dr. Elvis Moleka of Groundswell demonstrated in a recent research publication entitled “Energy Impoverished” ([https://groundswell-web-assets.s3.amazonaws.com/lift-solar/Energy+Impoverishment+and+Climate+Change+\(1\).pdf](https://groundswell-web-assets.s3.amazonaws.com/lift-solar/Energy+Impoverishment+and+Climate+Change+(1).pdf)), examining energy burdens only in metro areas significant understates the issue. In subsequent research, Dr. Moleka examined energy burdens at the county level in GA (<https://groundswell-web-assets.s3.amazonaws.com/GA+rural+ENERGY+burdens.pdf>) and in NC (<https://groundswell-web-assets.s3.amazonaws.com/report/The+Report+NC+rural+burden+-+FINAL.pdf>) and found that the average LMI energy burden in dozens of rural counties exceed 20 percent and even approached 40 percent.

Successful GHGRF funding deployment should drive project funding/financing into communities with the highest GHG intensive electricity and the highest energy burdens so that clean energy can reduce pollution, reduce the energy bills, and improve overall quality of life.

Include building the capacity of existing regional and state-based organizations among the objectives of implementing the \$8 billion in financial and technical assistance.

Regional and state-based organizations such as Groundswell and our colleagues at Sustainable Capital Advisors, Urban Ingenuity, Elevate, and Southface have deep expertise developing and financing a wide range of clean energy and climate resilience projects. Our expertise can be deployed in states and regions that do not yet have clean energy project finance and development capacity so long as the \$8 billion for financial and technical assistance can be used for local start-up costs for program expansion into new geographic markets.

Additional Resources:

Groundswell recently published a set of comprehensive data sets, research reports and ancillary analysis, and a decision-support application that is designed to optimize LMI access to and participation in solar savings. The “LIFT Toolkit” was funded by a 3-year DOE research grant. The toolkit includes a GIS-enabled mapping of every community solar project serving LMI households in the US with associated project profiles. EFAB and the EPA may find this GHGRF deployment:

The full LIFT Toolkit can be found here: <https://lift.groundswell.org>

From: [Gil Jenkins](#)
To: [EFAB](#)
Subject: Hannon Armstrong Comment Letter Re: Greenhouse Gas Reduction Fund RFI
Date: Friday, December 2, 2022 2:16:50 PM
Attachments: [Hannon Armstrong_GGRF_RFI Response to EPA_120222_final.pdf](#)

Dear Members of the Environmental Finance Advisory Board,

We are pleased to submit to you the attached comment letter in response to EPA'S RFI related to the implementation of the Greenhouse Gas Reduction Fund.

Based in Annapolis, Maryland, [Hannon Armstrong](#) ("HASI"), is the first U.S. public company solely dedicated to investments in climate solutions. We have invested in renewable energy and energy efficiency projects since the 1980s. HASI presently invests approximately \$2 billion annually in a wide variety of renewable and energy efficiency projects including utility-scale wind and solar power, residential and commercial rooftop solar, multifamily and commercial energy efficiency, battery storage, electric vehicles, renewable natural gas, and various nature-based projects, among other climate solutions. HASI has utilized both public and private capital as well as various forms of debt, including asset-backed securitization and PACE financing. In addition, the [Hannon Armstrong Foundation](#) funds energy efficiency, renewable energy, and resiliency projects for nonprofits and disadvantaged communities.

As one of the longest-standing and largest investors focused on greenhouse gas reductions, HASI has provided four overall recommendations as well as a detailed response to the RFI. Please note that our recommendations are focused on the \$11.97 billion of general assistance but also apply to the \$7 billion state and local government and the \$8 billion low-income and disadvantaged communities programs.

Our overall recommendations are:

1. Focus on technical assistance (education and project development) and funding for residential, small business, and local government energy efficiency which currently lack access to financing

Green banks were initially conceived around 2009 in part because wind and solar projects were charged higher interest rates since they were considered higher-risk emerging technologies at the time. Thankfully, renewable energy and energy efficiency investing has become mainstream with banks, pensions, and insurance companies, thus significantly lowering the cost of financing. Over \$40 trillion was invested in ESG-focused assets in 2020, triple the amount from eight years ago. Companies compete vigorously to finance solar plants, wind farms, utility-scale storage, residential and community solar, municipal water replacements, and large building energy efficiency upgrades and these types of projects are unlikely to benefit from GGRF or meet the criteria of "projects that would otherwise lack access to financing."

Instead, where the market has still not developed is in providing the education, workforce training, technical assistance, and low-cost financing to encourage homeowners, small businesses, nonprofits, and local governments to make energy efficiency upgrades, adopt electric vehicles, or implement other greenhouse gas reducing activities such as nature-based solutions. Many of these constituents lack the knowledge and financial capability to make upgrades, especially as these improvements are often made because of an existing equipment failure such as air conditioning units breaking in a heat wave. Similarly, many local governments and nonprofits are focused on their core mission, lack trusted resources, and are constrained in their capital spending – all of which limits their ability to invest in greenhouse gas reducing technologies.

Focusing on the development and financing of these types of projects will not only reduce greenhouse gases but also serve to improve the quality of life of the recipients (such as better heating and cooling

systems in low-income housing) and can increase resiliency to climate change. An example of a comprehensive approach to solve this problem is Southface, a nonprofit the Hannon Armstrong Foundation has partnered with, which provides the energy audit, project design, vendor selection, project management, and grants for nonprofits such as food banks and Salvation Army to upgrade their facilities across the country.

An example of a successful program for state and local governments that leveraged private financing was the Clean Renewable Energy Bonds which the EPA could duplicate by making grants to state and local governments to repay them for the interest on borrowings. This program allowed state and local governments to use energy as a service or other contract structures which didn't impact their bond capacity. As a general rule of thumb, however, if a project is developed, uses existing technologies, and has a credit worthy off-taker or other source of repayment, there are multiple providers of private capital who will efficiently provide the debt, subordinated debt, mezzanine debt, preferred equity, and equity and thus the GGRF funds should be focused elsewhere.

2. Widely distribute the funds across all 50 states

We believe the program funds should be widely distributed across all 50 states to provide the maximum benefit while limiting the risk of the funding being concentrated in the hands of a few entities. One major risk of a concentrated grant is that there are very few, if any, qualified entities who have the established infrastructure and track record to securely safeguard and invest \$500 million or \$1 billion, thus greatly increasing the risk to EPA. Equally distributing the entire funded amount would equate to approximately \$500 million per state while also encouraging broad political support.

In looking at similar programs, the Treasury recently highlighted that its \$5 billion new market tax credit program was distributed to 107 community development entities across 35 states with 20% to rural communities. Similarly, Treasury's \$1.4 billion in bond funding for low-income communities through CDFIs has gone to 32 states.

Along with many of the other public comments made to date, we are strongly opposed to a single organization receiving a substantial portion of the available grants for any category of the GGRF. It is clear from the use of plural in both "grants" and "recipients" in the legislative language that Congress intended these funds to be distributed to multiple entities. This is, in part, because the GGRF would never have complied with the Byrd Rule and been approved by the Senate Parliamentarian for inclusion in a Budget Reconciliation bill had it been intended for one single entity.

3. Set standards for entities and projects including for reporting of use of the funds including measuring the impact of greenhouse gas reductions

Given the large amount being allocated, it is important that recipients be held accountable for the allocations and that basic standards and limitations be put in place such as requiring audited financial statements prior to grants over \$10 million, requiring a segregation of the funds from other uses and limitations on the amount of overhead that can be funded with the grants. It would appear that the legislative language would require Direct recipients to be existing organizations while acknowledging indirect organizations can be newly established organizations.^[1] There are few organizations that have an established track record with grants of over \$100 to \$200 million and thus we would suggest such a limit on funding to any one organization to limit the exposure to any one organization and a limit on allocations to any one project of \$25 to \$50 million with larger projects subject to Davis Bacon and Build America requirements.

In addition, there should be a reported measure of the carbon saved. One effective tool available for appropriate data collection is CarbonCount. Developed by HASI in 2013, CarbonCount is a scoring tool for

evaluating investments in U.S.-based renewable energy, energy efficiency, and climate resilience projects to determine the efficiency by which each dollar of invested capital reduces annual carbon dioxide equivalent emissions. This methodology promotes transparency in project finance by creating a simple and comparable metric for infrastructure projects to be evaluated in terms of how much the capital investment is mitigating climate change. By incorporating current emissions and power generation data validated by third parties, CarbonCount gives climate finance managers a critical avoided carbon emissions metric for the downstream impacts of their investments, which drives much-needed disclosure around financed emissions that exacerbate climate change.

4. Provide the funds in multiple stages to organizations that successfully prioritize projects that lack access to funding and reduce greenhouse gas emissions

Given that the GGRF offers EPA historic funding amounts, and that the amounts will likely be the largest amount ever received by many of the organizations, we recommend that EPA provide the grants in two or more stages. This will allow EPA to limit the exposure to any one organization, be able to measure the impact of the grants before disbursing the second phase and be able to focus the second round of grants on the most successful organizations. It will also allow EPA to be able to adjust to fund new or emerging areas in the second phase. Phased grants also seem to align with the legislative language which provides that grants shall begin no later than 180 days but would be available to be granted until September 30, 2024. It should be noted that phased contributions for investments are standard practice in private infrastructure funds with investors only contributing their money when a project is identified and needs the capital.

We appreciate the Environmental Finance Advisory Board’s robust stakeholder engagement process to with respect to the implementation of the Greenhouse Gas Reduction Fund, and we hope you will consider our recommendations as you finalize the Board’s recommendations to the Administrator in the coming weeks.

Respectfully,

Gil Jenkins

Gil Jenkins
Vice President – Corporate Communications & Public Affairs
Hannon Armstrong (NYSE: HASI)
gjenkins@hannonarmstrong.com
Phone: [443-321-5753](tel:443-321-5753) | Mobile: [415-971-7044](tel:415-971-7044)
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Hannon Armstrong



Please note that effective June 1, 2022 our office address is: **One Park Place, Suite 200, Annapolis, MD 21401**. Kindly update your records and direct all future business correspondence to reflect this new address.

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December 2, 2022

Via Electronic Submission

The Honorable Michael Regan, Administrator
U.S. Environmental Protection Agency (EPA)
Office of the Administrator, Mail Code 1101A
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Re: Request for Information (RFI) - Greenhouse Gas Reduction Fund - Docket ID No. EPA-HQ-OA-2022-0859

Dear Administrator Regan and EPA Staff, and Members of the Environmental Finance Advisory Board:

On behalf of [Hannon Armstrong](#) (NYSE: HASI), thank you for the opportunity to provide comments on the Request for Information (RFI) in Docket ID NO. EPA-HQ-OA-2022-0859, related to implementation of the Greenhouse Gas Reduction Fund ("GGRF") included in the Inflation Reduction Act of 2022 ("IRA").

Based in Annapolis, Maryland, Hannon Armstrong ("HASI"), is the first U.S. public company solely dedicated to investments in climate solutions. We have invested in renewable energy and energy efficiency projects since the 1980s. HASI presently invests approximately \$2 billion annually in a wide variety of renewable and energy efficiency projects including utility-scale wind and solar power, residential and commercial rooftop solar, multifamily and commercial energy efficiency, battery storage, electric vehicles, renewable natural gas, and various nature-based projects, among other climate solutions. HASI has utilized both public and private capital as well as various forms of debt, including asset-backed securitization and PACE financing. In addition, the [Hannon Armstrong Foundation](#) funds energy efficiency, renewable energy, and resiliency projects for nonprofits and disadvantaged communities.

As one of the longest-standing and largest investors focused on greenhouse gas reductions, HASI has provided four overall recommendations as well as a detailed response to the RFI. Please note that our recommendations are focused on the \$11.97 billion of general assistance but also apply to the \$7 billion state and local government and the \$8 billion low-income and disadvantaged communities programs.

Our overall recommendations are:

1. Focus on technical assistance (education and project development) and funding for residential, small business, and local government energy efficiency which currently lack access to financing

Green banks were initially conceived around 2009 in part because wind and solar projects were charged higher interest rates since they were considered higher-risk emerging technologies at the time. Thankfully, renewable energy and energy efficiency investing has become mainstream with banks, pensions, and insurance companies, thus significantly lowering the cost of financing. Over \$40 trillion was invested in ESG-focused assets in 2020, triple the amount from eight years ago. Companies compete vigorously to finance solar plants, wind farms, utility-scale storage, residential and community solar, municipal water replacements, and large building energy efficiency upgrades and these types of projects are unlikely to benefit from GGRF or meet the criteria of "projects that would otherwise lack access to financing."¹

Instead, where the market has still not developed is in providing the education, workforce training, technical assistance, and low-cost financing to encourage homeowners, small businesses, nonprofits, and local governments to make energy efficiency upgrades, adopt electric vehicles, or implement other greenhouse gas reducing activities such as nature-based solutions. Many of these constituents lack the knowledge and financial capability to make upgrades, especially as these improvements are often made because of an existing equipment failure such as air conditioning units breaking in a heat wave. Similarly, many local governments and nonprofits are focused on their

¹ Inflation Reduction Act Sec. 60103 (b)(1)(B)



core mission, lack trusted resources, and are constrained in their capital spending – all of which limits their ability to invest in greenhouse gas reducing technologies.

Focusing on the development and financing of these types of projects will not only reduce greenhouse gases but also serve to improve the quality of life of the recipients (such as better heating and cooling systems in low-income housing) and can increase resiliency to climate change. An example of a comprehensive approach to solve this problem is Southface, a nonprofit the Hannon Armstrong Foundation has partnered with, which provides the energy audit, project design, vendor selection, project management, and grants for nonprofits such as food banks and Salvation Army to upgrade their facilities across the country.²

An example of a successful program for state and local governments that leveraged private financing was the Clean Renewable Energy Bonds which the EPA could duplicate by making grants to state and local governments to repay them for the interest on borrowings. This program allowed state and local governments to use energy as a service or other contract structures which didn't impact their bond capacity.³ As a general rule of thumb, however, if a project is developed, uses existing technologies, and has a credit worthy off-taker or other source of repayment, there are multiple providers of private capital who will efficiently provide the debt, subordinated debt, mezzanine debt, preferred equity, and equity and thus the GGRF funds should be focused elsewhere.

2. Widely distribute the funds across all 50 states

We believe the program funds should be widely distributed across all 50 states to provide the maximum benefit while limiting the risk of the funding being concentrated in the hands of a few entities. One major risk of a concentrated grant is that there are very few, if any, qualified entities who have the established infrastructure and track record to securely safeguard and invest \$500 million or \$1 billion, thus greatly increasing the risk to EPA. Equally distributing the entire funded amount would equate to approximately \$500 million per state while also encouraging broad political support.

In looking at similar programs, the Treasury recently highlighted that its \$5 billion new market tax credit program was distributed to 107 community development entities across 35 states with 20% to rural communities.⁴ Similarly, Treasury's \$1.4 billion in bond funding for low-income communities through CDFIs has gone to 32 states.⁵

Along with many of the other public comments made to date, we are strongly opposed to a single organization receiving a substantial portion of the available grants for any category of the GGRF. It is clear from the use of plural in both "grants" and "recipients" in the legislative language⁶ that Congress intended these funds to be distributed to multiple entities. This is, in part, because the GGRF would never have complied with the Byrd Rule and been approved by the Senate Parliamentarian for inclusion in a Budget Reconciliation bill had it been intended for one single entity.

3. Set standards for entities and projects including for reporting of use of the funds including measuring the impact of greenhouse gas reductions

Given the large amount being allocated, it is important that recipients be held accountable for the allocations and that basic standards and limitations be put in place such as requiring audited financial statements prior to grants over \$10 million, requiring a segregation of the funds from other uses and limitations on the amount of overhead that can be funded with the grants. It would appear that the legislative language would require Direct recipients to be existing organizations while acknowledging indirect organizations can be newly established organizations.⁷ There are few organizations that have an established track record with grants of over \$100 to \$200 million and thus we would suggest such a limit on funding to any one organization to limit the exposure to any one

² <https://www.southface.org/our-work/programs/gooduse/>

³ See <https://programs.dsireusa.org/system/program/detail/2510> for further information

⁴ <https://www.cdfifund.gov/news/490>

⁵ <https://www.cdfifund.gov/news/486>

⁶ Inflation Reduction Act Sec. 60103 (a)(1), (a)(2) and (a)(3). The legislative history also shows that the Senate Parliamentarian would not have allowed the program in the reconciliation act if it was intended for one entity.

⁷ Inflation Reduction Act Sec. 60103 (b)(1) – reflecting "shall" and absence of the "new" language in (b)(2).



organization and a limit on allocations to any one project of \$25 to \$50 million with larger projects subject to Davis Bacon and Build America requirements.

In addition, there should be a reported measure of the carbon saved. One effective tool available for appropriate data collection is CarbonCount. Developed by HASI in 2013, CarbonCount is a scoring tool for evaluating investments in U.S.-based renewable energy, energy efficiency, and climate resilience projects to determine the efficiency by which each dollar of invested capital reduces annual carbon dioxide equivalent emissions. This methodology promotes transparency in project finance by creating a simple and comparable metric for infrastructure projects to be evaluated in terms of how much the capital investment is mitigating climate change. By incorporating current emissions and power generation data validated by third parties, CarbonCount gives climate finance managers a critical avoided carbon emissions metric for the downstream impacts of their investments, which drives much-needed disclosure around financed emissions that exacerbate climate change.

4. Provide the funds in multiple stages to organizations that successfully prioritize projects that lack access to funding and reduce greenhouse gas emissions

Given that the GGRF offers EPA historic funding amounts, and that the amounts will likely be the largest amount ever received by many of the organizations, we recommend that EPA provide the grants in two or more stages. This will allow EPA to limit the exposure to any one organization, be able to measure the impact of the grants before disbursing the second phase, and be able to focus the second round of grants on the most successful organizations. It will also allow EPA to be able to adjust to fund new or emerging areas in the second phase. Phased grants also seem to align with the legislative language which provides that grants shall begin no later than 180 days but would be available to be granted until September 30, 2024. It should be noted that phased contributions for investments are standard practice in private infrastructure funds with investors only contributing their money when a project is identified and needs the capital.

The enclosed appendix addresses some of the specific questions in the RFI. Thank you very much for your consideration of our comments. Please do not hesitate to contact me at jeckel@hannonarmstrong.com or Gil Jenkins at 443-321-5753 or gjenkins@hannonarmstrong.com with any additional questions you may have.

Respectfully,

A handwritten signature in blue ink, appearing to be "JECKEL", written in a cursive style.

Jeffrey "Jeff" W. Eckel
Chairman and CEO
Hannon Armstrong

Appendix – Specific Responses to RFI Questions

Section 1: Low-Income and Disadvantaged Communities

- 1. What should EPA consider when defining “low income” and “disadvantaged” communities for purposes of this program? What elements from existing definitions, criteria, screening tools, etc., - in federal programs or otherwise - should EPA consider when prioritizing low-income and disadvantaged communities for greenhouse gas and other air pollution reducing projects?**

We think that low income and disadvantaged communities should be awarded funding from the Greenhouse Gas Reduction Fund widely distributed and allocated to nonprofits servicing these communities.

One helpful resource for defining low income and disadvantaged communities would be to utilize version 1.0 of the Climate and Economic Justice Screening Tool released by the White House Council on Environmental Quality (CEQ).⁸ This tool identifies communities that are marginalized, underserved, and overburdened by pollution. The tool uses census tracts that represent about 4,000 people, which is the smallest unit of geography for which consistent data can be displayed on the map.

- 2. What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to ensure that low-income and disadvantaged communities can participate in and benefit from the program?**

The low-income and disadvantaged community market needs investment in providing education, workforce training, technical assistance, and low-cost financing or grants to encourage homeowners, small businesses, nonprofits, and local governments to make energy efficiency upgrades, adopt electric vehicles, or implement other greenhouse gas reducing activities such as nature-based solutions. Many of these constituents lack the knowledge and financial capability to make upgrades, especially as these improvements are often made because of an existing equipment failure like an air conditioning unit breaking in a heat wave. There is an opportunity to focus on projects that will not only reduce greenhouse gases but also serve to improve the quality of life of the recipients (like better heating and cooling systems or LED lighting in low-income housing). Similarly, nature-based projects (like tree planting and shoreline protection) can reduce greenhouse gases while increasing the resiliency to climate change.

An example of a comprehensive approach to solve this problem is Southface, a nonprofit we have partnered with, which provides the energy audit, project design, vendor selection, project management, and grants for nonprofits like food banks and Salvation Army to upgrade their facilities across the country.⁹

- 3. What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to support and/or prioritize businesses owned or led by members of low-income or disadvantaged communities?**

See answer to Question 2 above.

Section 2: Program Design

- 1. What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate high private-sector leverage (i.e., each dollar of federal funding mobilizes additional private funding)?**

Given the large amounts of funding being allocated by EPA, it is important that recipients be held accountable for the allocations. The funding should be directed to areas of need where the market has still not developed such as providing education, workforce training, technical assistance, and low-cost financing to encourage homeowners, small businesses, nonprofits, and local governments to make energy efficiency upgrades, adopt electric vehicles, or implement other greenhouse gas reducing activities such as nature-based solutions. Many of these constituents lack

⁸ “Biden-Harris Administration Launches Version 1.0 of Climate and Economic Justice Screening Tool, Key Step in Implementing President Biden’s Justice40 Initiative.” <https://www.whitehouse.gov/ceq/news-updates/2022/11/22/biden-harris-administration-launches-version-1-0-of-climate-and-economic-justice-screening-tool-key-step-in-implementing-president-bidens-justice40-initiative/>.

⁹ <https://www.southface.org/our-work/programs/gooduse/>



the knowledge and financial capability to make upgrades, especially as these improvements are often made because of an existing equipment failure like an air conditioning unit breaking in a heat wave.

The funding should not be allowed to be directed to areas where investors compete vigorously to finance including utility-scale solar plants and wind farms, utility-scale storage, residential and community solar, municipal water replacements, and large building energy efficiency upgrades (“Well Financed Projects”) as these types of projects are unlikely to benefit from GGRF or meet the criteria of “projects that would otherwise lack access to financing.”¹⁰ To the extent it is proposed that any of the funds are intended to be utilized for Well Financed Projects, the recipient should be required to solicit market-based financing and justify why it was uniquely qualified to finance the project.

In addition, basic standards and limitations should be put in place such as requiring audited financial statements prior to grants over \$10 million, requiring a segregation of the funds from other uses and limitations on the amount of overhead that can be funded with the grants. It would appear that the legislative language would require Direct recipients to be existing organizations while acknowledging indirect organizations can be newly established organizations.¹¹ There are few organizations that have an established track record with grants of over \$100 to \$200 million and thus we would suggest such a limit on funding to any one organization to limit EPA’s exposure to any one organization and a limit on allocations to any one project of \$25 to \$50 million with larger projects subject to Davis Bacon and Build America requirements.

In addition, there should be a reported measure of the carbon saved. One effective tool available for appropriate data collection is CarbonCount. Developed by HASI in 2013, CarbonCount is a scoring tool for evaluating investments in U.S.-based renewable energy, energy efficiency, and climate resilience projects to determine the efficiency by which each dollar of invested capital reduces annual carbon dioxide equivalent emissions. This methodology promotes transparency in project finance by creating a simple and comparable metric for infrastructure projects to be evaluated in terms of how much the capital investment is mitigating climate change. By incorporating current emissions and power generation data validated by third parties, CarbonCount gives climate finance managers a critical avoided carbon emissions metric for the downstream impacts of their investments, which drives much-needed disclosure around financed emissions that exacerbate climate change.

An example of a successful program for state and local governments that leveraged private financing was the IRS’s Clean Renewable Energy Bonds (CREBs), which the EPA could duplicate by making grants to state and local governments to repay them for the interest on borrowings. This program allowed state and local governments to use energy as a service or other contract structures which didn’t impact their bond capacity.¹²

2. What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate additionality (i.e., federal funding invests in projects that would have otherwise lacked access to financing)?

See answer to Question 1 above.

The funding should not be allowed to be directed to areas where investors compete vigorously to finance including utility scale-solar plants and wind farms, utility-scale storage, residential and community solar, municipal water replacements, and large building energy efficiency upgrades as these types of projects are unlikely to benefit from GGRF or meet the criteria of “projects that would otherwise lack access to financing.”¹³

We believe the program funds should be widely distributed across all 50 states to provide the maximum benefit while limiting the risk of the funding being concentrated in the hands of a few entities. One major risk of a concentrated grant is that there are very few, if any, qualified entities who have the established infrastructure and track record to securely safeguard and invest \$500 million or \$1 billion, thus greatly increasing the risk to EPA.

¹⁰ Inflation Reduction Act Sec. 60103 (b)(1)(B)

¹¹ Inflation Reduction Act Sec. 60103 (b)(1) – reflecting “shall” and absence of the “new” language in (b)(2).

¹² See <https://programs.dsireusa.org/system/program/detail/2510> for further information. Similar programs include qualified school construction bonds (QSCBs) and qualified energy conservation bonds (QECBs) from ARRA

¹³ Inflation Reduction Act Sec. 60103 (b)(1)(B)

Equally distributing the entire funded amount would equate to approximately \$500 million per state while also encouraging broad political support.

In looking at similar programs, the Treasury recently highlighted that its \$5 billion new market tax credit program was distributed to 107 community development entities across 35 states with 20% to rural communities.¹⁴ Similarly, its \$1.4 billion in bond funding for low-income communities through CDFIs has gone to 32 states.¹⁵ It is also clear from the use of plural in both “grants” and “recipients” in the legislative language¹⁶ that Congress intended these funds to be distributed to multiple entities.

Finally, we believe there is an opportunity to focus on the development and financing of projects that will not only reduce greenhouse gases but also serve to improve the quality of life of the recipients (like better heating and cooling systems or LED lighting in low-income housing or new windows that also allow lead to be remediated) or in nature-based solutions that reduce carbon like tree planting and shoreline protection that also increase the resiliency to climate change. Another area of opportunity is working with organizations like Groundswell,¹⁷ which works to build resiliency hubs in low-income communities that both reduce greenhouse gas emissions and increase climate resiliency.

3. What should EPA consider in the design of the program, in addition to prevailing wage requirements in section 314 of the Clean Air Act, to encourage grantees and subrecipients to fund projects that create high quality jobs and adhere to best practices for labor standards, consistent with guidance such as Executive Order 14063 on the Use of Project Labor Agreements and the Department of Labor's Good Jobs Principles?

We strongly believe that any project over \$25,000,000 should utilize a project-labor agreement. That threshold is necessary to encourage all grantees and subrecipients to fund projects that create high quality jobs and adhere to the best practices and labor standards. This language from the National Climate Bank Act as introduced can serve as guidance to EPA on prevailing wage (below).

“(c) Wage Rate Requirements.—

“(1) IN GENERAL.—Notwithstanding any other provision of law, all laborers and mechanics employed by contractors and subcontractors on projects financed directly by the Bank shall be paid wages at rates not less than those prevailing on projects of a similar character in the locality, as determined by the Secretary of Labor in accordance with subchapter IV of chapter 31 of part A of subtitle II of title 40, United States Code (commonly referred to as the ‘Davis-Bacon Act’).

“(2) AUTHORITY.—With respect to the labor standards specified in paragraph (1), the Secretary of Labor shall have the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267; 5 U.S.C. App.) and section 3145 of title 40, United States Code.

4. What should EPA consider when developing program guidance and policies, such as the appropriate collection of data, to ensure that greenhouse gas and air pollution reduction projects funded by grantees and subrecipients comply with the requirements of Title VI of the Civil Rights Act, which prohibits discrimination on the basis of race, color, and national origin in programs and activities receiving federal financial assistance?

One effective tool available for appropriate data collection is CarbonCount. Developed by HASI in 2013, CarbonCount is a scoring tool for evaluating investments in U.S.-based renewable energy, energy efficiency, and climate resilience projects to determine the efficiency by which each dollar of invested capital reduces annual carbon dioxide equivalent emissions. This methodology promotes transparency in project finance by creating a simple and comparable metric for infrastructure projects to be evaluated in terms of how much the capital investment is mitigating climate change. By incorporating current emissions and power generation data validated

¹⁴ <https://www.cdfifund.gov/news/490>

¹⁵ <https://www.cdfifund.gov/news/486>

¹⁶ Inflation Reduction Act Sec. 60103 (a)(1), (a)(2) and (a)(3). The legislative history also shows that the Senate Parliamentarian would not have allowed the program in the reconciliation act if it was intended for one entity.

¹⁷ <https://groundswell.org/programs/#resilience-hubs>



by third parties, CarbonCount gives climate finance managers a critical avoided carbon emissions metric for the downstream impacts of their investments, which drives much-needed disclosure around financed emissions that exacerbate climate change. Once CarbonCount data is collected along with other project details, it can be used to evaluate Title VI requirements.

5. What should EPA consider when developing program policies and guidance to ensure that greenhouse gas and air pollution reduction projects funded by grantees and subrecipients comply with the requirements of the Build America, Buy America Act that requires domestic procurement of iron, steel, manufactured products, and construction material?

We believe that the requirements of the Build America, Buy America Act should apply to any projects funded out of the Greenhouse Gas Reduction Fund that exceed a total cost of \$25,000,000.

6. What federal, state and/or local programs, including other programs included in the Inflation Reduction Act and the Infrastructure Investment and Jobs Act or “Bipartisan Infrastructure Law,” could EPA consider when designing the Greenhouse Gas Reduction Fund? How could such programs complement the funding available through the Greenhouse Gas Reduction Fund?

EPA should consider if projects that would benefit from the tax credits or DOE loan programs should also be eligible for GGRF funding. One way to take advantage of both funding is for the EPA money to be focused on the areas that are not eligible for the credits such as providing the education, workforce training, technical assistance, and project development to encourage homeowners, small businesses, nonprofits and local governments to make energy efficiency upgrades, adopt electric vehicles, or implement other greenhouse gas reducing activities such as nature-based solutions.

Section 3: Eligible Projects

1. What types of projects should EPA prioritize under sections 134(a)(1)-(3), consistent with the statutory definition of “qualified projects” and “zero emissions technology” as well as the statute’s direct and indirect investment provisions? Please describe how prioritizing such projects would:

- **maximize greenhouse gas emission and air pollution reductions;**
- **deliver benefits to low-income and disadvantaged communities.**
- **enable investment in projects that would otherwise lack access to capital or financing;**
- **recycle repayments and other revenue received from financial assistance provided using the grant funds to ensure continued operability; and**
- **facilitate increased private sector investment.**

Given the large amount being allocated, it is important that recipients be held accountable for the allocations. The funding should be directed to areas of need where the market is still not developed such as providing the education, workforce training, technical assistance, and low-cost financing to encourage homeowners, small businesses, nonprofits, and local governments to make energy efficiency upgrades, adopt electric vehicles, or implement other greenhouse gas reducing activities such as nature-based solutions. Many of these constituents lack the knowledge and financial capability to make upgrades, especially as these improvements are often made because of an existing equipment failure like an air conditioning unit breaking in a heat wave.

Through our many years of investment, we have found energy efficiency improvements to have the quickest return on investment or payback period (as well as typically the largest carbon benefit per dollar spent) and this should be prioritized. In addition, energy efficiency improvements have the added benefit of improving the recipients lives by making the living area more comfortable (such as improved heating and cooling systems, LED lighting, controls, etc.). While having longer paybacks, improving the building shell with better roofs and windows can reduce leaks that can lead to the formation of mold and thus create a healthier indoor environment while also providing energy efficiency benefits.

Similarly, many local governments and nonprofits are focused on their core mission, lack trusted resources, and are constrained in their capital spending which limits their ability to invest in greenhouse gas reducing technologies.



Thus, projects which provide for development and technical assistance will be beneficial. Similarly, such governments often have limited experience with developing nature-based projects (like tree planting and shoreline protection) that can reduce greenhouse gases while increasing the resiliency to climate change. So again, development financing and technical assistance will be beneficial as could be bonding capacity which is often a large expense.

It is important to note that while there is a large amount of private financing available for state and local government projects, these governments often face limitations on their capital spending because of a desire to maintain their bond rating, and thus projects that make sense are not done because of such limitations. Providing funding for technical assistance, development, and project management will allow such projects that can leverage private capital to be advanced. As previously mentioned, an example of a successful program for state and local governments that leveraged private financing was the IRS's Clean Renewable Energy Bonds (CREBs), which allowed state and local governments to use energy as a service or other contract structures which didn't impact their bond capacity.¹⁸

Projects modeled after the Federal Energy Performance Contracts ("ESPC") where the ultimate project is privately financed and paid for out of energy savings would be another good model, since they don't count against bond ratings. These projects reduce energy and greenhouse gases while also improving the quality of life of the users of the buildings. Again, the lack here is for the development capital to identify and develop the projects.

GGRF funding should not be allowed to be directed to areas where investors compete vigorously to finance—including utility-scale solar plants and wind farms, utility-scale storage, residential and community solar, municipal water replacements, and large building energy efficiency upgrades—since these types of projects are unlikely to benefit from GGRF or meet the criteria of "projects that would otherwise lack access to financing."¹⁹

There may be a potential need in some emerging markets such as hydrogen or even in the development of transmission. As a general rule of thumb, however, if a project is developed, uses existing technologies, and has a credit worthy off-taker or other source of repayment, there are multiple providers of private capital who will efficiently provide the debt, subordinated debt, mezzanine debt, preferred equity and equity and the GGRF funds should be used elsewhere.

Section 4: Eligible Recipients

1. Who could be eligible entities and/or indirect recipients under the Greenhouse Gas Reduction Fund consistent with statutory requirements specified in section 134 of the Clean Air Act? Please provide a description of these types of entities and references regarding the total capital deployed by such entities into greenhouse gas and air pollution reducing projects.

We believe the program funds should be widely distributed across all 50 states to provide the maximum benefit while limiting the risk of the funding being concentrated in the hands of a few entities. One major risk of a concentrated grant is that there are very few, if any, qualified entities who have the established infrastructure and track record to securely safeguard and invest \$500 million or \$1 billion, thus greatly increasing the risk to EPA. Equally distributing the entire funded amount would equate to approximately \$500 million per state while also encouraging broader political support.

In looking at similar programs, the Treasury recently highlighted that its \$5 billion new market tax credit program was distributed to 107 community development entities across 35 states with 20% to rural communities.²⁰ Similarly, its \$1.4 billion in bond funding for low-income communities through CDFIs has gone to 32 states.²¹ It is also clear from the use of plural in both "grants" and "recipients" in the legislative language²² that Congress intended these funds to be distributed to multiple entities.

¹⁸ See <https://programs.dsireusa.org/system/program/detail/2510> for further information.

¹⁹ Inflation Reduction Act Sec. 60103 (b)(1)(B)

²⁰ <https://www.cdfifund.gov/news/490>

²¹ <https://www.cdfifund.gov/news/486>

²² Inflation Reduction Act Sec. 60103 (a)(1), (a)(2) and (a)(3). The legislative history also shows that the Senate Parliamentarian would not have allowed the program in the reconciliation act if it was intended for one entity.



We believe the money will be best used in local communities and should not be granted to organizations whose only goal is to “regrant” the money. It is unlikely that money sent to “regrant” organizations will be able to address the great need for development and technical assistance at a local level. A recent Wall Street Journal article also highlighted the risk of using a “regrant” organization in regard to the PayCheck Protection Program. In this program, misaligned incentives encouraged the “regranting” organization to focus mostly on dollar volume of transactions and resulted in alleged billions of dollars of fraudulent transactions.²³ Requiring the money be sent to the states and local communities will reduce this risk as well as the overhead associated with “regrant” organizations. Less overhead and risk will help assure that more money is available to go directly to the beneficiaries of the projects.

It would also appear that the legislative language would require Direct recipients to be existing organizations while acknowledging indirect organizations can be newly established organizations.²⁴ There are few organizations that have an established track record of working with greenhouse gas reductions projects with grants of over \$100 to \$200 million. Therefore, we would suggest such a limit on funding to any one organization to limit the exposure to any one organization and a limit on allocations to any one project of \$25 to \$50 million with larger projects subject to Davis Bacon and Build America requirements.

An example of an eligible recipient who makes direct investments is Southface, a national nonprofit we have partnered with. Southface provides a comprehensive approach including an energy audit, project design, vendor selection, project management, and financing through matching grants to help nonprofits across the country like food banks and Salvation Army to upgrade their facilities to save energy and reduce emissions.²⁵ Another eligible recipient would be Groundswell,²⁶ which works to build resiliency hubs in low-income communities that both reduce greenhouse gas emissions and increase climate resiliency. Finally, a third suggestion is Grid Alternative,²⁷ a national nonprofit that develops and installs solar and other projects while also providing hands on job training and technical assistance. As previously stated, the closer the recipient is to the ultimate user, the more effective the program will be, and the less money will be spent on overhead.

Another example of an eligible recipient is the Maryland Clean Energy Center.²⁸ Grants to state organizations could be structured to leveraged private financing by modeling previously successful programs such as the Clean Renewable Energy Bonds (which the EPA could duplicate by making grants to state and local governments to repay them for the interest on borrowings. This program allowed state and local governments to use energy as a service or other contract structures which didn’t impact their bond capacity.²⁹

Similarly, projects modeled after the Federal Energy Performance Contracts (“ESPC”) where the ultimate project is paid for out of energy savings would be another good model as they don’t count against bond ratings. These projects reduce energy and greenhouse gases while also improving the quality of life of the users of the buildings. Again, the lack here is for the development capital to identify and develop the projects.

2. What types of entities (as eligible recipients and/or indirect recipients) could enable Greenhouse Gas Reduction Fund grants to support investment and deployment of greenhouse gas and air pollution reducing projects in low-income and disadvantaged communities?

As described above, one entity that we think would make an effective eligible recipient is the Southface Institute. Southface Institute is a sustainable nonprofit building nonprofit that strengthens equity and the environment by transforming residential and commercial structures at every stage of the building life cycle. Since 1978, Southface has collaborated with other nonprofits, businesses, builders, developers, universities, government agencies, and communities to deliver practical solutions with tangible results in energy and greenhouse gas savings. For example, Southface and Feeding America have an initiative to provide sustainable energy and water efficiency upgrades to Feeding America foodbanks. This initiative helps foodbanks reduce annual utility costs so that those saved dollars

²³ <https://www.wsj.com/articles/fintech-firms-oversaw-billions-in-fraudulent-covid-aid-loans-report-says-11669930784>

²⁴ Inflation Reduction Act Sec. 60103 (b)(1) – reflecting “shall” and absence of the “new” language in (b)(2).

²⁵ <https://www.southface.org/our-work/programs/gooduse/>

²⁶ <https://groundswell.org/programs/#resilience-hubs>

²⁷ <https://gridalternatives.org/what-we-do>

²⁸ <https://www.mdcleanenergy.org/about-mcec/>

²⁹ See <https://programs.dsireusa.org/system/program/detail/2510> for further information

may be redirected to their mission to serve more families facing hunger in low income and disadvantaged communities. Also, see above about Groundswell and Grid Alternatives.

3. What types of entities (as eligible recipients and/or indirect recipients) could be created to enable Greenhouse Gas Reduction Fund grants to support investment in and deployment of greenhouse gas and air pollution reducing projects in communities where capacity to finance and deploy such projects does not currently exist?

As described above, there are many successful potential eligible recipients with a history of successfully implementing energy efficiency, renewable energy, and other types of projects. To the maximum extent possible, funds should be directed to organizations like these that have proven models and a desire to expand into underserved areas. The remaining funds should be directed to local community-based organizations that can provide development and technical assistance. It will be difficult to scale new businesses and creating new “regranting” entities like green banks will duplicate existing entities and potentially increase the program risk as highlighted in the recent *Wall Street Journal* article on the PPP program.³⁰

4. How could EPA ensure the responsible implementation of the Greenhouse Gas Reduction Fund grants by new entities without a track record?

It is important to understand that energy efficiency and renewable energy projects are complicated construction projects that require expertise and local knowledge including permitting and building codes. HASI has financed energy efficiency improvements on tens of thousands of housing units and hundreds of thousands of rooftop solar projects. This work is complicated and requires design and development processes, local contracting crews, and a knowledge of the local building market as well as a keen attention to detail, excellent communications, and working as a point of contact with the customer to coordinate. It is not suitable for organizations that have never worked on these projects before.

It may be possible to set aside a certain amount of funds that may go to small businesses (SBA, for example) – organizations are relatively small today, but need to scale up with a portion of this that should go towards mentorship.

Given that the GGRF offers EPA historic funding amounts, and that the amounts will likely be the largest amount ever received by many of the organizations, we recommend that EPA provide the grants in two or more stages. This will allow EPA to limit the exposure to any one organization, be able to measure the impact of the grants before disbursing the second phase, and be able to focus the second round of grants on the most successful organizations. It will also allow EPA to be able to adjust to fund new or emerging areas in the second phase. Phased grants also seem to align with the legislative language which provides that grants shall begin no later than 180 days but would be available to be granted until September 30, 2024. It should be noted that phased contributions for investments are standard practice in private infrastructure funds with investors only contributing their money when a project is identified and needs the capital.

Section 5: Oversight and Reporting

1. What types of governance structures, reporting requirements and audit requirements (consistent with applicable federal regulations) should EPA consider requiring of direct and indirect recipients of Greenhouse Gas Reduction Fund grants to ensure the responsible implementation and oversight of grantee/subrecipient operations and financial assistance activities?

Given the large amount being allocated, it is important that recipients be held accountable for the allocations and that basic standards and limitations be put in place such as requiring audited financial statements prior to grants over \$10 million, requiring a segregation of the funds from other uses and limitations on the amount of overhead that can be funded with the grants. Larger grants should require the organization to have an independent board of directors who oversees the grantee with appropriate controls over related party transactions.

³⁰ <https://www.wsj.com/articles/fintech-firms-oversaw-billions-in-fraudulent-covid-aid-loans-report-says-11669930784>

Grants should also have requirements for submitting quarterly and annual reports to the Administration including the financial activities and outcomes achieved with the funds received under this section, including quantification of reductions in greenhouse gas emissions and other forms of air pollution.

Given that the GGRF offers EPA historic funding amounts, and that the amounts will likely be the largest amount ever received by many of the organizations, we recommend that EPA provide the grants in two or more stages.

This will allow EPA to limit the exposure to any one organization, be able to measure the impact of the grants before disbursing the second phase, and be able to focus the second round of grants on the most successful organizations. It will also allow EPA to be able to adjust to fund new or emerging areas in the second phase. Phased grants also seem to align with the legislative language which provides that grants shall begin no later than 180 days but would be available to be granted until September 30, 2024. It should be noted that phased contributions for investments are standard practice in private infrastructure funds with investors only contributing their money when a project is identified and needs the capital.

As mentioned above, there should be a reported measure of the carbon saved. One effective tool available for appropriate data collection is [CarbonCount](#). Developed by HASI in 2013, CarbonCount is a scoring tool for evaluating investments in U.S.-based renewable energy, energy efficiency, and climate resilience projects to determine the efficiency by which each dollar of invested capital reduces annual carbon dioxide equivalent emissions. This methodology promotes transparency in project finance by creating a simple and comparable metric for infrastructure projects to be evaluated in terms of how much the capital investment is mitigating climate change. By incorporating current emissions and power generation data validated by third parties, CarbonCount gives climate finance managers a critical avoided carbon emissions metric for the downstream impacts of their investments, which drives much-needed disclosure around financed emissions that exacerbate climate change.

- 2. What metrics and indicators should EPA use to track relevant program outcomes including, but not limited to, (a) reductions in greenhouse gas emissions or air pollution, (b) allocation of benefits to low-income and disadvantaged communities, (c) private sector leverage and project additionality, (d) number of greenhouse gas and air pollution reduction projects funded and (f) distribution of projects at the national, regional, state and local levels?**

See answer to question 1 above.

- 3. What should EPA consider in the design of the program to ensure community accountability for projects funded directly or indirectly by the Greenhouse Gas Reduction Fund? What if any existing governance structures, assessment criteria (e.g., the Community Development Financial Institutions Fund's Target Market Accountability criteria), rules, etc., should EPA consider?**

As noted, we believe the program funds should be widely distributed across all 50 states to provide the maximum benefit while limiting the risk of the funding being concentrated in the hands of a few entities. One major risk of a concentrated grant is that there are very few, if any, qualified entities who have the established infrastructure and track record to securely safeguard and invest \$500 million or \$1 billion, thus greatly increasing the risk to EPA. Equally distributing the entire funded amount would equate to approximately \$500 million per state while also encouraging broad political support.

In looking at similar programs, the Treasury recently highlighted that its \$5 billion new market tax credit program was distributed to 107 community development entities across 35 states with 20% to rural communities.³¹ Similarly, its \$1.4 billion in bond funding for low-income communities through CDFIs has gone to 32 states.³² It is also clear from the use of plural in both "grants" and "recipients" in the legislative language³³ that Congress intended these funds to be distributed to multiple entities.

³¹ <https://www.cdfifund.gov/news/490>

³² <https://www.cdfifund.gov/news/486>

³³ Inflation Reduction Act Sec. 60103 (a)(1), (a)(2) and (a)(3). The legislative history also shows that the Senate Parliamentarian would not have allowed the program in the reconciliation act if it was intended for one entity.



Section 6: General Comments

1. Do you have any other comments on the implementation of the Greenhouse Gas Reduction Fund?

See the opening comments that highlighted these four points:

1. Focus on technical assistance (education and project development) and funding for residential, small business, and local government energy efficiency which currently lack access to financing
2. Widely distribute the funds across all 50 states
3. Set standards for entities and projects including for reporting of use of the funds including measuring the impact of greenhouse gas reductions
4. Provide the funds in multiple stages to organizations that successfully prioritize projects that lack access to funding and reduce greenhouse gas emissions

To: Michael Regan, Administrator, U.S. Environmental Protection Agency
Environmental Financial Advisory Board

From: Christopher B. Meister, Executive Director, Illinois Finance Authority

Date: December 5, 2022

Re: ***Greenhouse Gas Reduction Fund Stakeholder Comments
Docket ID EPA-HQ-OA-2022-0859 (Submission 2 of 2)***

The Illinois Finance Authority/Climate Bank (“IFA/CB”) embraced the call from U.S. EPA to help shape the future of the Greenhouse Gas Reduction Fund (“GHGRF”) through stakeholder engagement. To that end, the Authority held two listening sessions for Illinois’ stakeholders to provide oral comments and invited the submission of written comments.

Summary of comments received:

Participants in the listening sessions held by the IFA/CB on November 10 and 17, 2022 discussed opportunities for the State of Illinois and the Authority to advance the initiatives of Illinois’ Climate and Equitable Jobs Act to reach the State’s clean energy goals and to ensure prioritization of the State’s Equity Investment Eligible Communities. An overall theme of the public input received by the IFA/CB was a desire for a coordinated approach to the challenges of expanding the use of clean energy and facilitating the transition to a sustainable clean economy in Illinois.

Participant speakers highlighted the opportunity to use resources made available by the GHGRF to address financing gaps related to electric vehicle fleets, community-scale generation, and building decarbonization, and to work with Illinois’ workforce hubs and contractor incubator programs to equitably expand the clean energy economy. Participants further cautioned against developing finance mechanisms for Carbon Capture and Storage projects or other non-zero-emission technology approaches.

Representatives from financial institutions discussed the success of the previous efforts of the IFA/CB to leverage private capital for the social good, such as through the IFA/CB’s Clean Water Initiative Revolving Fund, and the opportunity created by the GHGRF to build on that success.

Attached please find:

1. The notice for the listening session held on November 10, 2022
2. The minutes for the listening session held on November 10, 2022
3. The notice for the listening session held on November 17, 2022
4. The minutes for the listening session held on November 17, 2022
5. The written comments received by the Authority
6. Agency listening session stakeholder’s materials

Respectfully,



Christopher B. Meister
Executive Director



Friday, November 4, 2022

REVISED NOTICE OF FEDERAL GREENHOUSE GAS REDUCTION FUND AGENCY LISTENING SESSION

Staff of the Illinois Finance Authority (the “Authority”), consistent with the Authority’s designation as the Climate Bank of the State of Illinois under Illinois law, will hold an agency listening session regarding the Inflation Reduction Act which amended the Clean Air Act to create a new program through the United States Environmental Protection Agency: the Greenhouse Gas Reduction Fund. This first-of-its-kind federal program will provide competitive grants to mobilize financing and leverage private capital for clean energy and climate projects that reduce greenhouse gas emissions – with an emphasis on projects that benefit low-income and disadvantaged communities – and further the Biden-Harris Administration’s commitment to environmental justice. The agency listening session will be held in the Authority’s Chicago Office, 160 North LaSalle Street, Suite S-1000, Chicago, Illinois 60601 on **Thursday, November 10, 2022, at 11:00 a.m.**

Due to ongoing health concerns related to the novel COVID-19 virus, members of the public are encouraged to attend the agency listening session via audio or video conference. The Audio Conference Number is (312) 626-6799 and the Meeting ID is 890 2505 1102 followed by pound (#). When prompted for a Participant ID, please press pound (#) and wait for the Password prompt. Upon being prompted for a Password, please enter 666181 followed by pound (#). To join the Video Conference, use this link: <https://us06web.zoom.us/j/89025051102?pwd=Q3JHZmYvSzI2STdLMDNBbC9CN01Mdz09> and enter passcode 666181. Guests participating via audio conference who find that they cannot hear the proceedings clearly can call (312) 651-1300 or write info@il-fa.com for assistance. Note: Authority will not allow verbal or written comments that contain obscene, indecent, profane language, or hate speech; contain threats or defamatory statements; or promote or endorse services or products.

Feedback about the Greenhouse Gas Reduction Fund may be submitted in writing to webmaster@il-fa.com until 5:00 p.m. on November 18, 2022.

**ILLINOIS FINANCE AUTHORITY
GREENHOUSE GAS REDUCTION FUND AGENCY LISTENING SESSION
Thursday, November 10, 2022
11:00 AM**

AGENDA:

- I. Call to Order
- II. Chair’s Remarks
- III. Executive Director Overview Regarding Greenhouse Gas Reduction Fund
- IV. Public Comment and Opportunity for Guests to Ask Follow-Up Questions
- V. Adjournment

The agency listening session will be accessible to handicapped individuals in compliance with Executive Order #5 (1979) as well as pertinent State and Federal laws upon notification of anticipated attendance. Handicapped persons planning to attend the agency listening session and needing special accommodations should contact Mari Money at the Illinois Finance Authority by calling (312)651-1319, TTY (800)526-0844.

1 ILLINOIS FINANCE AUTHORITY
2 FEDERAL FUNDING LISTENING SESSION

3 REPORT OF PROCEEDINGS of the Federal
4 Funding Listening Session of the Illinois Finance
5 Authority HELD IN PERSON and VIA AUDIO- and
6 VIDEOCONFERENCE on Thursday, November 10th, 2022, at
7 11:00 a.m., pursuant to notice.

8
9 PRESENT VIA AUDIO- AND VIDEOCONFERENCE AND/OR IN
10 PERSON:

11 GUEST CHAIR WILL HOBERT

12 GUEST MEMBER ARLENE JURACEK

13 GUEST MEMBER AMEYA PAWAR

14 GUEST MEMBER ROGER POOLE

15 CHRISTOPHER MEISTER, Executive Director

16 MARK MEYER, Associate General Counsel

17 ROB LITCHFIELD, IFA IT Expert

18 * * * * *

1 EXECUTIVE DIRECTOR MEISTER: Good morning,
2 everyone. This is Chris Meister. I am Executive
3 Director of the Illinois Finance Authority. I would
4 like to call this agency listening session to order.

5 Assistant General Counsel Mark Meyer?

6 ASSOCIATE GC MARK MEYER: Good morning.
7 This is Mark Meyer, Associate General Counsel of the
8 Authority. Today's date is Thursday, November 10th,
9 2022. This agency listening session has been called
10 to order by Executive Director Meister at the time
11 of 11:01 a.m. and will remain open until 12:01 p.m.;
12 60 minutes from now.

13 This is a listening session only and
14 is being conducted via video and audioconference.

15 Staff of the Authority, consistent
16 with the Authority's designation as the Climate Bank
17 of the State of Illinois under Illinois law, are
18 holding this agency listening session regarding the
19 Inflation Reduction Act (or "IRA"), which amended
20 the Clean Air Act to create a new program for the
21 United States Environmental Protection Agency ("US
22 EPA"): The Greenhouse Gas Reduction Fund (the
23 "GGRF"). This first-of-its-kind federal program
24 will provide competitive grants to mobilize

1 financing and leverage private capital for clean
2 energy and climate projects that reduces greenhouse
3 gas emissions -- with an emphasis on projects that
4 benefit low-income and disadvantaged communities --
5 and further the Biden-Harris Administration's
6 commitment for environmental justice.

7 Executive Director Chris Meister is
8 currently with me in the Authority's Chicago office
9 at the physical location of this listening session
10 and participating via video- and audioconference;
11 some guests and staff are similarly at the location
12 of the meeting and participating via video- and
13 audioconference, while some other guests and staff
14 will attend this meeting solely via video- and
15 audioconference.

16 As we take the roll, the response of
17 the guests and staff will be taken as an indication
18 that this they can hear all discussion and
19 testimony.

20 Since this is an agency listening
21 session, I will recognize the guest members and
22 staff who are present. Please respond with a
23 "present" when I call your name.

24 Guest Member Juracek?

1 GUEST MEMBER JURACEK: Here. Present.

2 ASSOCIATE GC MARK MEYER: Guest Member
3 Pawar?

4 GUEST MEMBER PAWAR: Present.

5 ASSOCIATE GC MARK MEYER: Guest Member
6 Poole?

7 GUEST MEMBER POOLE: Present.

8 ASSOCIATE GC MARK MEYER: Executive
9 Director Chris Meister?

10 EXECUTIVE DIRECTOR MEISTER: Present.

11 ASSOCIATE GC MARK MEYER: IFA IT Expert
12 Rob Litchfield?

13 IFA IT ROB LITCHFIELD: Present.

14 ASSOCIATE GC MARK MEYER: Guest Chair and
15 Member Hobert?

16 GUEST CHAIR HOBERT: Present.

17 ASSOCIATE GC MARK MEYER: Before we begin
18 making our way through today's session, I would like
19 to request that each speaker mute their audio, when
20 possible, to eliminate any background noise unless
21 you are speaking, answering a question, or otherwise
22 providing any comments for the record. If you are
23 participating via video, please use your mute button
24 found on your task bar at the bottom of your screen.

1 You will be able to see the control bar by moving
2 your mouse or touching the screen of your tablet.

3 For any Guest Member, staff, or
4 anyone from the public participating via phone, to
5 mute and unmute your line, you may press *6 on your
6 keypad if you do not have that feature on your
7 phone.

8 As a reminder, we are being recorded,
9 and a court reporter is transcribing today's
10 listening session. For the consideration of the
11 court reporter, I would also like to ask that each
12 speaker state their name before speaking or
13 otherwise providing any comments for the record.

14 Finally, I would like to confirm that
15 all members of the public attending in person or via
16 audio conference can hear this meeting clearly.

17 Chris, can you confirm that this
18 video- and audioconference is clearly heard at the
19 physical location of this meeting?

20 EXECUTIVE DIRECTOR MEISTER: Thanks, Mark.
21 This is Chris Meister. I am physically present in
22 the conference room on the 10th floor of 160 North
23 LaSalle. With me are Guest Chair Will Hobert and
24 Guest Member Ameya Pawar. I can confirm that I can

1 hear all discussions at the physical location of the
2 listening session. We've advised the security
3 guards on the first floor that we have this public
4 session today. The agenda for this listening
5 session was posted on this floor and on the first
6 floor, as well as on the Authority's website as of
7 last Friday, November 4th, 2022. The building
8 security has been advised that any members of the
9 public who choose to do so and choose to comply with
10 the building's public health and safety requirements
11 may come to this room and speak in the posted manner
12 and listen to those proceedings.

13 Back to you, Mark.

14 ASSOCIATE GC MARK MEYER: This is Mark
15 Meyer. Thank you, Chris.

16 If any members of the public
17 participating via video- or audioconference find
18 that they cannot hear these proceedings clearly,
19 please call (312) 651-1300 or write info@il-fa.com
20 immediately to let us know, and we will endeavor to
21 solve the audio issue.

22 Over to you, Chair Hobert.

23 GUEST CHAIR HOBERT: This is Will Hobert.
24 Welcome. This is the first time that we have

1 conducted an agency listening session. As you have
2 heard, this morning's topic is the Greenhouse Gas
3 Reduction Fund. The GGRF is an important
4 opportunity for the Authority in our state statutory
5 role as the Climate Bank and for Illinois as a
6 whole.

7 The GGRF is a new program, and the
8 federal government is in the process of shaping it.
9 The amount of the GGRF money that the federal
10 government will be distributing nationally is
11 estimated to be as large as \$27 billion, and the
12 timeline of such funding is aggressive. In our
13 view, the GGRF's purposes are consistent with the
14 purposes of the Illinois Climate and Equitable Jobs
15 Act, or CEJA, specifically the goals of: Putting
16 1 million electric vehicles on Illinois roads by
17 2030, reaching 100 percent of clean energy in
18 Illinois by 2050, and while prioritizing job
19 creation/training/placement reflecting the diversity
20 of Illinois.

21 Importantly, US EPA is conducting its
22 own public engagement efforts. So our work today
23 merely complements US EPA's public engagement
24 efforts. However, as the Authority shapes its

1 approach to compete for limited GGRF funds, the
2 Authority wants to hear as many voices as possible.
3 We will limit each guest's statement to
4 three minutes, and an email address has been
5 provided for written comments. We thank you,
6 everyone, for your interest in this listening
7 session and for taking time out of your day.

8 Before I ask Chris to provide a brief
9 overview of the GGRF opportunity, I turn to my
10 colleagues, Members Juracek, Pawar, and Poole.

11 GUEST MEMBER JURACEK: Yes. This is
12 Member Arlene Juracek. And I want to say, first of
13 all, this is, as has been stated several times
14 already this morning, an unprecedented opportunity
15 in both potential funding size and the
16 aggressiveness of the implementation schedule. And
17 it's going to be important that all of us -- grant
18 applicants and grant recipients -- do this right
19 because I think the whole world is going to be
20 looking at us.

21 So this morning's opportunity to have
22 public input is really going to be critical to
23 shaping the quality of our response. I see that we
24 have more than 71 folks who have chosen to join us

1 this morning, and I'm looking forward to all of your
2 comments. I see a varied group of you who are
3 joining us from all segments of the interested
4 public. And I encourage you to be candid, to be
5 succinct, and to be constructive. We're very much
6 looking forward to hearing from all of you.

7 GUEST MEMBER PAWAR: Good morning. This
8 is Member Ameya Pawar. This is an exciting day
9 because Section 134 of the Inflation Reduction Act
10 is an opportunity to inject much needed private
11 capital into low-income and disadvantaged
12 communities across Illinois, improve the health of
13 these communities by reducing greenhouse gas
14 emissions, and do so consistent with the governor's
15 goals outlined in CEJA and in a manner that reflects
16 the true diversity of Illinois. Thank you.

17 GUEST CHAIR HOBERT: Roger?

18 GUEST MEMBER POOLE: Yes. Thank you,
19 Mr. Chairman.

20 Very interesting program, obviously.
21 Something that we could widely use in the state of
22 Illinois. That's obvious. So I'm glad to be here
23 this morning to listen in on the program.

24 I've been a union machinist for

1 50-plus years, and I've had -- I've been active at
2 all levels of the American labor movement; and also
3 belong to the -- was vice president of AFL-CIO, the
4 people who brought you the middle class and the
5 weekend.

6 I'm excited for the opportunity --
7 the opportunities of Section 134 of the IRA offer to
8 the trained and affected women and men of organized
9 labor. I am the longer serving labor representative
10 on the Illinois Finance Authority, and I am grateful
11 to Governor Pritzker for the opportunity to serve
12 and that we have this listening session this
13 morning.

14 Thank you, Mr. Chairman.

15 GUEST CHAIR HOBERT: Chris, over to you.

16 EXECUTIVE DIRECTOR MEISTER: Great. Thank
17 you. For all the stakeholders, there's a memo that
18 is posted on our website labeled, appropriately, "to
19 stakeholders." Much of it has been summarized in
20 the comments up to this moment.

21 I do want to make sure that everybody
22 is aware, because the links for the US EPA's
23 Environmental Finance Advisory Board and the
24 relevant dates -- and those are open to the

1 public -- are there on the bottom of page 1. The
2 US EPA has provided a GGRF website, which has a
3 wealth of information on it. But, specifically, I
4 want to turn to the actual statute, which,
5 fortunately, is about two-plus pages and is very
6 brief.

7 So I just really want to outline the
8 zero-emissions technologies, which the IFA, as a
9 public entity, can compete for, along with nonprofit
10 eligible entities. EPA is authorized to make these
11 grants on a competitive basis. It's up to
12 \$2 billion, but, specifically, the goal is to
13 provide financial assistance, including technical
14 assistance, to enable and benefit low-income and
15 disadvantaged communities, to deploy or benefit
16 zero-interest technologies, including rooftop
17 distributed technologies, and to carry out other
18 activities. That's \$7 billion.

19 There's close to \$12 billion, again,
20 competitive to nonprofit eligible recipients.

21 Three, there is up to \$8 billion to
22 low-income and disadvantaged communities, again, to
23 eligible recipients. There is a group that helps
24 with this legislation of the coalition for green

1 capital. They're seeking to create a national green
2 bank. There is some legislative -- federal
3 legislative intent on that.

4 But, again, really the focus of
5 today's discussion is for us to listen on those
6 sorts of financial assistance, those sorts of loans,
7 grants, guarantees, technical assistance, needs in
8 Illinois that, should the Illinois Finance
9 Authority, as the Climate Bank, to be fortunate
10 enough to receive these moneys, that we could
11 maximize these utilities and sustainability of these
12 funds over the long term.

13 So should we begin? Oh, I'm sorry.
14 This is a listening session. The instructions for
15 the attendees are here. If any attendee is
16 participating by video, please indicate by raising
17 your hand. I believe we already have one. Click
18 the "raise hand" option at the bottom of your
19 screen. And you should be able to see that on the
20 task bar. If you are participating by phone, please
21 indicate your desire to raise your hand by pressing
22 *9.

23 Each attendee will be speaking for
24 three minutes or less. We will have a timer. We

1 have a large number of attendees, so we would
2 encourage you, if you have less than three minutes,
3 use less than three minutes.

4 We also have the opportunity to
5 submit comments in writing. The website is
6 noticed -- it is on the website on the notice. It's
7 open until 5:00 p.m. Central time on November 18,
8 2022.

9 This session is being recorded, and
10 we have a court reporter here transcribing the
11 discussion. When you are called upon, please be --
12 slowly state and spell your name so that the court
13 reporter can accurately record it.

14 Rob Litchfield, our colleague, will
15 help us manage the queue.

16 Back to you, Will.

17 GUEST CHAIR HOBERT: Thank you, Chris.
18 This is Will Hobert.

19 Rob, if you could -- if I could ask
20 you and Chris to work together to queue and call
21 upon the attendee speakers, we will work to have as
22 many attendee speakers as possible. This session
23 will only run for 60 minutes total.

24 And, Rob, do you have the speakers

1 ready?

2 IFA IT ROB LITCHFIELD: I have -- the
3 first one is Stephen Nickels. I'm going to allow
4 him to speak. Stephen?

5 MR. NICKELS: Good morning. Good morning.
6 From the Illinois Finance Authority "Agency
7 Listening Session Materials related to the
8 Greenhouse Gas Reduction Fund" guidelines, Number 3,
9 qualified project: "The term 'qualified project'
10 includes any project, activity, or technology that
11 reduces or avoids greenhouse gas emissions and other
12 forms of air pollution in partnership with, and by
13 leveraging investments from, the private sector," or
14 the Illinois Finance Authority must exclude any
15 carbon capture projects from consideration of
16 funding due to the fact that carbon dioxide capture
17 and transportation, whether for sequestration or
18 enhanced oil recovery is a net emitter of greenhouse
19 gases. Therefore, has failed Section 3(A) as quoted
20 above, carbon dioxide capture and transportation for
21 sequestration or enhanced oil recovery does not
22 reduce greenhouse gas emissions.

23 The Illinois Finance Authority must
24 further include debt reduction as a path for

1 greenhouse gas reduction by municipal electric
2 aggregators and rural electric co-op to their
3 generation facility. This is one of the only paths
4 to a cleaner mix of future power generation for
5 those of us in beautiful rural Illinois.

6 Until the coal plants retire, we
7 rural Illinoisans inevitably contribute to the
8 destruction of that which so many generations have
9 taken for granted: A liveable planet.

10 Oh, and my name is Stephen Nickels,
11 N-i-c-k-e-l-s, and I'm with Illinois People's
12 Action. And I thank you for allowing me to address
13 you.

14 GUEST CHAIR HOBERT: Thank you, Stephen.

15 Rob?

16 IFA IT ROB LITCHFIELD: Sorry. So our
17 next up on our list is Jonah.

18 MR. RUBIN: Hi. My name is Jonah Rubin;
19 that's J-o-n-a-h; last name, R-u-b-i-n. I'm sitting
20 here with my 10-week-old son Raphael, R-a-p-h-a-e-l.

21 And we are from Galesburg, Illinois.

22 We're a small city in Western
23 Illinois of 30,000 people. And, historically, we
24 were the type of town where you could get a

1 good-paying union job and be in the middle class.
2 That changed 18 years ago now, when Maytag left
3 town. And since then, it's hit us hard. The scars
4 of Maytag leaving here, really is still felt here.

5 We have a nearly 20 percent poverty
6 rate here in Galesburg. You know, one of the things
7 that is amazing about CEJA is the presence of these
8 workforce hubs where people can get really strong
9 training for founding a green business, get strong
10 training for getting those good-paying middle-class
11 jobs. We don't have one in Galesburg. It's a lot
12 to ask people from my community to travel 45 minutes
13 or an hour to get to Peoria to go attend class so
14 that they can get a job three months, six months
15 from now.

16 We're getting a lot of federal money.
17 It would be amazing if we could just direct those to
18 found more of these CEJA workforce hubs in
19 communities like mine, the gap communities, that
20 don't have these opportunities for training, that
21 don't have the opportunities to get that pathway to
22 the middle class that, historically, this town has
23 had.

24 So I would urge the Climate Bank to

1 really explore the possibility of expanding the CEJA
2 workforce training cites towards communities like
3 mine, gap communities, that could really use them.

4 I will just echo the previous speaker
5 as well in saying that one thing we don't want in
6 our community are these carbon capture pipelines.
7 They're not producing long-term paying jobs. I
8 don't see why we should help islands pollute more.
9 And I definitely don't want to be driving and have
10 one of them explode in my community, as they have in
11 several other communities.

12 So we want real solutions like the
13 CEJA workforce hubs in my community, and we don't
14 want false solutions that don't help communities;
15 that make more communities more dangerous and that
16 give a license to pollute elsewhere. Thank you.

17 GUEST CHAIR HOBERT: Thank you, Jonah.

18 Rob, next up?

19 IFA IT ROB LITCHFIELD: So next up we have
20 Joyce -- is it Harant? Joyce?

21 MS. HARANT: Okay. Can you hear me?

22 IFA IT ROB LITCHFIELD: Yes.

23 MS. HARANT: Great. Thank you very much.

24 My name is Joyce Harant, and I'm in Peoria. And my

1 background is interest and training in public health
2 and also serve as a Peoria Park District Trustee.
3 And I'm here representing the Central Illinois
4 Healthy Community Alliance.

5 I noted with interest Mr. Meister's
6 statement when he used a reference to zero
7 emissions, and I would like to encourage you to
8 begin using real -- the term "real zero emissions"
9 because some are now starting to use this term "net
10 zero." And that refers to, in my view, the use of
11 carbon capture and sequestration or has oil recovery
12 techniques that give us the false hope that we will
13 be able to continue burning fossil fuels forever,
14 and just put it in the ground. And that is a false
15 hope.

16 We know that there are other health
17 impacts from other pollution sources when we burn
18 fossil fuels. I believe it's inconsistent with CEJA
19 where we want to close the coal plants. So I'm
20 encouraging you, as Illinois Finance Authority, to
21 not fund and encourage, through your funding
22 sources, any carbon sequestration projects or
23 pipeline projects. Others have pointed out the
24 dangers -- it's risky, untested, and there's really

1 no assurance that every carbon dioxide molecule that
2 is put in the ground will stay in the ground. And
3 once it starts coming out, we have no control over
4 it.

5 So we can better spend our funds
6 funding renewable energy, energy efficiency, making
7 sure electric vehicles are built out and they are
8 charged by renewable energy. And so I -- and,
9 again, that we use our funds to ensure that equity
10 contractors can get the jobs, that the hubs are
11 supported so that we can ensure that our
12 environmental justice communities get the benefits
13 from the Climate Fund that we all intended when we
14 passed CEJA. So thank you very much.

15 GUEST CHAIR HOBERT: Thank you, Joyce.

16 Rob?

17 IFA IT ROB LITCHFIELD: Excuse me. Next
18 up we have Peter Schwartzman.

19 MR. SCHWARTZMAN: Yes. Hello. Thank you
20 so much for giving me the opportunity to speak to
21 you today. I'm the mayor of Galesburg, Illinois.
22 It's a city of 30,000 residents in West Central
23 Illinois. I'm also an environmental studies
24 professor at Knox College and have been there since

1 1998. I'm also a member of the IPA, Illinois
2 People's of Action.

3 Over my 30 years as an environment
4 scholar, I've published several peer-reviewed
5 articles on climate change and energy. I've also
6 coauthored a book in 2019, "Under the Future of
7 Energy and Food."

8 As a scientist and politician, I see
9 amazing opportunities for Illinois to become a
10 primary provider of clean energy in the future for
11 the Midwest and beyond. And when I say future, I'm
12 talking near future. We have an ample wind and
13 solar energy in our state, not only for Illinois,
14 but for all surrounding states. As an elected
15 leader of my community for the past 12 years, I have
16 focused a lot of attention on energy savings and
17 real energy development.

18 We have seen amazing progress. We
19 first aggregated our power eight years ago, and
20 we've saved our residents millions of dollars over
21 this time. We had a solar array put at our water
22 pumping station, which is located outside of
23 Galesburg. That was started up in 2020, and we are
24 saving residents in the city \$50,000 a year on that.

1 We have -- also, we currently have an
2 RP valve to put solar in our city's water plant
3 storage plant, and we see that as a very lucrative
4 and environmentally safe and responsible path.

5 Two large projects are planned in
6 renewable energy for our county. Both are over
7 \$50 million. One is a wind project that's held up
8 in court currently but should be released soon. And
9 a very large, 400-acre array -- solar array just
10 south of town. That's going to bring incredible
11 amounts of tax revenue to our community, provide
12 revenue for farmers and other landowners. I hope
13 you guys know about the aggregate FAIT programs that
14 are being taught now in -- at the University of
15 Illinois so we can grow food and extract energy from
16 plots at the same time.

17 Closing thoughts; very important.
18 These are very important developments in rural
19 communities. These are really good jobs and
20 good-paying ones. The tax revenue I alluded to is
21 very important to sustain these communities. But we
22 need to train and hire local people and with
23 emphasis on low-income --

24 IFA IT ROB LITCHFIELD: Peter, you have

1 less than 30 seconds left.

2 MR. SCHWARTZMAN: Thank you. I want to
3 emphasize, too, the incredible potential for energy
4 storage. For us to become a net energy provider of
5 energy for other communities outside of Illinois,
6 which I think we have the capacity to do, we need to
7 invest in energy storage.

8 We're ready to move forward, and I'm
9 looking forward to -- and eager to apply for green
10 financing through the Climate Bank so we can be
11 aggressive with our continued efforts in our
12 community. Thank you, again.

13 GUEST CHAIR HOBERT: Thank you, Peter. I
14 appreciate those thoughts. If we cut you off
15 because of the three-minute time limit, please feel
16 free to submit more thoughts by email. We would
17 appreciate that.

18 Rob, next?

19 IFA IT ROB LITCHFIELD: So our next caller
20 is Dawn Dennenbring.

21 Dawn, you're muted.

22 MS. DENNENBRING: Thank you. My name is
23 Dawn Dennenbring. I'm an environmental justice
24 organizer for Illinois People's Action. You heard

1 from some of our members already. We have members
2 throughout Illinois, outside of Chicago. And our
3 members were heavily involved in passing the Climate
4 and Equitable Jobs Act and are now working on
5 implementing the bill.

6 I serve on the leadership team of the
7 downstate caucus and the Jobs and Economic Justice
8 Committee of the Illinois Clean Jobs Coalition, but
9 I am speaking on behalf of Illinois People's Action
10 today.

11 CEJA is groundbreaking in both
12 addressing the climate prices and our need to build
13 a new green economy, leading with racial equity, and
14 it would be our recommendation that you use the
15 Greenhouse Gas Reduction Fund money to amplify CEJA
16 because money is not unlimited. We ask that you
17 apply a litmus test as you decide how to prioritize
18 your spending. And if this sounds like I'm
19 amplifying some of what you've already heard, it's
20 probably because it's so important.

21 So, specifically, we would ask that
22 you ask yourselves two questions to either move a
23 proposal forward or to stop it in its tracks. The
24 first is: Will this project support the build-out

1 of truly renewable energy, prioritizing solar and
2 wind, and doing it in a racially equitable way. It
3 needs to be a "yes" to this answer to move forward.

4 And the second question needs to be a
5 no. And that is: Would any portion of this project
6 prolong fossil fuel use, invest in fossil fuel
7 infrastructure; would it promote new uses for fossil
8 fuels or allow for a disproportionate life cycle
9 impact on the health, safety, or environmental
10 justice communities. If any portion of that is a
11 "yes," the proposal needs to be stopped in its
12 tracks.

13 I thank you for the opportunity to
14 provide this oral testimony and will follow up with
15 written comments that further explain this. Thank
16 you.

17 GUEST CHAIR HOBERT: Thank you very much,
18 Dawn.

19 Rob?

20 IFA IT ROB LITCHFIELD: Our next speaker
21 is Don from Illinois People's Action.

22 MR. CARLSON: Thank you, Mr. Chair and
23 Executive Director and members of the board. My
24 name is Don Carlson, C-a-r-l-s-o-n. I'm the

1 executive director of Illinois People's Action, and
2 we're geographically, I think, probably the most
3 diverse community-based organization in Illinois,
4 with membership from Rockford and Galena in the
5 north to Johnson County in the south, with a focus
6 of organizing in the cities of Peoria, Decatur,
7 Danville, Galesburg, and Rockford, and in rural
8 communities as well.

9 What I really want to do is amplify
10 some of the presentations that you've heard already,
11 I believe all of whom have been IPA members.
12 There's really three pillars, but there are, you
13 know, multiple items under those. The first is
14 making sure that you lead with racial equity. CEJA
15 is very explicit, about 40 percent of the benefits
16 going to R3 and PJ environmental justice
17 communities. I would just add that the president's
18 own justice for the initiative refers to BIPOC
19 communities, 13 different times in the executive
20 order. So you can be explicit in talking about
21 BIPOC and disadvantaged communities.

22 Secondly, as you've heard from our
23 leaders in Galesburg -- and there will be others
24 from Danville and elsewhere -- make sure that the

1 projects are geographically diverse. You know and I
2 know that Chicago's going to get theirs. And the
3 challenge is going to be is to make sure that clean
4 energy, equitable jobs projects, equitable clean
5 energy projects, are across the breadth of the
6 state, including far-South Illinois.

7 And third, as you just heard from
8 Dawn and others, do not spend this on false
9 solutions. You know, all you have to do is kind of
10 do a little Google search about FutureGen 1.0 and
11 the fact that that was going to be a \$1.6 billion
12 boondoggle. Then you look at FutureGen 2.0s, that
13 this own Authority went to the Washington, D.C., to
14 try to promote to the federal government. And that
15 was taking -- I think, at least on the carbon
16 sequestration piece -- \$86 million they put in the
17 parking lot and burned it.

18 We don't need FutureGen 3.0s. That
19 would be a disaster. The only thing that's changed
20 in that picture is that the sequestration has become
21 much more expensive, if you can believe it, and
22 there is now an organized grassroots movement in
23 opposition.

24 IFA IT ROB LITCHFIELD: You have

1 30 seconds.

2 MR. CARLSON: In closing, don't shut this
3 down at 12:00 o'clock. I realize that this is one
4 of the first times you've had citizen participation.
5 Don't leave a whole bunch of people on this
6 presentation and tell them to write something in an
7 email. Reschedule something so you can hear from
8 everyday people in this process. Thank you very
9 much.

10 GUEST CHAIR HOBERT: Thank you, Don. I
11 appreciate those thoughts. And to that point, if we
12 run out of time -- we have a hard stop at noon -- if
13 we run out of time, we will be rescheduling for
14 Thursday, November 17, at 7:00 p.m. for another
15 round of listening if we run out of time.

16 Rob?

17 IFA IT ROB LITCHFIELD: Our next caller is
18 Phoebe Downey.

19 MS. DOWNEY: Hi. This is Phoebe Downey
20 with the FCOs that represent Chicago, Cook County,
21 and in the six surrounding collar counties.

22 Looking -- we kind of looked at the
23 electrification of the resource network daily here,
24 working to kind of -- with our legal partners, the

1 CEJA process, modes of transit, freight, personal
2 EVs. One of the things we regularly heard from our
3 four agencies, as well as our other partners in the
4 areas, that there's a lot of funding available for
5 purchasing EVs and EV charging infrastructure and
6 that they really are starting to see, like, the
7 benefits of switching the fleet to EV to benefit
8 these disadvantaged communities, reducing their
9 greenhouse gas emissions. The challenge is some of
10 the initial upfront people that they're fighting is
11 especially regarding facilities updates in
12 electrifying fleets in many pieces.

13 I do see, kind of the IFA and this
14 funding as a potential to offer some kind of
15 revolving loan fund program, just like they do in
16 other municipal agencies that would help to overcome
17 the initial upfront costs and barriers. And then
18 these agencies, with the savings they're making
19 electrifying the fleet, they're coming down
20 significantly. Those states could be used to kind
21 of pay off those loans in the long term. It just
22 seems like a great opportunity for someone like IFA
23 who has the experience in this day already to
24 provide some kind of program like that. Thanks.

1 Thank you.

2 GUEST CHAIR HOBERT: Thank you, Phoebe. I
3 appreciate your thoughts.

4 Rob, next speaker?

5 IFA IT ROB LITCHFIELD: Our next speaker
6 is Jeff Crabbal.

7 MR. CRABBAL: Hi. Can you hear me?

8 IFA IT ROB LITCHFIELD: Yes, we can.

9 MR. CRABBAL: Thank you so much for
10 allowing me the opportunity to speak. And also, I
11 appreciate you holding another session in the
12 evening, so I think more people would be able to
13 attend.

14 I am a member of Illinois People's
15 Action. But I am speaking as a member of the city
16 council for the city of Bloomington, individually.
17 And I can see where the city of Bloomington could
18 benefit greatly from funds from the source. You
19 know, we, for instance, have millions of dollars
20 worth of fleet vehicles in our city. You know, we
21 have tried to do what we can with it -- you know,
22 idle reduction technology. But we just don't simply
23 have the funds to make all of those vehicles
24 electric.

1 Also, we do have disadvantaged areas
2 of our community, many of which would support solar
3 panels, wind farms, you know, that type of thing.
4 Many of our government buildings also could be used
5 for solar and help reduce the city's energy bill.
6 All of this work would provide good-paying jobs for
7 people in those disadvantaged, you know, community.
8 And so, you know, I would strongly encourage the use
9 of these funds for local communities to do more than
10 what we otherwise could with our limited budgets.
11 Thank you so much.

12 GUEST CHAIR HOBERT: Thank you, Jeff. We
13 appreciate your thoughts.

14 Rob, next?

15 IFA IT ROB LITCHFIELD: Our next speaker
16 is Stratford Shields.

17 Stratford, you need to unmute
18 yourself.

19 MR. SHIELDS: My name is Stratford
20 Shields. I appreciate the opportunity to address
21 the Authority in this open meeting. I'm with Blue
22 Capital, which is based in Chicago. I am a managing
23 director, and we have a specialized finance group
24 there.

1 Blue Capital is the largest
2 minority-owned security company in the United
3 States. It is also harbored in Chicago. We have a
4 long history at Blue Capital of working with the
5 Authority, which is a trusted participant in the
6 capital markets. The IFA has been a leader in ESG
7 financings in the capital markets. It's one of the
8 first issuers to have issued green bonds for the
9 state's water and waste -- water and state revolving
10 fund programs.

11 We have also been a partner with the
12 IFA on financings for the PACE program, which is the
13 Property Assessment Clean Energy financing program,
14 which is for energy efficiency and renewable energy
15 projects for commercial facilities, which we have
16 financed, you know, through the IFA, mostly in
17 Chicago. We would hope to work with the IFA in
18 greenhouse gas financing opportunities with clean
19 energy and climate projects, based on its history of
20 using innovative financing to maximize the leverage
21 or the impact of, you know, these new federal
22 programs, as the IFA has done in the past for the
23 governments, and as I've mentioned for the Illinois
24 EPA's waste and waste water programs.

1 You know, again, I appreciate the
2 opportunity to address the Authority and would like
3 to express our interest in continuing to be the
4 Authority's partner as it looks to maximize the
5 impact, you know, of these new financing programs.
6 Thank you very much.

7 GUEST CHAIR HOBERT: Thank you, Stratford.
8 We appreciate your time.

9 Rob, next?

10 IFA IT ROB LITCHFIELD: Our next caller,
11 speaker is Deborah Whitaker.

12 Deborah, you need to unmute yourself.

13 MS. WHITAKER: Hello. Can you hear me?

14 IFA IT ROB LITCHFIELD: We can.

15 MS. WHITAKER: Hello. Deborah Whitaker,
16 director of business development and diverse supply
17 chain with HIRE360. One of our main focuses, we
18 have work with 120 diverse businesses that
19 are -- have been invested in and have not really had
20 a tremendous amount of opportunities. And now we
21 have those opportunities that are presenting
22 themselves as one of the biggest obstacles for any
23 of these businesses in order for them to participate
24 in these opportunities is capital, you know,

1 equipment purchases, and things that are needed that
2 some of the small businesses do not have the
3 capabilities of being able to take advantage of.

4 So whereas these programs are coming
5 to actually move us forward and help us to actually,
6 like I said, you know, eliminate the greenhouse
7 gases, we have to take into consideration these
8 opportunities for generation wealth creation for a
9 lot of businesses that have not had those types of
10 opportunities.

11 So I would like for the consideration
12 to be made towards making sure that, you know, the
13 technical system that is going to come out of this,
14 you know, would actually have some allowance for
15 companies to be able to rescale them up, get that
16 access to capital, get that access to the training
17 and the capabilities for them to actually
18 participate and take advantage of this and not just
19 be something where some of the larger companies
20 that, you know, traditionally get those
21 opportunities. You just kind of throw out the
22 crumbs to those smaller businesses. So I just want
23 to make sure there's a lot of emphasis on inclusion
24 for those minority businesses.

1 GUEST CHAIR HOBERT: Thank you, Deborah.
2 We appreciate your thoughts.

3 Rob, it looks -- next up is Ben?

4 IFA IT ROB LITCHFIELD: Sorry. Ben
5 Jackson is next.

6 Ben?

7 MR. JACKSON: Hello. I'm here. Thank
8 you. My name is Ben Jackson. I am the executive
9 vice president with the Illinois Bankers
10 Association. I appreciate this opportunity to weigh
11 in on this important matter. I appreciate the IFA
12 having this public listening session, and it
13 provides us an opportunity to talk about our
14 industry's perspective as the perspective of banks,
15 community banks, and money center banks operating
16 throughout Illinois and every community throughout
17 our state to talk about our strong, decades-long
18 relationship with the Illinois Finance Authority.

19 The Illinois Finance Authority has
20 been a critical partner throughout the decades on a
21 number of initiatives, from farm lending for
22 Illinois farmers and ranchers and aggregate
23 businesses, partnering with private banks, as well
24 as on larger-scale projects such as what is being

1 undertaken with C-PACE, for example, or in securing
2 and appropriately implementing funds from the
3 Inflation Reduction Act.

4 We strongly support, and we have
5 written letters to support, for the agency receiving
6 funds under this program that would help Illinoisans
7 across the state. And it would also continue to
8 strengthen that partnership between a private
9 finance in Illinois, helping the Illinois economy,
10 while also ensuring there's a public partner that is
11 critical to this process of moving Illinois towards
12 a clean energy future.

13 We strongly support funds coming into
14 Illinois from the federal stimulus bill to support
15 development of green energy throughout the state of
16 Illinois. IFA, we have worked with them in
17 Springfield, in Chicago, all over, to come up with
18 ways to strengthen that partnership between private
19 finance and government for many years to come, and
20 that includes working together on the PACE program,
21 getting that right in Springfield, as well as the
22 Climate Bank, which the Authority established a
23 short time ago.

24 We believe these funds couldn't be

1 better placed than they would be with the IFA. They
2 have a long --

3 IFA IT ROB LITCHFIELD: Thirty seconds
4 left.

5 MR. JACKSON: -- track record of
6 appropriately using these funds. They have an
7 independent board that oversees the administration
8 of that, with many finance experts placed on that
9 board. We have the utmost confidence in the IFA
10 appropriately using those funds going forward.

11 Thank you for the time. I appreciate
12 the opportunity to testify on behalf of the industry
13 here.

14 GUEST CHAIR HOBERT: Thank you, Ben. We
15 appreciate your thoughts.

16 Rob, next up?

17 IFA IT ROB LITCHFIELD: Next up, we have
18 DeMario Greene.

19 MR. GREENE: Hello. This is DeMario
20 Greene. I am the policy and government relations
21 director for the Chicago Community Loan Fund. We're
22 minority, midsized senior advisers with Chicago
23 since 1991. In that time we have provided more than
24 545 loans that have leveraged more than 1.6 billion

1 for 501 financing for for-profit and nonprofit
2 developers, both gaining accesses to affordable
3 housing and commercial retail community facilities
4 and social enterprises to communities across
5 Chicagoland.

6 We've also been able to preserve or
7 create nearly 11,600 units of housing, more than
8 6,500 jobs, and 12.2 million square feet of
9 commercial real estate space and nonprofit
10 facilities there, affordable to do in sustainability
11 and decarbonization. And we're firmly committed to
12 working with borrowers who understand the importance
13 of proactively reversing the extent of environmental
14 racism that has been placed on Black and Brown
15 communities that we primarily serve.

16 To that end, we have been able to
17 leverage more than \$332 million to support green
18 initiatives in the various types of investment
19 community that the GGRF is intended to uplift. We
20 definitely want to highlight that GGRF, like ours,
21 are some of the most uniquely tailored to serve
22 minorities -- a majority of minority neighborhoods
23 in my communities, because that's where we're most
24 deeply embedded.

1 And it's important that the
2 diverse -- that the awarding process be diverse.
3 You cannot concentrate GGRF funds in the hands of
4 two organizations. A diverse applicant is to ensure
5 equitable and environmentalized outcome, and we
6 stress that to the IFA. And we also want you all to
7 know that it's important to strengthen the fund's
8 impact in low-income and disadvantaged communities
9 by specifically empowering emerging and
10 minority-lived and nondepository community financial
11 service providers who are deeply entrenched in these
12 communities.

13 It's also vital that the award be for
14 at least 40 percent of all program funds to
15 qualified applicants and reflective of and have a
16 genuine history in the low-income and disadvantaged
17 communities that they serve.

18 We also have to lead with energy
19 efficiency as a strategy to maximize greenhouse gas
20 reductions in low-income and disadvantaged
21 communities. We have to do the nonthreatening
22 stuff, the regular everyday stuff, and we have to do
23 it better. In addition to making sure that whatever
24 programs --

1 IFA IT ROB LITCHFIELD: DeMario, you have
2 20 seconds.

3 MR. GREENE: -- because it takes both
4 sides. We have been able to partner with some great
5 folks to do some amazing things in the group. They
6 want to continue that work, and we know that we can
7 do that with the help of IFA and the GGRF. Thank
8 you so much for your time.

9 GUEST CHAIR HOBERT: Thank you, DeMario.
10 We appreciate your thoughts.

11 Rob, next up looks like Tim?

12 IFA IT ROB LITCHFIELD: Yes. Our next
13 speaker is Tim Williams.

14 MR. WILLIAMS: Good afternoon. Tim
15 Williams here with RBC Capital Markets. And I
16 wanted to just offer some insight/input here with
17 regard to these grants, these new funds from the
18 federal government, and how they would be received
19 by the capital markets through the Illinois Finance
20 Authority.

21 We've got a really well-regarded
22 best-in-class entity in the Authority that has used
23 capital grants, capitalization grants, and federal
24 funding for over two decades to leverage that into

1 multiples of one, two, or three times, you know, of
2 the amount that would have otherwise been funded
3 through a leveraging; and that's the Drinking Water
4 Act and Clean Water Act fund.

5 And this is a perfect opportunity as
6 it relates to the programs under IRA, greenhouse gas
7 reduction, etc., to continue to use that expertise.

8 And just want to note for the record
9 that these concepts, this structures -- or these
10 structures for ledgering are very well-received by
11 the capital markets. And, of course, IFA has a long
12 history of expertise in this area, well regarded by
13 the market, and would be an opportunity for you to,
14 you know, fund two, three, or four times as much as
15 would otherwise be funded, you know, with grants
16 alone.

17 That's it. And good luck with this,
18 and look forward to the opportunity to assist with
19 wherever we can.

20 GUEST CHAIR HOBERT: Thank you, Tim.

21 Rob, next?

22 IFA IT ROB LITCHFIELD: Next we have, it
23 looks like, MeLena Hessel?

24 MS. HESSEL: Hi. Can you hear me?

1 IFA IT ROB LITCHFIELD: We can.

2 GUEST CHAIR HOBERT: Yes.

3 MS. HESSEL: Great. Thank you for the
4 opportunity to comment today. I'm MeLena Hessel.
5 I'm associate director of policy at Elevate.

6 Elevate is an Illinois-based
7 nonprofit with extensive programs in historically
8 disinvested communities in state, regionally, and
9 nationwide. We design and implement energy
10 efficiency, solar, building decarbonization, clean
11 water, and workforce development programs at lower
12 costs to protect the environment and ensure that
13 program benefits reach those who need them most.

14 The Greenhouse Gas Reduction Fund
15 creates an opportunity to reduce carbon emissions
16 and improve quality of life in historically
17 disinvested communities. It builds on the clean
18 energy winds that the state has already locked in
19 through the passage of CEJA. And if the program is
20 to live up to federal and state clean energy and
21 equity goals, then it must be used to fill gaps and
22 financing for projects brought forward by
23 environmental justice and are supporting 40
24 communities and that benefit those communities and

1 the households in them.

2 There are many attractive
3 large-scaled projects and companies in the clean
4 energy space. But these projects and businesses are
5 often able to access other sources of support
6 including tax credits, other IRA programs, and
7 private capital. Smaller projects and smaller
8 companies, and particularly disadvantaged and
9 equity-eligible communities, simply do not have the
10 same access to capital. With that in mind, I want
11 to speak to two different types of projects I see as
12 key opportunities for this money to fund.

13 First, energy-efficient buildings,
14 community scaling of installation, and building
15 decarbonization in residential buildings and
16 buildings owned by community-based organizations are
17 very difficult to move forward in the current
18 financing environment. I would urge the IFA to
19 focus its efforts and any comments it submits on
20 these types of projects, which need additional
21 support and have few places to go for it.

22 Second, it is critical that the money
23 from this fund is used to advance projects led by
24 marginalized businesses, including equity-eligible

1 contractors. Funds should be used to help
2 marginalized disadvantaged businesses and the
3 communities across the state from which they
4 originate, flourish.

5 We would like to see loan, grant,
6 and/or other --

7 IFA IT ROB LITCHFIELD: Thirty seconds
8 left.

9 MS. HESSEL: -- thank you -- that support
10 marginalized businesses; pursue energy efficiency;
11 solar, wind, and EV development across the state.
12 And I'm confident that the IFA has the experience
13 and track record to meaningfully support this goal,
14 but I also urge you to explore what other entities
15 may be important to truly reach a broad range of
16 diverse businesses and communities because we need
17 to reach them all.

18 Thank you for listening today. I'd
19 urge the IFA to keep these remarks in mind. I have
20 drafted comments to the EPA, worked with other
21 funding partners, and developed its own program.
22 That's it.

23 GUEST CHAIR HOBERT: Thank you, MeLena.

24 Rob, next up?

1 IFA IT ROB LITCHFIELD: We have Scott
2 Robertson.

3 MR. ROBERTSON: How are you? Hello. Can
4 you hear me?

5 IFA IT ROB LITCHFIELD: We can.

6 MR. ROBERTSON: Okay. Hello. My name is
7 Scott Robinson, and I'm the vice president with C&H
8 Security. I wanted to share our observations with
9 the Authority on the State Revolving Fund financial
10 program.

11 We have observed that the Authority
12 operates an effective and transparent financing
13 program on behalf of the state. Furthermore, the
14 Authority has used the capital market to the
15 advantage of the State Revolving Fund program to
16 achieve public benefits for this Environmental
17 Financing Program. Issuers like the Authority,
18 which fund State Revolving Fund programs, are
19 well-suited to lead programs like the ones being
20 discussed today. Thank you for your time.

21 GUEST CHAIR HOBERT: Thank you, Scott.

22 Rob, next up?

23 IFA IT ROB LITCHFIELD: Next up is
24 Brian -- I'm sorry if I mispronounce this -- is it

1 Liechti?

2 MR. LIECHTI: Yes. Liechti; that's
3 L-i-e-c-h-t-i, and I am the senior manager of
4 marketing at Inclusive Prosperity Capital.

5 IPC is a clean energy 501(c)(3)
6 financing platform. It's run out of the Connecticut
7 Green Bank and focuses on aligning investment
8 capital and financing programs with organizations,
9 projects, and community initiatives that benefit
10 traditionally underserved markets.

11 IPC partners with state and local
12 governments, green banks, CDFIs, and other lenders,
13 nonprofits, and developers to create programs,
14 derisk other lenders, trade new structures, own
15 assets on their behalf to collaborate on products,
16 program, or process design.

17 And in order to solve the problems
18 that we're facing, we need to green our existing
19 infrastructure and lending institutions; to take
20 capital, including new green capital, and leverage
21 it; create new programs; scale programs; invest in
22 job training and new lending and alternatively
23 secured lending to scale real, meaningful programs
24 for communities.

1 This is about helping capital find
2 its way to communities, and that's exactly what I
3 have faith, as this is new capital. And the key is
4 to create -- not create new programs in some cases,
5 but to leverage existing programs and work across
6 state agencies.

7 I would like to agree with the point
8 that Tim made earlier on IFA's historical use of
9 leveraging federal funds, and I want to emphasize
10 that we partner with organizations nationally,
11 effectively operating as a virtual green bank.

12 I want to thank the IFA for their --
13 opportunity to speak this afternoon, and best of
14 luck as the process unfolds.

15 GUEST CHAIR HOBERT: Thank you, Brian. I
16 appreciate your thoughts.

17 Rob, next up?

18 IFA IT ROB LITCHFIELD: Next up is
19 John -- is it Delurey?

20 MR. DELUREY: Yeah. Delurey.

21 Thank you all for making this time,
22 and just wanted to point out how robust the
23 participation has been. And we may not hit the top
24 of the hour, depending how long I and whoever

1 follows me goes, but would definitely recommend an
2 evening session, if at all possible, logistically.
3 It just turns out different types of people who
4 might be working now or might be otherwise engaged.

5 So my name is John Delurey. I'm with
6 Vote Solar. Vote Solar is a national solar and
7 justice advocacy organization. We focus on making
8 solar more equitable and inclusive. I'm also on the
9 steering committee of the Clean Jobs Coalition, on
10 the board for the Illinois Environmental Council and
11 the Midwest Renewable Energy Association, but I'm
12 speaking today just on behalf of Vote Solar.

13 I would hazard that our shared goal
14 is to get the money to the ground and to pull as
15 much of it as possible to support the people of
16 Illinois; in particular, low wealth and
17 disadvantaged Illinois families. We need money to
18 deploy large scale climate and clean energy
19 solutions. Don't get me wrong. I just don't worry
20 as much about those projects that are easier to
21 finance and have, traditionally, been easier to
22 capitalize.

23 I worry about the projects that are
24 harder to finance, as some other speakers have

1 referenced; those that are in disadvantaged
2 communities, those that are built by disadvantaged
3 contractors, or those contractors that have been
4 blocked or overlooked by a long history of racist
5 lending. We need to put solar on every roof and a
6 heat pump in every home, with low-wealth Illinoisans
7 at the very front of the line. Many of these
8 financing products will require aggregating small
9 projects, many of which that are done by small,
10 often nonunion, mom-and-pop contractors.

11 The Illinois Finance Authority's
12 Climate Bank will be critically important, but not
13 sufficient, in achieving this goal. This is why my
14 colleagues at the Illinois Clean Jobs Coalition and
15 I worked with members of the Illinois Legislature to
16 create a new inclusive financing entity. We spent
17 months listening to disadvantaged communities and
18 Black and Brown contractors and consulted
19 extensively with the coalition for green capital
20 when crafting the structure and role of this new
21 entity. And that's the same bill that created the
22 Climate Bank Authority, has created a new Green Bank
23 as well, the Clean Energy Jobs and Justice Fund.

24 That fund is laser-focused on

1 equitable outcomes and was specifically designed as
2 a nonprofit entity, to both cover gaps in the
3 financing landscape and to go places that other
4 entities might not.

5 IFA IT ROB LITCHFIELD: Thirty seconds,
6 John.

7 MR. DELUREY: Thank you. The timing works
8 out well, especially considering that 20 of the
9 27 billion in the Greenhouse Gas Reduction Fund is
10 reserved for nonprofits and other similar eligible
11 entities. When the moment comes, this is why we
12 should have a coordinated approach to apply for
13 funding to the State of Illinois.

14 Thanks to CEJA, thanks to Governor
15 Pritzker, thanks to many in-state leaderships, I
16 believe Illinois is in position to claim over a
17 billion dollars of the 27 billion, but only if we
18 work together and focus on real, not false, climate
19 and clean energy solutions.

20 My direct ask, in closing, is that
21 the comments submitted to the Greenhouse Gas
22 Reduction Fund or about the Greenhouse Gas Reduction
23 Fund express the need for multiple recipients at
24 multiple scales, including the job-adjusted funds,

1 to fully achieve climate and economic justice.

2 Thank you.

3 GUEST CHAIR HOBERT: Thank you, John. We
4 have time for one to two more callers, and we will
5 also be scheduling a November 17th at 7:00 p.m.
6 listening session.

7 So with that, Rob, can you ask our
8 next speaker to unmute.

9 IFA IT ROB LITCHFIELD: Our next caller is
10 Deonte Moore.

11 MR. MOORE: How's it going? Thank you,
12 all, for allowing me this opportunity. I am Deonte
13 Moore. I am the Green Jobs Workforce program
14 director for the Illinois Environmental Council.
15 And I just want to highlight -- I think, three
16 things.

17 I think that all of the funding
18 that's coming down the pipe from the federal
19 government as a result of the creation of the Green
20 Bank and the funding for disadvantaged communities,
21 as well, I think it's important to utilize those
22 funds to bolster the support of the -- in the
23 operations of 13 workforce hubs in the state. That
24 may also include expanding satellite facilities that

1 provide training as well, similar to what's provided
2 in the workforce hubs.

3 Likewise, I think that it's
4 imperative that the IFA considers supporting the
5 IPA's Energy Workforce Equity Database. Given the
6 history of an inequitable job placement, I think we
7 need to ensure that there's a mechanism in place to
8 track people's -- not only entrance into the
9 workforce hub; their progress throughout the
10 workforce hubs and their integration into the jobs.
11 Without a mechanism like that in place or system,
12 which would be a robust database in place, I think
13 we would fail to be able to ensure that the job
14 placements and the job training is reaching the
15 disadvantaged communities. And not only that, I
16 think we would also fail our transition communities
17 who are transitioning from coal communities
18 throughout the state.

19 So I appreciate the opportunity to
20 speak on behalf of the Illinois Environment Council
21 for that. And that's all. Thank you.

22 GUEST CHAIR HOBERT: Thank you, Deonte.
23 We appreciate your thoughts.

24 With that, we have more speakers left

1 than we have time for. It's been 60 minutes.

2 Chris, will you please post for the
3 November -- Thursday, November 17th, 7:00 p.m.
4 listening session to continue?

5 EXECUTIVE DIRECTOR MEISTER: Yes. We hope
6 to have that posting today. We hope to capture
7 everybody who was on this list, the phone numbers
8 and the other emails. Joe Duffy, Eric Heineman,
9 Karen Youngblood, and Samantha Costanzo, I think we
10 can reach out to you. You had your hands raised,
11 and we will do that this afternoon. Thank you.

12 GUEST CHAIR HOBERT: And we are thrilled
13 that everybody joined this call. We greatly
14 appreciate the feedback that everybody has given us.
15 Truly, truly amazing. Everything will be taken into
16 consideration.

17 We look forward to many more comments
18 on Thursday, November 17th, starting at 7:00 p.m.
19 Please be on the lookout for the details of that, as
20 Chris will post it. And, again, I thank you all for
21 your time, your very thoughtful comments, and I look
22 forward to hearing more from all of you and more
23 Thursday evening, November 17th.

24 With that, Mark?

1 ASSOCIATE GC MARK MEYER: Again, this is
2 Mark Meyer. Chair Hobert, Executive Director
3 Meister, the time is 12:02 p.m. This agency
4 listening session is adjourned.

5 GUEST CHAIR HOBERT: Thank you, everybody.

6 EXECUTIVE DIRECTOR MEISTER: Thank you.

7 (Whereupon, the above-entitled
8 matter concluded at 12:02 p.m.)

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1 STATE OF ILLINOIS)
2 COUNTY OF COOK)
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4 I, Holly A. Koch, CSR, RPR, do certify
5 that I am a licensed Certified Shorthand Reporter,
6 duly qualified and certified by the State of
7 Illinois;

8 That the above-entitled matter was by me
9 recorded stenographically at the time and place
10 herein mentioned, and the foregoing pages constitute
11 a full, true, complete, and correct record of the
12 testimony given.

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Dated: November 10, 2022



Holly Koch
Illinois CSR No. 084004925



Thursday, November 10, 2022

NOTICE OF FEDERAL GREENHOUSE GAS REDUCTION FUND AGENCY LISTENING SESSION

Staff of the Illinois Finance Authority (the “Authority”), consistent with the Authority’s designation as the Climate Bank of the State of Illinois under Illinois law, will hold an agency listening session regarding the Inflation Reduction Act which amended the Clean Air Act to create a new program through the United States Environmental Protection Agency: the Greenhouse Gas Reduction Fund. This first-of-its-kind federal program will provide competitive grants to mobilize financing and leverage private capital for clean energy and climate projects that reduce greenhouse gas emissions – with an emphasis on projects that benefit low-income and disadvantaged communities – and further the Biden-Harris Administration’s commitment to environmental justice. This **REMOTE ONLY** agency listening session will be held from the Authority’s Chicago Office, 160 North LaSalle Street, Suite S-1000, Chicago, Illinois 60601 on **Thursday, November 17, 2022, at 7:00 p.m.** **NOTE:** 160 North LaSalle Street, Chicago, Illinois 60601 **will not be physically open.**

Members of the public **may only** attend the agency listening session via audio or video conference. The Audio Conference Number is (312) 626-6799 and the Meeting ID is 965 6600 7486 followed by pound (#). When prompted for a Participant ID, please press pound (#) and wait for the Password prompt. Upon being prompted for a Password, please enter 528030 followed by pound (#). To join the Video Conference, use this link: <https://us06web.zoom.us/j/82427169619?pwd=WlJNbmk5UWlGTm1aelUvT2JReFpXZz09> and enter passcode 528030. Guests participating via audio conference who find that they cannot hear the proceedings clearly can call (312) 651-1300 or write info@il-fa.com for assistance. Note: Authority will not allow verbal or written comments that contain obscene, indecent, profane language, or hate speech; contain threats or defamatory statements; or promote or endorse services or products.

Feedback about the Greenhouse Gas Reduction Fund may be submitted in writing to webmaster@il-fa.com until 5:00 p.m. on November 18, 2022.

**ILLINOIS FINANCE AUTHORITY
GREENHOUSE GAS REDUCTION FUND AGENCY LISTENING SESSION
Thursday, November 17, 2022
7:00 PM**

AGENDA:

- I. Call to Order
- II. Chair’s Remarks
- III. Executive Director Overview Regarding Greenhouse Gas Reduction Fund
- IV. Public Comment and Opportunity for Guests to Ask Follow-Up Questions
- V. Adjournment

The agency listening session will be accessible to handicapped individuals in compliance with Executive Order #5 (1979) as well as pertinent State and Federal laws upon notification of anticipated attendance. Handicapped persons planning to attend the agency listening session and needing special accommodations should contact Mari Money at the Illinois Finance Authority by calling (312)651-1319, TTY (800)526-0844.

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ILLINOIS FINANCE AUTHORITY
GREENHOUSE GAS REDUCTION FUND AGENCY
LISTENING SESSION

REPORT OF PROCEEDINGS of the Illinois
Finance Authority HELD IN PERSON and VIA AUDIO and
VIDEO CONFERENCE, on Thursday, November 17, 2022, at
7:00 p.m., pursuant to notice.

PRESENT VIA AUDIO AND VIDEO CONFERENCE:

CHAIRMAN WILLIAM HOBERT
VICE CHAIR ROXANNE NAVA

MEMBER ROGER POOLE
MEMBER AMEYA PAWAR

ILLINOIS FINANCE AUTHORITY STAFF:

MARK MEYER, Assistant Secretary
CHRISTOPHER MEISTER, Executive Director

1 EXECUTIVE DIRECTOR MEISTER: Good evening.
2 This is Chris Meister. I'm the Executive Director
3 of the Illinois Finance Authority. I would like to
4 call this agency listening session to order.

5 ASSISTANT SECRETARY MEYER: Good evening.
6 This is Mark Meyer, Associate General Counsel of
7 the Authority. Today's date is Thursday,
8 November 17, 2022, and this agency listening
9 session has been called to order by Executive
10 Director Meister at the time of 7:00 p.m. We'll
11 remain open up to 120 minutes from now or until
12 everyone has had an opportunity to speak.

13 This is a listening session only and
14 is being conducted via video and audio conference.

15 Staff of the Authority, consistent
16 with the Authority's designation as the Climate
17 Bank of the State of Illinois under Illinois law,
18 are holding this agency listening session regarding
19 the Inflation Reduction Act, or IRA, which amended
20 the Clean Air Act to create a new program through
21 the United States Environmental Protection Agency,
22 US EPA; the Greenhouse Gas Reduction Fund, or GGRF.
23 This is a first-of-its-kind federal program -- this
24 first-of-its-kind federal program will provide

1 competitive grants to mobilize financing and
2 leverage project capital for clean energy and
3 climate projects that reduce greenhouse gas
4 emissions -- with an emphasis on projects that
5 benefit low-income and disadvantaged communities --
6 and further the Biden-Harris Administration's
7 commitment to environmental justice.

8 Executive Director Chris Meister is
9 currently with me in the Authority's Chicago office
10 at the physical location of this listening session
11 and participating via video and audio conference.
12 Some guests and staff are similarly at the location
13 of the meeting and participating via video and
14 audio conference while some guests and staff will
15 attend this meeting solely via video or audio
16 conference.

17 As we take the roll calls, the
18 response of the guests and staff will be taken as
19 an indication that they can hear all discussion and
20 testimony.

21 Since this is an agency listening
22 session, I will recognize the guest members and
23 staff who are present. Please respond with
24 "present" when I call your name.

1 Guest Vice Chair and Member Nava.

2 VICE CHAIR NAVA: Present.

3 ASSISTANT SECRETARY MEYER: Guest Member
4 Pawar.

5 MEMBER PAWAR: Present. You're going to hear
6 my dogs. So sorry.

7 ASSISTANT SECRETARY MEYER: Guest Member
8 Poole.

9 MEMBER POOLE: Present.

10 ASSISTANT SECRETARY MEYER: And Illinois
11 Finance Authority Executive Director Chris Meister.

12 EXECUTIVE DIRECTOR MEISTER: Present.

13 ASSISTANT SECRETARY MEYER: Illinois Finance
14 Authority IT manager Rob Litchfield.

15 MR. LITCHFIELD: Present.

16 ASSISTANT SECRETARY MEYER: Renee, please
17 state your -- our intern Renee is also present
18 today. Renee, can you spell your last name for the
19 court reporter.

20 MS. GIRARD: Girard, G-i-r-a-r-d.

21 ASSISTANT SECRETARY MEYER: Thank you. Before
22 we begin making our way through -- oh, and guest
23 Chair and Member of the Authority Will Hobert.

24 CHAIR HOBERT: Present.

1 ASSISTANT SECRETARY MEYER: I am also present.

2 Before we begin making our way
3 through today's session, I would like to request
4 that each speaker mute their audio when possible to
5 eliminate any background noise unless you are
6 speaking, answering a question, or otherwise
7 providing any comments for the record. If you are
8 participating via video, please use the mute button
9 found on your task bar on the bottom of your
10 screen. You will be able to see the control bar by
11 moving your mouse or touching the screen of your
12 tablet.

13 For any Guest Member, staff, or
14 anyone from the public participating via phone, to
15 mute and unmute your line, you may press *6 on your
16 keypad if you do not have that feature on your
17 phone.

18 As a reminder, we are being recorded
19 and a court reporter is transcribing today's
20 listening session. For the consideration of the
21 court reporter, I would also like to ask that each
22 speaker state their name before speaking or
23 otherwise providing any comments for the record.

24 Finally, I would like to confirm that

1 all members of the public attending via video or
2 audio conference can hear this meeting clearly.
3 Guest Vice Chair Nava, can you confirm that this
4 video and audio conference is clearly heard at your
5 remote location?

6 VICE CHAIR NAVA: Yes, I can confirm that I
7 can hear everything just fine from my remote
8 location. Thank you.

9 ASSISTANT SECRETARY MEYER: Great. I am
10 physically present in the conference room on the
11 10th floor of 160 North LaSalle Street in Chicago,
12 Illinois, and I can confirm that I can hear all
13 discussions at the physical location of this
14 listening session and the remote participants that
15 have spoken thus far. The agenda for this
16 listening session was posted on this floor and on
17 the first floor and on the Authority's website as
18 of last Thursday, November 10, 2022.

19 If any member of the public
20 participating via video or audio conference finds
21 that they cannot hear these proceedings clearly,
22 please call (312) 651-1300 or write info@il-fa.com
23 immediately to let us know, and we will endeavor to
24 solve the audio issue.

1 CHAIR HOBERT: This is Will Hobert. Thank
2 you, Mark.

3 Welcome to this second time that
4 we've conducted an agency listening session. As
5 you have heard, this evening's topic is the
6 Greenhouse Gas Reduction Fund. The GGRF is an
7 important opportunity for the Authority in our
8 State statutory role as the Climate Bank and for
9 Illinois as a whole.

10 The GGRF is a new program, and the
11 federal government is in the process of shaping it.
12 The amount of the GGRF money that the federal
13 government will be distributing nationally is
14 estimated to be as large as \$27 billion, and the
15 timeline of such funding is aggressive. In our
16 view, the GGRF purposes are consistent with the
17 purposes of the Illinois Climate and Equitable Jobs
18 Act, or CEJA, specifically the goals of putting a
19 million electric vehicles on Illinois roads by
20 2030, reaching 100 percent clean energy in Illinois
21 by 2050, and while prioritizing job creation,
22 training, placement reflecting the diversity of
23 Illinois.

24 Importantly, US EPA is conducting its

1 own public engagement efforts. So our work today
2 merely complements US EPA's public engagement
3 efforts. However, as the Authority shapes its
4 approach to compete for limited GGRF funds, the
5 Authority wants to hear as many voices as possible.
6 For that reason, we will limit each guest's
7 statement to three minutes, and an e-mail address
8 has been provided for written comments. We
9 encourage everybody to participate both by showing
10 up today and by e-mail. We thank everyone for your
11 interest in this listening session and for taking
12 time out of your day.

13 Before I ask Chris to provide a brief
14 overview of the GGRF opportunity, I turn to my
15 colleagues for a brief statement: Members Nava,
16 Pawar, and Poole.

17 Member Nava?

18 EXECUTIVE DIRECTOR MEISTER: Vice Chair Nava,
19 would you like to share any thoughts?

20 VICE CHAIR NAVA: I'm sorry. What?

21 CHAIR HOBERT: Would you like to share any
22 thoughts before we get started?

23 VICE CHAIR NAVA: No. This is Vice Chair
24 Roxanne Nava, and I'm good. Thank you so much.

1 CHAIR HOBERT: Thank you.

2 Member Pawar or Member Poole?

3 MEMBER POOLE: Go ahead.

4 MEMBER PAWAR: Thank you, Member Hobert.

5 Thank you everyone for joining us tonight. I just
6 wanted to quickly say that Section 134 of the
7 Inflation Reduction Act is an opportunity to inject
8 much needed private capital into low-income and
9 disadvantaged communities around the state of
10 Illinois; improve the health of those communities
11 by reducing greenhouse gas emissions; and do so
12 that is consistent with the governor's goals and
13 the Clean Energy Jobs Act and in a manner that
14 reflects the diversity of Illinois. So thank you
15 all for being here tonight, and I'm excited to hear
16 what everyone has to say. Thank you. Back to you,
17 Chair Hobert.

18 CHAIR HOBERT: Thank you, Member Pawar.

19 Member Poole?

20 MEMBER POOLE: Yes, Mr. Chairman. I'm very
21 excited to be part of this -- the opportunity to do
22 this as a member of the IFA, being a member of
23 organized labor for a long -- longer than I want to
24 really admit. But the opportunity of this

1 Section 134 is as exciting for the fact that how it
2 will prevail in the state, move jobs,
3 progressiveness, move jobs and opportunities for
4 organized labor and their members, men/women of the
5 labor movement. This is as dynamite a program that
6 I just can't say much more about it other than the
7 fact that it's exciting to be a part of it and the
8 IFA has an opportunity to participate in it at the
9 level they are. Thank you.

10 CHAIR HOBERT: Thank you very much.

11 Chris, over to you.

12 EXECUTIVE DIRECTOR MEISTER: Thank you very
13 much, Chair Hobert. For the stakeholders, we
14 posted on our website a stakeholder memo, which
15 importantly contains links to various US EPA
16 websites, including the Environmental Financial
17 Advisory Board, which met earlier today, and so
18 they have even more information posted on their
19 website.

20 We also have a complete copy of the
21 statute, which, fortunately, for federal law is
22 fairly short. It's about two-plus pages. And I'm
23 just going to -- I'm just going to cover it very,
24 very briefly because there is a lot of information

1 that EPA is continually updating. And in the
2 stakeholder memo there are various dates. There
3 was an addition. And as Will said, our work
4 complements the work of the EPA in gathering public
5 input. It's our intent to submit this information
6 to the EPA to help them shape the 134 GGRF program.

7 So, importantly, there are three
8 buckets of money under 134. There's what's known
9 as zero-emission technologies. It's up to
10 \$7 billion. It is open to states, municipalities,
11 tribal governments, and eligible recipients, a
12 defined term of art in 134 that is a nonprofit
13 organization that has the ability to make
14 investments -- direct investments and indirect
15 investments -- in qualified projects at the state,
16 regional, and local levels.

17 But the zero-emission technology
18 \$7 billion is designed to enable and benefit low
19 and -- low-income and disadvantaged communities
20 take advantage of zero-emission technologies,
21 including those on residential rooftops. So that's
22 Category 1.

23 There is a remaining \$20 billion that
24 is open to, again, the eligible entities that I

1 just described and that's identified in the
2 statute. There's up to \$12 billion in financial
3 and technical assistance. And then there is a
4 billion dollars specifically for low-income and
5 disadvantaged communities.

6 Again, we look forward to hearing
7 what folks have to say. And this is a listening
8 session. And the instructions for the attendees
9 who wish to speak on the record, as has been
10 mentioned, anybody participating via video, please
11 indicate your desire to speak by using the "Raise
12 Your Hand" function. Click on the "Raise Hand"
13 option at the center of your control bar at the
14 bottom of your screen. You will be able to see the
15 task bar by moving your mouse or touching the
16 screen on your tablet.

17 If any attendee is participating by
18 phone, please indicate your desire to speak by
19 using the "Raise Hand" function by pressing *9.

20 For each attendee, again, as Will
21 mentioned, please limit your speaking to three
22 minutes or less. We will use a timer so that we
23 get as many speakers as possible. You will not be
24 called upon a second time. However, the member

1 guests may wish to ask questions of any attendee
2 speaker. We will stop the timer for any
3 question-and-answer exchanges.

4 If any attendee is inappropriate or
5 unprofessional, you will be removed from the
6 meeting. Should you wish to submit comments in
7 writing, the e-mail is webmaster@il-fa.com. And
8 we'll keep that open until 5 p.m. on Friday,
9 November the 18th, 2022.

10 The session is being recorded. We
11 have a court reporter who is transcribing this
12 evening's discussion. So when you are called upon,
13 please slowly state and spell your name so that the
14 court reporter can accurately record it.

15 For the record, Rob Litchfield is
16 running our technical resources, and he is
17 available to help manage the queue along with Mark.
18 So thank you very much. The court-reported
19 transcription and recording of last Thursday's
20 listening session has already been posted on the
21 Authority's website.

22 Back to you, Will.

23 CHAIR HOBERT: Thank you, Chris. This is Will
24 Hobert. Rob, if I could ask you and Chris to work

1 together to queue and call upon the attendee
2 speakers. We will work to have as many attendee
3 speakers as possible, and this session will run a
4 full 120 minutes if needed. Rob, do you have any
5 attendee speakers ready?

6 MR. LITCHFIELD: Yes. There's three queued to
7 speak. So our first one is Joe Duffy.

8 MR. DUFFY: Hi. Can you hear me?

9 CHAIR HOBERT: Yes.

10 MR. DUFFY: Hi. Good evening, everyone. My
11 name is Joe Duffy. That's D-u-f-f-y. Thank you so
12 much for the opportunity to speak today. I am the
13 executive director of Climate Jobs Illinois. We
14 are a coalition that is governed by the Illinois
15 AFL-CIO, the Chicago Federation of Labor, as well
16 as the Cook County construction and building
17 trades.

18 In addition to that, we have 12
19 different labor affiliates across the state. And
20 we were created back in 2020 in advance of the
21 negotiations around the Climate Equitable Jobs Act.
22 And our organization was successful in terms of
23 securing the strongest labor standards in the
24 country on the Climate and Equitable Jobs Act that

1 requires project labor agreements in all utility
2 scale wind and solar, as well as prevailing wage on
3 projects that receive renewable energy credits
4 outside of residential solar and some houses of
5 worship.

6 And we are very excited. I want to
7 echo what Member Poole said regarding the Inflation
8 Reduction Act and why we think certain funds can be
9 allocated and really benefit the state of Illinois
10 as well as workers across the state of Illinois and
11 decarbonize our state's economy due to the work
12 that we were able to do in CEJA and what the
13 Inflation Reduction Act does to complement that
14 work that we all worked on over the last couple
15 years.

16 And I also want to echo -- I was on
17 the previous recording last week -- what a friend
18 and colleague of ours that we work very closely
19 with at Hire360, Deborah Whitaker. She made some
20 comments last week related to funds going to Black
21 contractors as well as the work that they're doing
22 at Hire360's diversified construction and building
23 trades. Very much is important to our coalition,
24 Climate Jobs Illinois, and our affiliates in labor

1 across the state of Illinois.

2 And then there's two other pieces
3 that I think are really important where money
4 secured through this Green Bank can really benefit
5 Illinois and really benefit and hit the goals that
6 the Green Bank is seeking to accomplish. One of
7 which is putting this money towards workforce
8 development in the Climate and Equitable Jobs Act.
9 There's three workforce development hubs in
10 Northern, Central, and Southern Illinois: The
11 ClimateWorks preapprenticeship program that is in
12 the process of being implemented by the Department
13 of Commerce and Economic Opportunity, that would
14 set up preapprenticeship programs to get people
15 prepared to take the test to get into an
16 apprenticeship program for the various construction
17 and building trades in clean energy. We think that
18 that money would be very well spent to prop up
19 those organizations and build upon the work that
20 Hire360 has done in Chicago.

21 MR. LITCHFIELD: Joe, you have 30 seconds or
22 less.

23 MR. DUFFY: Sounds good.

24 And then in addition to that, it's

1 towards carbon-free healthy schools. In the CEJA
2 there is 15 percent of their mobile energy credits
3 toward going to solar on schools as well as energy
4 efficiency audits focused on Tier 1 and Tier 2
5 environmental justice schools.

6 So we think it would be very
7 beneficial to have that money towards amplifying
8 solar on schools, decarbonizing schools, and
9 electric school buses as well.

10 Thank you so much for your time.

11 CHAIR HOBERT: Thank you, Joe. We appreciate
12 your time and your thoughts.

13 Rob, it looks like next up -- who is
14 next in the queue?

15 MR. LITCHFIELD: Mike Genin or Genin.

16 CHAIR HOBERT: Hi, Mike.

17 MR. GENIN: Hello. Can you hear me?

18 CHAIR HOBERT: Yes.

19 MR. GENIN: Thank you, Chair Hobert, Members
20 of the Illinois Finance Authority, the staff for
21 the opportunity to testify on the Greenhouse Gas
22 Reduction Fund.

23 My name is Mike, last name is
24 G-e-n-i-n, Genin. And I'm representing the

1 Illinois Municipal Utility Association, also known
2 as IMUA, and the Illinois Municipal Electric
3 Agency, also known as the IMEA. We have worked
4 well with the IFA in the past with regard to
5 emergency loan financing for municipal gas systems
6 during the winter storm Uri. We would like to
7 again thank you, Chair Hobert, and the IFA again
8 for their quick action and urgent necessary relief
9 during that time frame.

10 The IMA is a nonprofit joint action
11 agency providing wholesale power to 32 municipal
12 electric systems in the state. And the IMUA is the
13 advocacy organization representing all 42 municipal
14 electric systems in Illinois. We are nonprofit
15 utilities, and well over a majority of our
16 municipal electric systems are in low-income or
17 rural downstate communities. We would welcome the
18 opportunity to potentially to work with the IFA on
19 the GGRF and help many of these folks benefit from
20 increased electric vehicles on their roads in
21 reaching the state's 100 percent clean energy goal
22 by 2050.

23 Our organizations are uniquely
24 positioned and qualified to enable these municipal

1 electric utilities and, as a result, their
2 communities that benefit from the new zero-emission
3 technologies or the reduction of greenhouse gas
4 emission technologies. We already administer 19
5 programs that support energy efficiency and
6 electric vehicle incentives.

7 If the IFA is able to secure the GGRF
8 funds and if we were to have the prospect
9 department with the IFA, then we can expand our
10 programs to offer new incentives and opportunities
11 that would not necessarily be available without
12 financial assistance. Examples could include
13 offering customers incentives or rebates for
14 high-efficiency heat pumps, efficient appliances,
15 weatherization options, and opportunities to
16 accelerate the transition to carbon-free vehicle
17 fleets.

18 We also have experience in developing
19 renewable projects such as wind and solar. We
20 could use this experience to potentially offer the
21 opportunity of community-based solar for municipal
22 customers as well as other zero-emission or
23 greenhouse gas reduction technologies.

24 In conclusion, thank you for your

1 consideration. Thank you for representing Illinois
2 in assessing GGRF funds. And thank you for the
3 opportunity to speak today. Thank you.

4 CHAIR HOBERT: Thank you, Mike. We appreciate
5 your time and your thoughts.

6 Next up, Rob, is it Tracy?

7 MR. LITCHFIELD: Tracy Fox.

8 CHAIR HOBERT: Hi, Tracy.

9 MS. FOX: Hi. Thanks to the Director, board
10 members, and staff who are holding this evening's
11 session. It is much appreciated.

12 I have been a community volunteer in
13 the Peoria area for many years and got involved
14 with energy policy as it was pretty closely
15 intertwined with our fight to clean up pollution at
16 the Edwards Coal Plant. And that led me to be
17 pretty involved with some of the legislative
18 drafting done by the Clean Jobs Coalition on CEJA.

19 And the way that CEJA is drafted,
20 there's a real opportunity to do not one but two or
21 three things with the Greenhouse Gas Reduction
22 Fund. I certainly think that the IFA is well
23 positioned to carry part of that load, but I also
24 think there's an important place for smaller, more

1 culturally sensitive banking sorts of things such
2 as what was envisioned in the CEJA Jobs and Justice
3 Fund. And so I hope that as IFA moves forward it
4 will think about a role for both banking options as
5 well as ways that it can lift up not just the
6 couple of programs called out by CJI and Mr. Duffy,
7 but the full range of CEJA programs. I would hope
8 that IFA would coordinate with the Illinois Power
9 Authority as well as DCEO to see how the full suite
10 of programs might benefit from this extra funding.

11 I also just want to dig a little bit
12 to why I think multiple banking options are needed,
13 and the first has to do with target audiences.

14 CEJA and the parts of it that I worked on,
15 including the Jobs and Justice Fund, really focused
16 on the needs of very small contractors and new
17 entrance into the clean energy field. And they're
18 very targeted to try to bring people who have been
19 shut out before into clean energy. And that would
20 be people in environmental justice, people in
21 cannabis-ravaged communities, people coming out of
22 the prison system, and people who are foster care
23 alums.

24 I think the banking relationship is

1 needed to help that. I'm sure folks who could
2 benefit from the jobs, who could benefit from the
3 opportunity is going to look pretty different from
4 what IFA typically deals with, and I think it's
5 good to have multiple doors. These folks, a lot of
6 them are used to not having good access to
7 capital --

8 MR. LITCHFIELD: 30 seconds left.

9 MS. FOX: -- of having pretty fraught banking
10 relationships. So I think that duplication is
11 important.

12 I also think it's important because
13 it allows you to do different types of projects.
14 Small projects that appear in neighborhoods of the
15 appropriate purview, of a smaller entity like the
16 Jobs and Justice Fund where answering questions
17 like what's the urban equivalent of a wind farm,
18 something that the south side of Peoria District
19 Council people ask me all the time. Those are the
20 purview of things the IFA would be well positioned
21 to address.

22 And, finally, I ask you not to solve
23 isolated and outdated projects or problems.
24 Instead, try to position IFA, its efforts are

1 overall greenhouse gas reduction efforts and
2 solving the problems of everyday people, the need
3 for clean air, the need for low-cost energy, and
4 also to position Illinois to catch the next wave.
5 We don't need to be propping up ethanol plants with
6 additional carbon piping and working on solutions
7 that are only going to be good for 20 to 30 years.

8 IFA is in the --

9 MR. LITCHFIELD: Your time is up.

10 MS. FOX: Okay. You have the experience to
11 look beyond the obvious solutions, and I encourage
12 you to do so.

13 CHAIR HOBERT: Thank you, Tracy. We
14 appreciate your thoughts.

15 Rob, do we have anyone else in the
16 queue?

17 MR. LITCHFIELD: No, that's it. No speakers.

18 EXECUTIVE DIRECTOR MEYER: Will, I think
19 Roxanne has got a comment.

20 CHAIR HOBERT: Great. Roxanne?

21 VICE CHAIR NAVA: Thank you, Chair Hobert.

22 So I just wanted to add to the great
23 comments. This is really unprecedented times both
24 in terms to the potential for the funding and

1 aggressiveness of the implementation schedule. So
2 I appreciate hearing everyone speak. You know,
3 it's important for all of us -- grant applicants,
4 grant recipients -- because we know that it's
5 important to do this right, it's important to be
6 inclusive, it's important to be equitable because I
7 believe the world is watching us.

8 I'm glad all the speakers were
9 constructive, and they were on the same page of
10 being inclusive and equitable. And we look forward
11 to hearing from everybody so that we can all move
12 forward together. Thank you, Chair Hobert.

13 CHAIR HOBERT: Thank you, Member Nava.
14 Appreciate those thoughts.

15 Rob, do we still have nobody in the
16 queue?

17 MR. LITCHFIELD: Nobody in the queue.

18 CHAIR HOBERT: Okay.

19 ASSISTANT SECRETARY MEYER: Again, this is --
20 are we ready to adjourn? This is Mark Meyer.
21 Executive Director --

22 MR. LITCHFIELD: Wait. We have someone logged
23 in as "staff liaison."

24 MS. BECKER: Apologies. I'm using a work Zoom

1 account. My name is Lauren Becker, and I'm with
2 the City of Carbondale, Illinois.

3 CHAIR HOBERT: Hi, Lauren. Please take up to
4 three minutes and let us know your thoughts.

5 MS. BECKER: My thoughts will be short and
6 sweet. I just want to make sure that I take this
7 time that you've provided for us to echo the
8 sentiments of a previous speaker. Coming from the
9 perspective of a municipal employee, I cannot
10 stress enough the importance of small projects and
11 the importance of projects that focus on
12 strengthening the resilience of our neighborhood.

13 So a previous speaker had mentioned
14 this opportunity as an avenue for us to focus on
15 the new wave, catching the new wave. So I just
16 want to stress that our community is also looking
17 to catch the new wave, not additional carbon
18 piping. We want to be preparing ourselves to be
19 resilient and focusing on energy sovereignty and
20 energy security in this new age.

21 And we welcome the opportunity for
22 municipal governments to pursue power that we can
23 own ourselves, pursue power that focuses on
24 providing those of us who are low income or

1 disadvantaged with an opportunity to get a head
2 start, get a jump because, believe it or not,
3 utilities in and of themselves can make or break a
4 family's monthly budget.

5 So I just want to add those thoughts
6 coming from the perspective of a municipal staff
7 member. And I appreciate your time. Thank you
8 very much.

9 CHAIR HOBERT: Thank you, Lauren. We
10 appreciate your time and your thoughts.

11 Rob, anybody else in the queue?

12 MR. LITCHFIELD: No.

13 CHAIR HOBERT: Okay.

14 MR. LITCHFIELD: Wait. Spoke too soon.
15 There's Jane -- is it Cogie?

16 MS. COGIE: Yeah, I'm Jane Cogie. I'm a
17 member of the Sustainability Commission of
18 Carbondale. Can you hear me?

19 CHAIR HOBERT: Yes. Please go ahead, Jane.

20 MS. COGIE: Thank you. Thank you. Yeah, I
21 don't really have prepared remarks except I endorse
22 what two of the speakers mentioned about need for
23 small projects. One of the main impetus for the
24 Climate and Equitable Jobs Act is to have clean

1 energy accessible to all, but also to have clean
2 jobs across the state. And having the equity
3 portion of CEJA for solar developers as well as for
4 workforce training would involve having the green
5 fund available -- configured so it's available to
6 folks in those locations across the state. And I
7 can speak definitely for Southern Illinois and need
8 for jobs, and we definitely have low-income folks
9 who would benefit from those jobs as well as from
10 them having solar on their house.

11 I also -- I guess I want to be sure
12 that funding for projects that involve pipelines to
13 sequester carbon from ethanol plants or elsewhere
14 is not in the spirit of moving on to new generation
15 of clean energy. It's reinforcing the past and
16 fossil fuels. Nothing wrong with fossil fuels, but
17 we need to move beyond them at this point.

18 So I will write a written comment in
19 addition to this, but I do want to at least speak
20 out on this level -- this general level to endorse
21 that focus on local and clean alternative fuels.

22 Thank you so much for your time.
23 It's terrific that all this financing is available,
24 will be available through the green fund, and we

1 want to make the best of it. Thanks so much.

2 CHAIR HOBERT: Thank you, Jane. We appreciate
3 your time and your thoughts.

4 Rob, anyone else in the queue?

5 MR. LITCHFIELD: No, no other speakers.

6 CHAIR HOBERT: Okay. Well, Joe, Mike, Tracy,
7 Lauren, and Jane, we appreciate your time and
8 sharing your thoughts with us.

9 Member Pawar, Nava, and Poole, we
10 appreciate your time for joining in as well, as
11 well as staff in the room and Rob. Thank you.
12 With that, Mark.

13 ASSISTANT SECRETARY MEYER: Again, this is
14 Mark Meyer. The time is 7:32 p.m., and this agency
15 listening session is adjourned.

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24

1 STATE OF ILLINOIS)
2 COUNTY OF COOK) SS:
3

4 Valerie Calabria, CSR, RPR, being
5 first duly sworn, on oath says that she is a court
6 reporter doing business in the State of Illinois;
7 and that she reported in shorthand the proceedings
8 of said meeting; and that the foregoing is a true
9 and correct transcript of her shorthand notes so
10 taken as aforesaid, and contains the proceedings
11 given at said meeting.

12
13
14 

15 VALERIE CALABRIA, CSR, RPR
16 License No. 84-003928
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24

Litchfield, Robert

From: Joyce Blumenshine [REDACTED]
Sent: Monday, November 14, 2022 8:55 PM
To: publiccomments@il-fa.com
Subject: Request to make Public Comment for the Nov. 17th, evening session on Greenhouse Gas Reduction Fund Listening Session II

This email is to request the opportunity to make a 3 minutes public comment at the IFA Listening Session, Thursday, Nov. 17th, at 7 p.m. regarding the Greenhouse Gas Reduction Fund Agency Listening Session II.

Thank you very much.

Joyce Blumenshine
[REDACTED]

Litchfield, Robert

From: Candace Colby [REDACTED]
Sent: Wednesday, November 16, 2022 4:32 PM
To: webmaster@il-fa.com
Subject: Public Comment regarding Inflation Reduction Act funds for greenhouse gas reductions

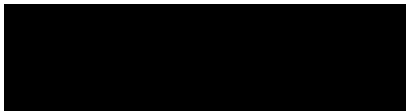
To Whom It May Concern:

Regarding Illinois' use of funds from the Inflation Reduction Act to be used for greenhouse gas reductions, I would like to recommend the following:

- Acquiring more public land/habitat, restoring prairie areas and planting more trees.
- Not using the funds for carbon capture and sequestration of emissions from power plants.
- Enabling more citizens to acquire electric, energy efficient appliances, heat pumps and so on.
- Investing in energy upgrades for existing buildings, e.g. insulation, sealing leaks, etc.
- Investing in passenger rail. In northwest Illinois, we see a need for passenger rail service from Dubuque to Chicago, with stops in Galena, Freeport and Rockford, to name a few.

Thank you.

Sincerely,
Candace Colby



Litchfield, Robert

From: Ryan O'Donnell <Ryan.ODonnell@cwbnacp.org>
Sent: Friday, November 18, 2022 3:39 PM
To: webmaster@il-fa.com
Cc: info@il-fa.com
Subject: Feedback on Greenhouse Gas Reduction Fund

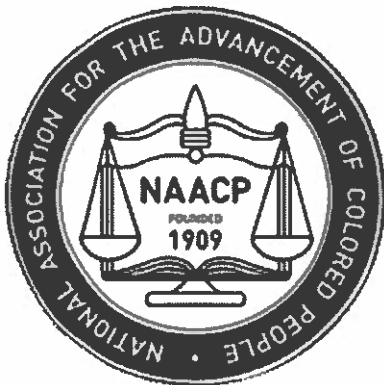
Dear Illinois Finance Authority,

Science and reason make it clear that exploiting non-human animals to use their bodies or their byproducts as food, clothing, or furniture has disastrous effects on the environment via land use, water consumption and pollution, crop consumption, and air pollution. Yet funds continue to flow toward problems and not to solutions.

Fortunately, we have an opportunity with the Greenhouse Gas Reduction Fund to invest in vegan businesses and organizations that span a wide gamut from technology and man-made meat to sustainable fashion and food. These investments will have wide effects and make strides in eliminating health disparities, eliminating food deserts, and reducing dangerous greenhouse gas emissions, like carbon dioxide and gases with much higher Global Warming Potentials, like methane and nitrous oxides.

Black people are rejecting the cultures of slavery and colonialism more and more. The fact that much of the wealth in the sustainability and vegan economy is not going to Black people is an injustice that you have the power to make meaningful steps toward correcting. To be truly modern and equitable, investments from the Greenhouse Gas Reduction Fund must consider this historical marginalization to specifically uplift Black vegan environmental entrepreneurs and organizations.

Best,



Ryan O'Donnell (he/yeye)
Chairperson
[Environmental and Climate Justice Committee](#)
Chicago Westside Branch of the NAACP

     [Subscribe to Committee Emails](#)

Litchfield, Robert

From: Mia Korinke <mkorinke@climatejobsillinois.org>
Sent: Friday, November 18, 2022 2:46 PM
To: webmaster@il-fa.com
Cc: Joe Duffy
Subject: Comments on EPA GHG Reduction Fund Regulations
Attachments: Climate Jobs Illinois Comments on EPA GHG Reduction Fund Regulations.docx

Good afternoon,

Please see the attached comments on proposed regulations for the EPA Greenhouse Gas Reduction Fund, submitted on behalf of Climate Jobs Illinois. Please let us know if you have any questions.

Thank you,

Mia Korinke

Campaign Mobilization Director

Climate Jobs Illinois – IL AFL-CIO

E: mkorinke@climatejobsillinois.org

C: 763.607.9263

[Facebook](#) | [Twitter](#) | ClimateJobsIllinois.org





November 18, 2022

TO: Interested Parties

FR: Climate Jobs Illinois (CJI)

RE: Draft of Comments on Implementation of the EPA Greenhouse Gas Reduction Fund

Please direct questions and comments to:

Joe Duffy, Executive Director: 847-370-4807, joemduffy@gmail.com

Mia Korinke, Campaign Director: 763-607-9263, mkorinke@climatejobsillinois.org

About Us

Climate Jobs Illinois is a coalition of labor organizations advocating for a pro-worker, pro-climate agenda in Illinois. Our mission is to advocate for a clean energy economy at the scale climate science demands, create good union jobs and support more equitable communities. Our coalition represents hundreds of thousands of Illinois working men and women who are the best trained and skilled to build Illinois' new clean-energy economy from the ground up. By focusing on the construction of clean energy sources as a way to combat the climate crisis, Climate Jobs Illinois offers a compelling new approach to creating an equitable and clean economy. Building a clean energy economy is an opportunity for labor to lead in climate by creating high-quality family-sustaining jobs that spur economic development while reducing carbon emissions.

Climate Jobs Illinois is a state affiliate of the Climate Jobs National Resource Center. Climate Jobs Illinois is directed by a coalition representing hundreds of thousands of union members across Illinois, our Executive Committee is comprised of leadership from:

- Association of Bridge, Structural, Ornamental and Reinforcing Iron Workers Union Chicago & St. Louis
- Mid-American Carpenters Regional Council
- International Brotherhood of Electrical Workers Local 134
- International Brotherhood of Electrical Workers State Council
- Illinois Education Association
- Illinois Federation of Teachers
- International Union of Operating Engineers Local 150
- Midwest Region of Laborers International Union of North America
- Great Lakes Region Laborers International Union of North America
- Service Employees International Union State Council
- International Association of Heat and Frost Insulators and Allied Workers

Background

The EPA has provided a list of questions to inform public comments (please see attached). CJI has developed comments addressing questions in section 2 and section 4.

Section 2: Program Design

Question #2. What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate additionality (i.e., federal funding invests in projects that would have otherwise lacked access to financing)?

- a. The public sector has lagged behind the private sector in greenhouse gas emissions (“GHG”) reductions due to the absence of suitable financing instruments.**

In the past, public and tax-exempt entities, including school districts, could not make use of federal solar tax credits. Public entities relied on direct grants and complex tax equity arrangements for purchasing solar. As a result, project finance and capital investment in the public sector for renewables and energy efficiency is underdeveloped relative to the private sector.

Now, with the Act’s “direct payment” provision, government entities are eligible to receive the full amount of solar tax credits as an as-of-right grant, making solar investments more economical than ever before — solar pays for itself, even in the short-term. However, the public sector needs access to financing to make use of direct payment.

The Greenhouse Gas Reduction fund should prioritize the public sector to ensure the supply of capital meets demand. GGRF funds granted to state authorities or non-profit green banks to create revolving loan funds available to government entities will be critical for facilitating the decarbonization of the public sector.

Additionally, given that there will likely be a considerable lag time between paying the full upfront costs of a solar project, and receiving the direct payment incentive, public sector institutions will also require financial instruments that bridge the gap and prevent excessive costs of borrowing.

For example, a short-term bridge loan could cover the total project costs until the government entity receives its direct payment, after which the entity can switch to a new loan that equals the total project cost minus the direct payment incentive. Another option would be loans that require interest-only payments until reception of direct payment. These are both standard practices in the construction industry.

To facilitate investment in public sector projects, green banks should be encouraged to form partnerships with local advocacy groups that support public building decarbonization like CJI's Carbon Free Healthy Schools program.

Question #7: What should EPA consider in the design of the program, in addition to prevailing wage requirements in section 314 of the Clean Air Act, to encourage grantees and subrecipients to fund projects that create high quality jobs and adhere to best practices for labor standards, consistent with guidance such as Executive Order 14063 on the Use of Project Labor Agreements and the Department of Labor's Good Jobs Principles?

a. Build our green workforce with grants for pre-apprenticeship programs and revolving loan funds for project financing

The program should require that grantees and subrecipients describe how they will ensure that projects financed by the funds they receive from the GGRF produce high quality jobs, and that the local supply of qualified workers is sufficient to take on those jobs. Applicants' responses should be evaluated against the most effective and proven model for meeting this need, the established practice of pairing union-affiliated apprenticeship-readiness programs with apprenticeship programs and Project Labor Agreements (PLAs).

Pre-apprenticeship programs recruit and train people in disadvantaged communities and place them into apprenticeships. Apprentices are then trained and placed into good-paying union jobs building new renewable energy infrastructure, with the help of Project Labor Agreements, through which employers agree to support apprenticeship programs and hire specified percentages of workers from apprenticeship programs and under-represented communities.

While apprenticeships are funded by the jobs that apprentices take on, pre-apprenticeships require outside funding. GGRF recipients should be encouraged to pair grants for pre-apprenticeship programs with revolving, continually operable loan funds designed to finance projects that employ pre-apprenticeship graduates.

b. Regional and sectoral development will lead to more sophisticated training opportunities and better labor standards

High regional volume will create more sustained and sophisticated training pipelines. For example, Requests for Proposals at the county-level can create project aggregation, resulting in longer project timelines and more job opportunities so that pre-apprenticeships and apprenticeships have clear direction to invest resources. Prioritizing plans for sectoral development — for example, rooftop solar for all public schools in a state — can have a similar effect.

Aggregated projects have an additional benefit, due to their scale, of lending themselves to Project Labor Agreements that protect workers' health, wages, and rights.

10. What federal, state and/or local programs, including other programs included in the Inflation Reduction Act and the Infrastructure Investment and Jobs Act or "Bipartisan Infrastructure Law," could EPA consider when designing the Greenhouse Gas Reduction Fund? How could such programs complement the funding available through the Greenhouse Gas Reduction Fund?

a. The Greenhouse Gas Reduction Fund should coordinate with state and local programs offering or mandating energy audits and feasibility studies

Solar and energy efficiency improvements often start with studies that identify opportunities to decarbonize buildings and analyze whether these opportunities are cost-effective. For example, under the Climate and Equitable Jobs Act, Illinois public schools receive free energy audits. Under Denver's Bill 21-1310, buildings planning to replace fossil fuel-reliant equipment must file an electrification feasibility report. Under Maryland's House Bill 662, public buildings that are planning renovations must undergo similar feasibility studies.

Energy audits and feasibility studies are critical for spurring building decarbonization improvements, such as energy efficiency upgrades and onsite solar. Once a building owner understands the economic impact of making building decarbonization improvements, they are highly likely to undertake projects. It is likely that the next generation of state and local building decarbonization legislation will mandate building decarbonization improvements in cases where they are feasible and cost-effective.

Given that deployment of GGRF financing for building decarbonization will depend on widely accessible and affordable energy audits and feasibility studies, applicants for GGRF funds should demonstrate their plans to coordinate with existing state and local programs or meet this need in-house.

Section 4: Eligible Recipients

What types of entities (as eligible recipients and/or indirect recipients) could enable Greenhouse Gas Reduction Fund grants to support investment and deployment of greenhouse gas and air pollution reducing projects in low-income and disadvantaged communities?

a. Public K-12 schools and public higher education are critical institutions for low-income communities.

Public K-12 schools, public higher education, and hospitals are well-positioned to maximize the impact of GGRF funds as indirect recipients of GGRF funds. Direct recipients prepared to provide financing to these institutions should be a priority.

Public K-12 schools are the second largest sector of America's physical infrastructure, after transportation.¹ There are 100,000 public school buildings in the US, more than 50% of which are at least 50 years old and in need of major renovations.² Upgrading public schools in low-income communities will not only improve air quality and reduce greenhouse gas emissions, but also improve learning for students. Schools with leaky envelopes and broken heating and cooling systems create uncomfortable learning environments. Polluted air cause high rates of childhood asthma.³

b. Rural cooperative utilities and public utilities have experience with greenhouse gas reduction in low-income communities

Public utilities and rural electric cooperatives have existing relationships, expertise, and experience with implementing greenhouse gas reduction projects in low-income communities.

With assistance from the Rural Energy Savings Program (RESP), rural electric cooperative utilities already provide energy efficiency loans for members in low-income areas.⁴ GGRF funding would complement electric cooperatives' loan programs and help them expand to solar.

Public utilities have a strong track record with greenhouse gas reduction projects in low-income areas as well. The New York Power Authority recently piloted window heat pumps with the New York City Housing Authority⁵, and is working with NYC DOE introduce LED retrofits for schools.⁶

¹ <https://www.americanprogress.org/article/case-federal-funding-school-infrastructure/>

² <https://www.gao.gov/products/gao-20-494>

³ https://www.epa.gov/system/files/documents/2021-09/climate-vulnerability_september-2021_508.pdf

⁴ <https://www.rd.usda.gov/programs-services/electric-programs/rural-energy-savings-program>

⁵ <https://www.nyserda.ny.gov/About/Newsroom/2022-Announcements/2022-08-02-Governor-Hochul-and-Mayor-Adams-Announce-Clean-Heat-for-All#:~:text=NYCHA%20estimates%20a%20need%20for,York%20City's%20Local%20Law%2097.>

⁶ <https://www.nyc.gov/office-of-the-mayor/news/787-22/mayor-adams-4-billion-plan-make-new-schools-all-electric-electrify-100-existing>

Full List of EPA Questions⁷

Section 1: Low-Income and Disadvantaged Communities

1. What should EPA consider when defining “low income” and “disadvantaged” communities for purposes of this program? What elements from existing definitions, criteria, screening tools, etc., - in federal programs or otherwise - should EPA consider when prioritizing low-income and disadvantaged communities for greenhouse gas and other air pollution reducing projects?
2. What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to ensure that low-income and disadvantaged communities can participate in and benefit from the program?
3. What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to support and/or prioritize businesses owned or led by members of low-income or disadvantaged communities?

Section 2: Program Design

1. What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate high private-sector leverage (i.e., each dollar of federal funding mobilizes additional private funding)?
2. What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate additionality (i.e., federal funding invests in projects that would have otherwise lacked access to financing)?
3. What should EPA consider in the design of the program to ensure that revenue from financial assistance provided using Greenhouse Gas Reduction Fund grants is recycled to ensure continued operability?
4. What should EPA consider in the design of the program to enable Greenhouse Gas Reduction Fund grants to facilitate broad private market capital formation for greenhouse gas and air pollution reducing projects? How could Greenhouse Gas Reduction Fund grants help prove the “bankability” of financial structures that could then be replicated by private sector financial institutions?
5. Are there best practices in program design that EPA should consider to reduce burdens on applicants, grantees, and/or subrecipients (including borrowers)?
6. What, if any, common federal grant program design features should EPA consider or avoid in order to maximize the ability of eligible recipients and/or indirect recipients to leverage and recycle Greenhouse Gas Reduction Fund grants?
7. What should EPA consider in the design of the program, in addition to prevailing wage requirements in section 314 of the Clean Air Act, to encourage grantees and subrecipients to fund projects that create high quality jobs and adhere to best practices for labor standards, consistent with guidance such as Executive Order 14063 on the Use of Project Labor Agreements and the Department of Labor’s Good Jobs Principles?
8. What should EPA consider when developing program guidance and policies, such as the appropriate collection of data, to ensure that greenhouse gas and air pollution reduction projects funded by grantees and subrecipients comply with the requirements of Title VI of the Civil Rights

⁷ <https://www.regulations.gov/docket/EPA-HQ-OA-2022-0859/document>

Act, which prohibits discrimination on the basis of race, color, and national origin in programs and activities receiving federal financial assistance?

9. What should EPA consider when developing program policies and guidance to ensure that greenhouse gas and air pollution reduction projects funded by grantees and subrecipients comply with the requirements of the Build America, Buy America Act that requires domestic procurement of iron, steel, manufactured products, and construction material?

10. What federal, state and/or local programs, including other programs included in the Inflation Reduction Act and the Infrastructure Investment and Jobs Act or “Bipartisan Infrastructure Law,” could EPA consider when designing the Greenhouse Gas Reduction Fund? How could such programs complement the funding available through the Greenhouse Gas Reduction Fund?

11. Is guidance specific to Tribal and/or territorial governments necessary to implement the program? If so, what specific issues should such guidance address?

Section 3: Eligible Projects

1. What types of projects should EPA prioritize under sections 134(a)(1)-(3), consistent with the statutory definition of “qualified projects” and “zero emissions technology” as well as the statute’s direct and indirect investment provisions? Please describe how prioritizing such projects would:

- maximize greenhouse gas emission and air pollution reductions;
- deliver benefits to low-income and disadvantaged communities;
- enable investment in projects that would otherwise lack access to capital or financing;
- recycle repayments and other revenue received from financial assistance provided using the grant funds to ensure continued operability; and
- facilitate increased private sector investment.

2. Please describe what forms of financial assistance (e.g. subgrants, loans, or other forms of financial assistance) are necessary to fill financing gaps, enable investment, and accelerate deployment of such projects.

3. Beyond financial assistance for project financing what other supports – such as technical assistance -- are necessary to accelerate deployment of such projects?

Section 4: Eligible Recipients

1. Who could be eligible entities and/or indirect recipients under the Greenhouse Gas Reduction Fund consistent with statutory requirements specified in section 134 of the Clean Air Act? Please provide a description of these types of entities and references regarding the total capital deployed by such entities into greenhouse gas and air pollution reducing projects.

2. What types of entities (as eligible recipients and/or indirect recipients) could enable Greenhouse Gas Reduction Fund grants to support investment and deployment of greenhouse gas and air pollution reducing projects in low-income and disadvantaged communities?

3. What types of entities (as eligible recipients and/or indirect recipients) could be created to enable Greenhouse Gas Reduction Fund grants to support investment in and deployment of greenhouse gas and air pollution reducing projects in communities where capacity to finance and deploy such projects does not currently exist?

4. How could EPA ensure the responsible implementation of the Greenhouse Gas Reduction Fund grants by new entities without a track record?
5. What kinds of technical and/or financial assistance could Greenhouse Gas Reduction Fund grants facilitate to maximize investment in and deployment of greenhouse gas and air pollution reducing projects by existing and/or new eligible recipients and/or indirect recipients?

Section 5: Oversight and Reporting

1. What types of governance structures, reporting requirements and audit requirements (consistent with applicable federal regulations) should EPA consider requiring of direct and indirect recipients of Greenhouse Gas Reduction Fund grants to ensure the responsible implementation and oversight of grantee/subrecipient operations and financial assistance activities?
2. Are there any compliance requirements in addition to those provided for in Federal statutes or regulations (e.g., requirements related to administering federal grant funds) that EPA should consider when designing the program?
3. What metrics and indicators should EPA use to track relevant program outcomes including, but not limited to, (a) reductions in greenhouse gas emissions or air pollution, (b) allocation of benefits to low-income and disadvantaged communities, (c) private sector leverage and project additionality, (d) number of greenhouse gas and air pollution reduction projects funded and (f) distribution of projects at the national, regional, state and local levels?
4. What should EPA consider in the design of the program to ensure community accountability for projects funded directly or indirectly by the Greenhouse Gas Reduction Fund? What if any existing governance structures, assessment criteria (e.g., the Community Development Financial Institutions Fund's Target Market Accountability criteria), rules, etc., should EPA consider?

Section 6: General Comments

1. Do you have any other comments on the implementation of the Greenhouse Gas Reduction Fund?

Litchfield, Robert

From: Joyce Blumenshine [REDACTED]
Sent: Friday, November 18, 2022 10:12 PM
To: webmaster@il-fa.com
Subject: Federal Greenhouse Gas Reduction Fund Comment Letter

To Director Meister and the Illinois Finance Authority Board,

Thank you to the IFA for holding your two listening session opportunities this November. I attended the November 10th session to hear your presentation and signed up to give comments on your November 17th follow-up. Unfortunately, my audio would not connect or work for the November 17th video link and I phoned in for the audio. The phone number kept saying the session had not begun. When I phoned the help number in your meeting announcement, a recording said it was after hours and the office was closed. It was very disappointing to me not to be able to participate in person. I am mentioning this for any future after-hours sessions you might hold so you are aware that staffing for guests participating via audio conference who find that they cannot hear the proceedings is needed.

As a long-time resident of Peoria, it is greatly important to me that the IFA be sure to absolutely prioritize projects that benefit low-income and disadvantaged communities. Like other Illinois cities, Peoria has a problematic history of discrimination and lack of equity and opportunity for minority populations. The IFA will be fulfilling a much-needed and essential step forward for equity by making sure that your work will absolutely prioritize grants that clearly benefit low-income and disadvantaged communities.

Solar to assist community groups and housing for minorities are just two needs for assisting savings on energy costs so that groups and individuals in low-income and disadvantaged areas benefit from the federal funding. I urge that funding be directed to solar energy, energy efficiency, and true clean energy projects.

Illinois is seeing a rush of projects such as CO2 pipelines and related projects that only enable continued use of oil, gas, and coal. I urge that projects that enable any continuation of carbon based fuels not be considered, as they only perpetuate the greenhouse gasses emitted from oil extraction, fracking for gas, and methane released from coal mining, which all will just continue to add to rapid climate change.

Thank you very much for consideration of my comments.

Sincerely,
Joyce Blumenshine



To: Stakeholders

From: Christopher B. Meister, Executive Director

Date: November 10, 2022

Purpose: ***Agency Listening Session Materials related to Greenhouse Gas Reduction Fund***

Staff of the Illinois Finance Authority (the “Authority”), consistent with the Authority’s designation as the Climate Bank of the State of Illinois under Illinois law, will hold an agency listening session regarding the Inflation Reduction Act which amended the Clean Air Act to create a new program through the United States Environmental Protection Agency: the Greenhouse Gas Reduction Fund (the “GGRF”). This first-of-its-kind federal program will provide competitive grants to mobilize financing and leverage private capital for clean energy and climate projects that reduce greenhouse gas emissions – with an emphasis on projects that benefit low-income and disadvantaged communities – and further the Biden-Harris Administration’s commitment to environmental justice. The agency listening session will be held in the Authority’s Chicago Office, 160 North LaSalle Street, Suite S-1000, Chicago, Illinois 60601 on **Thursday, November 10, 2022, at 11:00 a.m.**

In my view, the GGRF purposes are consistent with the purposes of the Illinois Climate and Equitable Jobs Act or CEJA, specifically its goals of:

- putting 1 million Electric Vehicles on Illinois roads by 2030;
- reaching 100% clean energy in Illinois by 2050; and
- while prioritizing job creation-training-placement reflecting the diversity of Illinois.

Notice was posted on November 4, 2022 consistent with Authority practice. Efforts were made to inform interested stakeholders.

Environmental Finance Advisory Board (“EFAB”)

Relevant dates as posted on the EFAB website (<https://www.epa.gov/waterfinancecenter/efab>), including the following:

- 11/01/22 EPA National Listening Session 1
- 11/09/22 EPA National Listening Session 2
- 12/5/2022 responses due to EPA Request for Information (RFI)
- Additional EFAB Public Meetings: 10/18-19; 11-17; 12-1; 12-15/2022
- 12/15/2022 EPA receives EFAB Recommendations
- TBD Applications due to EPA
- 2/12/2023 through 09/30/2024 anticipated EPA deployment of GGRF funds



GGRF Website

The following information is posted on the GGRF website (<https://www.epa.gov/inflation-reduction-act/greenhouse-gas-reduction-fund>):

“The Greenhouse Gas Reduction Fund is an unprecedented opportunity to accelerate the adoption of greenhouse gas reducing technologies and position the United States to compete and win the 21st century economy.” --EPA Administrator Michael S. Regan.

The Greenhouse Gas Reduction Fund provides \$27 billion to EPA for expenditure until September 30, 2024. This includes:

\$7 billion for competitive grants to enable low-income and disadvantaged communities to deploy or benefit from zero-emission technologies, including distributed technologies on residential rooftops;

Nearly \$12 billion for competitive grants to eligible entities to provide financial and technical assistance to projects that reduce or avoid greenhouse gas emissions; and

\$8 billion for competitive grants to eligible entities to provide financial and technical assistance to projects that reduce or avoid greenhouse gas emissions in low-income and disadvantaged communities.

EPA is launching a coordinated stakeholder engagement strategy to help shape the implementation of the Greenhouse Gas Reduction Fund and ensure the full economic and environmental benefits of this historic investment are realized by all Americans.”

Controlling Federal Statute

H.R. 5376: *excerpt of Inflation Reduction Act of 2022*, pp. 248-250

SEC. 60103. GREENHOUSE GAS REDUCTION FUND.

The Clean Air Act is amended by inserting after section 133 of such Act, as added by section 60102 of this Act, the following:

“SEC. 134. GREENHOUSE GAS REDUCTION FUND.

“(a) APPROPRIATIONS.—

“(1) ZERO-EMISSION TECHNOLOGIES.—In addition to amounts otherwise available, there is appropriated to the Administrator for fiscal year 2022, out of any money in the Treasury not otherwise appropriated, \$7,000,000,000, to remain available until September 30, 2024, to make grants, on a competitive basis and beginning not later than

180 calendar days after the date of enactment of this section, to States, municipalities, Tribal governments, and eligible recipients for the purposes of providing grants, loans, or other forms of financial assistance, as well as technical assistance, to enable low-income and disadvantaged communities to deploy or benefit from zero-emission technologies, including distributed technologies on residential rooftops, and to carry out other greenhouse gas emission reduction activities, as determined appropriate by the Administrator in accordance with this section.

“(2) GENERAL ASSISTANCE.—In addition to amounts otherwise available, there is appropriated to the Administrator for fiscal year 2022, out of any money in the Treasury not otherwise appropriated, \$11,970,000,000, to remain available until September 30, 2024, to make grants, on a competitive basis and beginning not later than 180 calendar days after the date of enactment of this section, to eligible recipients for the purposes of providing financial assistance and technical assistance in accordance with subsection (b).

“(3) LOW-INCOME AND DISADVANTAGED COMMUNITIES.—In addition to amounts otherwise available, there is appropriated to the Administrator for fiscal year 2022, out of any money in the Treasury not otherwise appropriated, \$8,000,000,000, to remain available until September 30, 2024, to make grants, on a competitive basis and beginning not later than 180 calendar days after the date of enactment of this section, to eligible recipients for the purposes of providing financial assistance and technical assistance in low-income and disadvantaged communities in accordance with subsection (b).

“(4) ADMINISTRATIVE COSTS.—In addition to amounts otherwise available, there is appropriated to the Administrator for fiscal year 2022, out of any money in the Treasury not otherwise appropriated, \$30,000,000, to remain available until September 30, 2031, for the administrative costs necessary to carry out activities under this section.

“(b) USE OF FUNDS.—An eligible recipient that receives a grant pursuant to subsection (a) shall use the grant in accordance with the following:

“(1) DIRECT INVESTMENT.—The eligible recipient shall—

“(A) provide financial assistance to qualified projects at the national, regional, State, and local levels;

“(B) prioritize investment in qualified projects that would otherwise lack access to financing; and

“(C) retain, manage, recycle, and monetize all repayments and other revenue received from fees, interest, repaid loans, and all other types of financial assistance provided using grant funds under this section to ensure continued operability.

“(2) INDIRECT INVESTMENT.—The eligible recipient shall provide funding and technical assistance to establish new or support existing public, quasi-public, not-for-profit, or nonprofit entities that provide financial assistance to qualified projects at the State, local, territorial, or Tribal level or in the District of Columbia, including community- and low-income-focused lenders and capital providers.

“(c) DEFINITIONS.—In this section:

“(1) ELIGIBLE RECIPIENT.—The term ‘eligible recipient’ means a nonprofit organization that—

“(A) is designed to provide capital, leverage private capital, and provide other forms of financial assistance for the rapid deployment of low – and zero-emission products, technologies, and services;

“(B) does not take deposits other than deposits from repayments and other revenue received from financial assistance provided using grants funds under this section;

“(C) is funded by public or charitable contributions; and

“(D) invests in or finances projects alone or in conjunction with other investors.

“(2) GREENHOUSE GAS.—The term ‘greenhouse gas’ means the air pollutants carbon dioxide, hydrofluorocarbons, methane, nitrous oxide, perfluorocarbons, and sulfur hexafluoride.

“(3) QUALIFIED PROJECT.—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.

“(4) ZERO-EMISSION TECHNOLOGY.—The term ‘zero-emission technology’ means any technology that produces zero emissions of—

“(A) any air pollutant that is listed pursuant to section 108(a) (or any precursor to such an air pollutant); and

“(B) any greenhouse gas.”.

To: Michael Regan, Administrator, U.S. Environmental Protection Agency
Environmental Financial Advisory Board

From: Christopher B. Meister, Executive Director, Illinois Finance Authority/Climate Bank

Date: December 5, 2022

Re: ***EPA Docket EPA-HQ-OA-2022-0859***
Submission 1 of 2

The Illinois Finance Authority/Climate Bank (“IFA/CB”), on behalf of the State of Illinois, is pleased to provide these responses to the U.S. EPA’s request for information in Docket EPA-HQ-OA-2022-0859. The IFA/CB strongly supports the efforts of the U.S. EPA to leverage Section 134 of the Inflation Reduction Act to mobilize new capital to invest in the energy transition. The State of Illinois and IFA/CB stands ready to serve as a lead implementer in deploying the Greenhouse Gas Reduction Fund (“GHGRF”) to support projects that reduce greenhouse gas emissions and benefit low-income and disadvantaged communities.

The EPA is undergoing an important policy-making process through the issuance of this RFI, and the consideration of the public feedback received herein. The IFA/CB, to support that public policymaking strategy, embraced the call from Administrator Regan to help shape the future of the GHGRF by holding two listening sessions where stakeholders could provide oral comments and invited stakeholders to submit written comments to the Authority. The IFA is providing a copy of the public notices, minutes, and written comments provided to the State related to this opportunity as a comment in this Docket as a separate attachment.

The State of Illinois is well-positioned to multiply the impact of these funds. On September 15, 2021, Illinois Governor JB Pritzker signed the Climate and Equitable Jobs Act (Public Act 102-662; “CEJA”), a landmark piece of legislation that is putting Illinois on a path to a 100% clean energy future by 2045, protecting public health from pollution, providing a just transition for communities historically dependent on fossil fuels, enacting tough utility accountability measures, and creating jobs and wealth in Illinois’ disadvantaged communities. Until the enactment of the federal Inflation Reduction Act, CEJA was the most comprehensive legislation to move towards a carbon-free economy in the nation.

The law will ensure:

- 100% Carbon-free power section by 2045, with interim steps;
- 50% Renewable energy by 2040;
- 1,000,000 electric vehicles in Illinois by 2030;
- 40% of the benefits and investments in solar power, electric vehicles, and the grid must go to newly-defined equity investment eligible communities and persons;
- \$82 million/yr investment in workforce development and contractor equity programs; and
- \$41 million/yr investment in former fossil fuel communities and workers.

The law also makes important updates to policies to help the state achieve these goals, including:

- Extending and expanding the state’s energy efficiency program past 2030 and requires the programs to achieve a 30% reduction in energy use by 2040.
- Creating a health & safety fund for home weatherization, and expands low-income energy programs
- Creating a new stretch energy code for Illinois municipalities
- Establishing new incentives for energy storage
- Creating a new integrated grid planning process for the state’s utilities, and implements performance incentives and penalties for their efforts in helping achieve state energy, climate, and equity goals
- Speeding up interconnection for distributed energy resources
- Implementing a new process to designate Renewable Energy Access Plan Zones to enable forward-looking transmission planning
- Creating a Displaced Energy Workers Bill of Rights
- Implementing new ethics requirements and oversight on utilities
- Supporting low-income customers by prohibiting harmful credit practices and fees

New Climate Finance Tools

CEJA also focused on the need to leverage new climate finance opportunities to accelerate the clean energy economy in a just and equitable way. The law created several new mechanisms and tools for the State of Illinois:

- Designated the Illinois Finance Authority as the State’s Climate Bank (“IFA/CB”),
- Established a Clean Energy Jobs and Justice Fund as a nonprofit green bank focused on equitable lending and business development, and
- Created the Jobs and Environmental Justice Grant Program to provide seed capital grants to help minority businesses gain a foothold in the clean energy market.

CEJA and the Illinois Finance Authority

As the Climate Bank, CEJA provided, without limitation, powers to the Authority to:

- aid in all respects with providing financial assistance, programs, and products to finance and otherwise develop clean energy and provide clean water, drinking water, and wastewater treatment in the State and otherwise develop and implement equitable clean energy opportunities in the state to mitigate or adapt to the negative consequences of climate change in an equitable manner to further the clean energy policy of the State.
- enter joint ventures and invest in and participate with government entities and private corporations engaged in the development of clean energy projects;
- use a variety of funding sources, including funds repurposed from existing Authority programs, subject to the approval of the General Assembly; and
- finance or refinance working capital through a statutory clarification.

Background on the Illinois Finance Authority/Climate Bank

Governor Pritzker’s designation of the Authority as the Climate Bank was the next step in the Authority’s *Transformation Initiative*, adopted in February 2018, and *Climate Process*, adopted in February 2020.

CEJA did not provide any new State funds to the Authority. Generally, the Authority provides financing and financial assistance to:

- promote a vigorous growing economy and avoid involuntary unemployment for Illinois residents;
- reduce the cost of indebtedness to State taxpayers and residents;
- otherwise enhance the quality of life in Illinois by benefiting the health, welfare, safety, trade, commerce, industry, and economy of the people of Illinois consistent with its statutory declarations of policy; and
- combat climate change by providing broadly defined financial assistance.

The Authority supports its operations from fees from issuance of conduit bonds and interest from investments and loans made from the Authority's locally held funds, not from State appropriations. Conduit bonds may be issued to provide financing or refinancing, including working capital, for projects, including, but not limited to, industrial projects, clean energy projects, conservation projects, housing projects, public purpose projects, higher education projects, health facility projects, cultural institution projects, municipal bond program projects, agricultural facility or agribusiness projects, and PACE projects. *See*, Illinois Finance Authority Act, as amended, 20 ILCS 3501/801-1 *et seq.* (the "Act"); Property Assessed Clean Energy Act, 50 ILCS 50/1 *et seq.* (the "PACE Act"); 20 ILCS 3501/801-10(b). In addition to the Act and the PACE Act, other State laws allow Authority financing, including without limitation the Illinois Environmental Facilities Financing Act, 20 ILCS 3515/1 *et seq.*

In Fiscal Year 2022, the Authority issued more than \$2.3 billion in conduit (generally federally tax-exempt) bond projects across a variety of economic sectors and statutory project definitions. Currently, the Authority's primary product is the issuance of federally tax-exempt conduit bonds as permitted by the federal tax code and State law, on behalf of not-for-profit borrowers generally in the hospital, healthcare, education, cultural, and senior living sectors. The Authority may issue conduit bonds on behalf of public entities, local governments and, notably the Illinois Environmental Protection Agency ("IEPA") State Revolving Fund ("SRF"), a federal-State-local-capital markets financial structure. The Authority may issue federally tax-exempt conduit bonds on behalf of certain individuals and for-profit companies such as beginning farmers, mid-sized manufacturing companies (industrial revenue bonds), privately-owned water utilities and operators of solid waste projects and/or other "exempt facilities" defined by the federal tax code. Other than PACE projects, the Authority in limited circumstances issues taxable conduit bonds (without federal exemption on interest earnings) to meet specific objectives of a particular borrower with respect to a specific project.

Prior to CEJA, the Authority demonstrated its capacity to respond with finance tools creatively, quickly, and effectively to unforeseen climate challenges. On February 16, 2021, Governor Pritzker, in his Gubernatorial Disaster Proclamation due to the dangerous winter storm of February 13-14, 2021, called on all State organizations "to use all resources at our disposal to keep our communities safe amid dangerous and ongoing winter weather." This dangerous winter storm also impacted Texas, Oklahoma, and Kansas as well as other parts of the United States with extreme cold. The winter disaster caused unprecedented increases in energy demand and constrained the supply of natural gas, thus resulting in large price spikes for wholesale natural gas. Illinois natural gas utilities operated by local governments were adversely exposed to the dramatic price spikes despite prior measures taken to mitigate both financial and weather-related risks. On February 25, 2021, the Authority held a special meeting to address the winter disaster. One local government leader, who spoke at the meeting, anticipated an immediate 900% cost increase for natural gas on local ratepayers due to the winter disaster. In response, the Authority created the Natural

Gas Municipal Loan program with low-interest rates and favorable loan terms for local governments hurt by the winter disaster. In just 65 days, the Authority made 14 direct loans to local governments from its General Fund in a total estimated amount of \$7.9 million. This fast action mitigated the harm to local ratepayers by allowing the local government borrowers to spread increased natural gas costs over a manageable timeframe. Scientists have acknowledged that with climate change continuing, the outcomes of these extreme weather events have implications the existing energy infrastructure, including natural gas, for jurisdictions other than Texas such Illinois, which was directly and negatively impact by decisions in Texas¹. It is anticipated that most of the 14 communities assisted through these loans would qualify as low-income/disadvantaged and the Authority's loan program benefited these communities by enabling an effective community response to an unforeseen climate challenge.

The Authority's longstanding partnership with the IEPA SRF program demonstrates its capacity to help administer complex programs over time and to make such programs more effective to beneficiaries. In 2013, after a nine-year gap, the Authority and IEPA modernized the Illinois SRF bond documents and successfully re-introduced the Illinois SRF credit to the bond markets. Over five, separate AAA-rated bond issues in an aggregate par amount of approximately \$2.2 billion, the Authority and IEPA benefited Illinois residents through cleaner water at a lower cost. The last two Illinois SRF bonds, 2019 and 2020, were designated green bonds in alignment with the International Capital Market Association's Green Bond Principles, the applicable United Nations Sustainable Development Goals, and Governor Pritzker's Executive Order No. 2019-06 on climate change. It is anticipated that many of the Illinois communities that receive SRF loans from SRF bond proceeds would qualify as low-income/disadvantaged. SRF loans benefit these communities by enabling clean water at a lower cost. The Authority also accessed the capital markets with a series of professional teams reflecting the diversity of Illinois.

Finally, the Authority understands the paramount importance of effective product and program design. Since 2018, the Authority has worked to develop and promote the widespread adoption of Commercial Property Assessed Clean Energy ("C-PACE"). C-PACE is an emerging financial product which provides enhanced security for the lender compared to the security provided by a mortgage, represented by a special assessment lien on parity with a property tax without relying on any federal or State public subsidy, and generally a lower interest rate for the borrower. C-PACE financing is a focus of the Authority's internal *Transformation Initiative* and *Climate Process*. All record owners that utilize C-PACE financing are new borrowers to the Authority. Between November 2019 and June 30, 2022, the Authority issued PACE bonds in the aggregate principal amount of \$72.4 million on behalf of eight PACE projects. Importantly, the Authority issued PACE bonds for four of these eight PACE projects between July 1, 2021 and June 30, 2022. A summary of the Authority's most recent C-PACE closing is attached as Exhibit A.

Responses to the EPA's Request for Information in EPA-HQ-OA-2022-0859

The IFA/CB offers the following targeted responses to the Agency's RFI, to identify specific considerations that would make the IFA, as the State's Climate Bank, more successful in achieving the shared goals of the Greenhouse Gas Reduction Fund.

¹ See, *Cascading risks: Understanding the 2021 winter blackout in Texas*, Energy Research & Social Science, J.W. Busby, K. Baker, M.D. Bazilian, A.Q. Gilbert, E. Grubert, V. Rai, J.D. Rhodes, S. Shidore, C.A. Smith, M.E. Webber, May 6, 2021.

Section 1 – Definitions of low-income and disadvantaged communities

1. *What should EPA consider when defining “low income” and “disadvantaged” communities for purposes of this program? What elements from existing definitions, criteria, screening tools, etc., - in federal programs or otherwise - should EPA consider when prioritizing low-income and disadvantaged communities for greenhouse gas and other air pollution reducing projects?*

Disadvantaged communities

Background: As discussed, Illinois CEJA’s Equity targets consideration and explicit benefits to newly-defined Equity Eligible Persons and Equity Investment Eligible Communities which are, among other criteria, residents of Environmental Justice or R3 areas.

Environmental Justice Communities: Environmental Justice Communities are communities that have been identified through a calculation utilizing the U.S. EPA tool EJ Screen and a demonstrated higher risk of exposure to pollution based on environmental and socioeconomic factors. Importantly, the statute further creates a formal self-designation process at the State level for communities that believe the data methodology unjustly excludes them.

Restore. Reinvest. Renew. (R3) Areas: R3 areas are communities that have been harmed by violence, excessive incarceration, and economic disinvestment, as originally defined for eligibility for R3 grants under Illinois’ cannabis law.

The two community designations were thoughtfully considered to ensure that the state’s energy policy and investments both targeted communities experiencing burdens due to pollution, but also those that have faced socioeconomic harm and historic disinvestment. A census tract with either designation qualifies as an Equity Investment Eligible Community under Illinois law, which creates opportunities for residents and businesses to see benefits from solar energy and energy efficiency programs, workforce development and contractor accelerator programs, electric vehicle deployment, and utility infrastructure planning.

Illinois seeks to ensure that its State law that preferences investments in such communities and preferences benefits for such residents is aligned with the requirements of the EPA in the administration of Section 134 GHGRF investments. The Illinois Climate Bank anticipates creating new finance tools to drive new capital investment in Illinois’ Equity Investment Eligible Communities and create wealth-building opportunities for Equity Eligible Contractors. We do not believe that having a competing set of classifications for state policies and climate finance tools would lead to beneficial outcomes to residents and businesses in disadvantaged communities.

An initial examination has determined that there are 1,452 census tracts in Illinois that are either classified as an Equity Investment Eligible Community by the State of Illinois or as a Disadvantaged Community by CEJST. There are 860 census tracts that overlap, meaning they are both Equity Investment Eligible Communities per Illinois and Disadvantaged Communities per CEJST. There are 201 census tracts that have been designated by CEJST but are not Equity Investment Eligible Communities. And there are 391 census tracts that are Equity Investment Eligible Communities and not Disadvantaged Communities per CEJST.

The State of Illinois does not wish for any of these communities to be left behind. While the State strongly support the use of the CEJST map in the designation of Disadvantaged Communities nationally, the EPA should also acknowledge the efforts of states that have been working to establish their own definitions.

Recommendation: The EPA should allow for States that have established and comparable disadvantaged community census tract designations to apply for or seek approval for the ability to use those designations as supplemental to the census tracts identified through CEJST.

Section 2 – Program Design

1. *What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate high private-sector leverage (i.e., each dollar of federal funding mobilizes additional private funding)?*

States that have developed aligned public policy will be best positioned to leverage the GHGRF grants to mobilize private sector capital to achieve shared climate and energy goals. However, every state has approached decarbonization and clean energy policy in different ways. Based on their regulatory and market structures, states have had to pursue differing mechanisms to support and expand renewable energy, in particular distributed energy. Almost every state has approached incentives for electric vehicles and electric vehicle supply equipment through different methods. Some states, like Illinois, have taken the lead to establish strong equity practices as part of its clean energy transition. These states are best positioned to mobilize private capital to support pollution reduction and equity goals, as new climate finance tools can leverage the existing state policy to maximize the impact of the federal funds.

States that have thoughtful and embedded clean energy policies should be granted flexibility in the design of programs to achieve these results. For example, Illinois has established a robust Adjustable Block Program and Solar For All Program to support distributed solar, and sized REC payment values to meet the finance gap for various market segments. However, a state without such supportive policies might need to focus on creating sizable distributed solar finance tools to compensate for the lack of an incentive program. While this doesn't mean that the Illinois Climate Bank will not focus on distributed solar finance, it may mean that new finance tools in that domain may be best used for supporting new equity eligible contractors with start-up loans and capital to prepare them to enter the market and get access to the REC incentives.

Similarly, on the transportation electrification side, the State may be best able to identify market gaps for the electrification of vehicles in equity investment eligible communities, in transit agency bus electrification, or in small commercial fleets. As the State seeks to get 1,000,000 electric vehicles on the road by 2030, it will need to look beyond subsidies, federal programs, and rate design to ensure that the benefits of electrification (particularly pollution reduction) are prioritized for environmental justice communities longed burdened by cumulative pollution impacts.

Recommendation: To maximize private capital mobilization and to ensure benefits can be maximized for low-income and disadvantaged communities, the EPA should provide flexibility in program design to States that can demonstrate they have established and complementary statutory and regulatory policy mechanisms and public finance entities with established track records in place related to:

- Achieving clean energy goals, including expanding renewable energy and energy efficiency, electrifying the transportation, and building sectors, and reducing pollution.
- Supporting minority- and disadvantaged-businesses in formation, business development, and access to projects.
- Requiring strong labor standards on projects, including project labor agreements and community benefit agreements.
- Have established Climate Banks or Green Banks with statutory goals related to the above.

Recipients need the flexibility to use funds to invest in effective product and program design aligned with State law, policy, and market conditions. For example, Illinois C-PACE mobilizes 100% private financing without any public subsidy, but the Authority has and continues to invest heavily in product design and market development. Similarly, the Authority/IEPA SRF partnership dramatically increased the availability of low-cost loans to Illinois communities for drinking and clean water infrastructure, but this has been a years-long process with a replicable federal-state-capital markets program designed to attract private capital.

Section 3: Eligible Projects

1. *What types of projects should EPA prioritize under sections 134(a)(1)-(3), consistent with the statutory definition of “qualified projects” and “zero emissions technology” as well as the statute’s direct and indirect investment provisions? Please describe how prioritizing such projects would:*
 - a. *maximize greenhouse gas emission and air pollution reductions;*
 - b. *deliver benefits to low-income and disadvantaged communities;*
 - c. *enable investment in projects that would otherwise lack access to capital or financing;*
 - d. *recycle repayments and other revenue received from financial assistance provided using the grant funds to ensure continued operability; and*
 - e. *facilitate increased private sector investment.*
2. *Please describe what forms of financial assistance (e.g. subgrants, loans, or other forms of financial assistance) are necessary to fill financing gaps, enable investment, and accelerate deployment of such projects.*
3. *Beyond financial assistance for project financing what other supports – such as technical assistance -- are necessary to accelerate deployment of such projects?*

Illinois through CEJA has clear policy objectives:

- 100% Carbon-free power section by 2045, with interim steps;
- 50% Renewable energy by 2040;
- 1,000,000 electric vehicles in Illinois by 2030;
- 40% of the benefits and investments in solar power, electric vehicles, and the grid must go to newly-defined equity investment eligible communities and persons;
- \$82 million/yr investment in workforce development and contractor equity programs; and
- \$41 million/yr investment in former fossil fuel communities and workers.

Recommendation: EPA should allow and encourage Illinois to use GHGRF funds to pursue the above policy objectives, particularly with respect the clear and near-term goal of 1,000,000 electric vehicles in Illinois by 2030.

Section 4 – Eligible Recipients

1. *Who could be eligible entities and/or indirect recipients under the Greenhouse Gas Reduction Fund consistent with statutory requirements specified in section 134 of the Clean Air Act? Please provide a description of these types of entities and references regarding the total capital deployed by such entities into greenhouse gas and air pollution reducing projects.*
2. *What types of entities (as eligible recipients and/or indirect recipients) could enable Greenhouse Gas Reduction Fund grants to support investment and deployment of greenhouse gas and air pollution reducing projects in low-income and disadvantaged communities?*

3. *What types of entities (as eligible recipients and/or indirect recipients) could be created to enable Greenhouse Gas Reduction Fund grants to support investment in and deployment of greenhouse gas and air pollution reducing projects in communities where capacity to finance and deploy such projects does not currently exist?*

EPA faces extreme resource and time constraints with only \$30 million to support the deployment of \$27 billion between 02/12/2023 and 09/30/2024 (IRA Section 134 (a)). EPA should align with States, such as Illinois, where State law, policy, and capacity is already aligned with the purposes of the GHGRF. For example (and without limitation), under IL CEJA, there is the Clean Energy Jobs & Justice Fund, Clean Energy Primes Contractor Accelerator and Climate Bank).

Congressional intent makes it clear that GHGRF funds are most likely positioned to be directed to a National Non-Profit Green Bank (or non-profit national financing institution or “NNFI”). While State energy policies such as IL CEJA could be enhanced through the creation of and partnership with a potential NNFI, any potential NNFI must be aligned with and in partnership with a State such as Illinois. For example, there is a significant opportunity to develop a partnership between the Clean Energy Jobs & Justice Fund and the NNFI to ensure the benefits of the clean energy economy are equitably distributed in Illinois, including through:

- the provision of innovative financing opportunities, grants, and capital for MBEs and contractors of color, and for low-income, EJ, and BIPOC communities and businesses,
- assisting low-income, EJ, and BIPOC communities to pay for solar and energy efficiency upgrades,
- increasing access to no-cost and low-cost loans for MBEs and contractors of color,
- developing financing products designed to compensate for historical and structural barriers preventing low-income, EJ, and BIPOC communities from accessing traditional financing,
- leveraging private investment in clean energy projects developed by MBEs and contractors of color.

Section 134(a)(1)

Recommendation: Regarding **the \$7B in competitive funds under IRA Section 134(a)(1)**, EPA should prioritize States with aligned energy policies and that have recently enacted the statutory powers and resources to deploy GHGRF quickly and effectively for its intended purposes. Initially, focusing on such States will reduce the resource and time burden on EPA and provide the opportunity for the EPA to achieve early wins. After allocation to Such States, EPA would then have time to work together with municipalities and/or local nonprofit “Eligible Recipients” (IRA Section 134(c)(1)) in States where current State energy policies are not consistent with the intent/purpose of the GHGRF, in the time-intensive process to start-up new initiatives. States such as Illinois, which are already aligned with GHGRF purposes, should be rewarded, and not penalized under any allocation methodology developed and adopted by EPA.

Recommendation: Consistent with federal sovereignty principles, EPA should address Tribal governments separately from States and other potential GHGRF Eligible Recipients.

Section 134(c)(1)

Regarding the remaining **\$20B of GHGRF under IRA Section 134(c)(1)**, which is only open to nonprofit “Eligible Recipients,” it is clear that single-state and local-serving entities may be prohibited from being

classified as “Eligible Recipients.” Per the Section, “Eligible Recipients” must be able to use GHGRF funds for “Direct Investment” (IRA Section 134(b)(1)) and “Indirect Investment” (IRA Section 134(b)(2)), where the “Direct Investment” definition mandates that an “Eligible Recipient” use GHGRF funds to “provide financial assistance to qualified projects at the national, regional, State, and local levels” (IRA Section 134(b)(1)(A)).

Congressional intent reflects the mandate for an “Eligible Recipient” to have national powers, capacity, and reach. “A single NNFI [independent, non-profit national financial institution] will not be limited by any jurisdictional boundary – no community is beyond its reach. Therefore, the NNFI approach could directly invest in qualified projects anywhere in the United States that would otherwise lack funding.” H7702, Congressional Record-House, August 12, 2022, U.S Representative Dingell.

Typically, States must have a State interest nexus before deploying State public resources to other jurisdictions. The State interest nexus may prevent States, State component parts, or nonprofits created by State law from successfully applying to EPA for a portion of the GHGRF \$20B in Section 134(c)(1).

Recommendation: Because of this apparent limitation on States and State-affiliated entities with respect to the \$20B, any Eligible Recipient selected by EPA, whether it is an NNFI or not, operating in a State where law and policy is aligned with GHGRF (such as Illinois), should work in concert with the policy makers in that State – beginning with the State Governor.


Section 5 – Oversight and Reporting

Recommendation: As a body politic and corporate created by State law, the IFA/Climate Bank is a public-facing and transparent organization accountable to State policy makers. See, [Public Access | Illinois Finance Authority \(il-fa.com\)](#). EPA should encourage and reward such transparency and accountability in its reporting requirements. When developing its oversight and reporting framework and within its extreme time/resource constraints, EPA should recognize and reward potential GHGRF recipients, such as the IFA/Climate Bank that are public-facing, transparent and accountable.

Respectfully,



Christopher B. Meister
Executive Director
cmeister@il-fa.com
312-590-1044

			
Governmental Unit	City of Springfield		
Property	1 North Old State Capitol Plaza, Springfield, IL 62701		
Record Owner	Downtown Property, LLC, an Illinois limited liability company, as the titleholder or owner of beneficial interest in the Property		
PACE Project	Bond proceeds will assist the Record Owner in providing all or a portion of the funds necessary for the acquisition, construction, installation, or modification of certain improvements affixed to an existing 165,528 sq. ft. mixed-use office and retail building, including without limitation: (i) replacement of the existing inefficient elevators with modern and highly efficient elevators, which have a motor efficiency of 93.6%; (ii) sealing of the storefront front façade to avoid any unwanted escape of conditioned air; (iii) replacement of 40, 100w incandescent and fluorescent lights with 15w LED lights on the building exterior; (iv) sealing of the lobby fountain’s leak that is otherwise currently overflowing water into the drain at a continuous rate of 0.5 GPM; and (v) replacement of the existing fire pump that is otherwise facing major failure and leaking water at a continuous rate of 1.0 GPM.		
Financing	Issuance of Illinois Finance Authority Taxable Property Assessed Clean Energy Revenue Bonds, (Nuveen Green Capital) Series 2022A		
	Principal:	\$1,401,327.98	
	Interest:	6.84% Fixed	
	Maturity:	Not to exceed June 3, 2054	
	Security:	Special assessment on the Property pursuant to the assessment contract between the Record Owner and the Governmental Unit (and its permitted assignees)	
	Structure:	Direct purchase	
	Source:	PACEWell 4 LLC, as Designated Transferee of Greenworks Lending LLC, the Capital Provider	
	Use of Proceeds:	PACE Project Costs	\$1,157,039.00
		Program Fees	27,006.64
		Other Fees	26,570.39
Capitalized Interest		167,188.83	
Capital Provider Fees		<u>23,523.12</u>	
		<u>\$1,401,327.98</u>	
Impact*	Energy Savings:	19,808 kWh and 137 therms	
	Energy Utility Bill Savings:	\$2,525	
	Water Savings:	788,400 Gallons	
	Water Bill Savings:	\$6,036	
Job Data	6 full-time and 8 part-time construction jobs (30 weeks)		
* Average annual estimates as reported by Greenworks Lending LLC, the Program Administrator for the PACE Project.			

For additional information:

Please visit IFApaced.com or contact Brad Fletcher at bfletcher@il-fa.com



Professional [†]	Trustee:	Wilmington Trust, N.A.	Costa Mesa, CA
	Servicer:	Greenworks Lending LLC	Darien, CT
	Bond Counsel:	Foley & Lardner, LLP	Chicago, IL
Districts	U.S. Representative: 13	State Senator: 48	State Representative: 96
IFA Fee	Interim financing provided by Warehouse Fund:	N/A	
	Long-term financing provided by IFA's issuance of bonds or notes:	\$7,006.64	

[†] IFA did not participate in the selection process for the Trustee, the Servicer and Bond Counsel or any other role in the transaction, and did not decide who would be selected as a result of such selection process except for having a right to object to the Bond Counsel selected by the Capital Provider. IFA is acting solely as a conduit issuer of the bonds or notes and not as a financial advisor, municipal advisor, placement agent or underwriter with respect to the issuance of such bonds or notes.

For additional information:

Please visit IFApace.com or contact Brad Fletcher at bfletcher@il-fa.com



December 14, 2022

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

Dear EFAB Members,

It has come to our attention in review of comments submitted to EFAB that there is a grave misunderstanding of the role and nature of CDFI intermediaries, like Inclusiv.

I will take this opportunity to provide clarification to EFAB and the EPA on the structure, role and operations of CDFI intermediaries. CDFI intermediaries provide a critical source of capital to community based lenders. By leveraging public and private investment and deploying that capital through rigorous and tested loan products, intermediaries have enabled community development financial institutions to grow, expand their reach and impact and strengthen their financial position. Intermediaries also provide investors with a more effective and efficient means of investing in numerous CDFIs with deep understanding of the business and specialized approach to lending. Intermediaries provide credit enhancement to investors through loan allowances and reserves. Successful intermediaries manage strong lending operations with clear underwriting criteria, risk management strategies, portfolio management and engaged servicing of loans to ensure the success of the investment and the borrowers.

I will share how a successful, best practice CDFI intermediary works by using the example of my own organization.

Inclusiv has been certified as Community Development Financial Institution since 1996 (originally certified under our former name the National Federation of Community Development Credit Unions.) In order to become certified by the U.S. Treasury Department an applicant must demonstrate that it meets each of the following requirements:

- Is a legal entity at the time of Certification application;
- Has a primary mission of promoting community development;
- Is a financing entity;
- Primarily serves one or more target markets;
- Provides development services in conjunction with its financing activities;
- Maintains accountability to its defined target market; and
- Is a non-government entity and not under the control of any government entity (Tribal governments excluded).

Inclusiv has more than 30 years' experience as a lender. In the past 10 years, we have directly invested more than \$132 million to scale affordable home ownership, small business, economic development and financial inclusion through credit unions. More than transactions, we've helped build the market and sustainable, community led capital ecosystems in the most underinvested communities that are

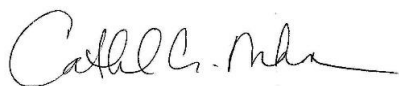
disparately impacted by crises such as the COVID pandemic and climate change. We have never defaulted on payments and helped build out the ecosystem, leveraging cross sectoral and both public/private capital. In the past 10 years, we have less than a 0.20% loss rate and no losses were experienced by investors.

Despite the organization being a network of and advocate for community development credit unions, we successfully manage a portfolio of investments from federal agencies, national banks, foundations and religious organizations. We do that by adhering to principles and strict protocols governing the safety and soundness in our operations as well as through strict underwriting criteria and an arm's length approval process that assesses the double bottom-line of credit union applicants: financial performance and social impact. As a CDFI intermediary, we provide additional security, decrease risk for critical for market building in underinvested communities.

Inclusiv Capital currently consists of two divisions, the Community Development Investment Fund ("Investment Fund"), which provides non-member deposits and secondary capital loans; and Inclusiv Mortgage. Inclusiv Capital makes direct loans and investments in qualifying credit unions in the form of insured deposits and subordinated loans. Subordinated loans are subject to rulemaking, oversight and approval by the National Credit Union Administration. Inclusiv also serves as a secondary market purchasing loans made by credit unions which meet Inclusiv underwriting criteria and standards. Inclusiv Capital supplies liquidity (through deposits and purchasing mortgages from credit unions).

The EPA will be making investments in intermediaries as eligible applicants for the Greenhouse Gas Reduction Fund. These entities will need to demonstrate similar stringent standards in determining the viability of the indirect recipients and qualified projects while also evaluating the potential impact on emissions reduction in the most equitable manner. Organizations and sectors will present different approaches and strategies and we believe no single entity will present a complete solution. Relying upon the track record of the eligible applicants in lending well and deeply in communities will be critical to maximizing the impact of this unique opportunity. We urge EPA to consider the experience of the applicant, the strength of the balance sheet and the knowledge of the marketplace as they formulate the program criteria.

Sincerely,



Cathleen A. Mahon
President\CEO

Submitted via regulations.gov
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, D.C. 20460

December 5, 2022

Re: Feedback on the Greenhouse Gas Reduction Fund Request for Information,
Docket ID No. EPA-HQ-OA-2022-0859

Dear U.S. Environmental Protection Agency:

The undersigned organizations representing over 30 equity, environmental justice, community-based, and grassroots organizations and coalitions and industry partners appreciate the opportunity to provide feedback on the U.S. Environmental Protection Agency's ("EPA's") request for information related to the implementation of the Greenhouse Gas Reduction Fund ("GHGRF"). The EPA's implementation of the GHGRF will directly impact whether the most disadvantaged communities benefit from this fund or whether they are left further behind. Given the Administration's commitment to equity and environmental justice, including the Justice40 initiative, the EPA must take affirmative steps to ensure that the needs of environmental justice and low-income communities are prioritized. These comments provide general feedback and comments related to equity considerations in the EPA's administration of the GHGRF as well as more specific comments responding to specific requests for information.

Specifically, as described further below, to ensure that the GHGRF is administered as justly and equitably as possible, we make the following implementation recommendations to EPA:

- Utilize definitions of low-income and disadvantaged communities that are inclusive, aligned, transparent, and accessible;
- Disburse initial funding for financial and technical assistance to low-income and disadvantaged communities as soon as possible;
- Provide financial and technical assistance in different forms to meet the diverse needs of low-income and disadvantaged communities, including assistance with capacity building, project development, and community engagement;
- Clarify that GHGRF can provide assistance to projects receiving assistance from other federal programs;
- Prioritize selecting financial institutions that have proven track records of working with and investing in low-income and disadvantaged communities;

- Maximize the funding dedicated to low-income and disadvantaged communities, and design GHGRF to break down the historical and persistent financial and structural barriers that low-income and disadvantaged communities face and have faced;
- Provide clear, accessible information about the Fund, minimize paperwork burden, disburse assistance on a timely basis, and provide coordination with other grant and incentive programs to help ensure project viability;
- Avoid incorporation of cost-effective tests for low-income and disadvantaged communities projects;
- Require project labor agreements and prioritize Community Workforce Agreements with local procurement standards from Minority, Women, and Disadvantaged Business Enterprises;
- Require robust reporting and programmatic evaluation, assess distributional impacts, and require community engagement; and
- Prioritize projects that reflect community input, provide concrete benefits to communities, and do not increase the burdens faced by communities.

We further urge EPA to continue efforts to meaningfully engage with environmental justice communities, especially considering the accelerated timeline for implementing this program. To best realize EPA’s commitment to environmental justice, we urge EPA to prioritize clean, community-centered development and ensure that the agency’s actions do not perpetuate, exacerbate, or create pollution burdens in environmental justice communities.

Section 1: Low-Income and Disadvantaged Communities

1. What should EPA consider when defining “low income” and “disadvantaged” communities for purposes of this program? What elements from existing definitions, criteria, screening tools, etc., - in federal programs or otherwise - should EPA consider when prioritizing low-income and disadvantaged communities for greenhouse gas and other air pollution reducing projects?

- **Inclusive and Aligned Definitions:** Given the compressed timeframe for implementation of this program, EPA should initially apply the Justice40 definitions of disadvantaged communities, as outlined in the interim implementation guidance issued by the Office of Management and Budget (OMB),¹ along with the Treasury Department’s New Markets tax credit definition of low-income communities at 26 U.S.C. § 45D(e). Using these definitions as starting points will provide for alignment with the Biden Administration’s Justice40 initiative as well as compatibility with recently enacted tax incentives.

OMB directs agencies to define “community” as “either a group of individuals living in geographic proximity to one another, or a geographically dispersed set of individuals

¹ OMB Memorandum M-21-28, Interim Implementation Guidance for the Justice40 Initiative (July 20, 2021). <https://www.whitehouse.gov/wp-content/uploads/2021/07/M-21-28.pdf>

(such as migrant workers or Native Americans) where either type of group experiences common conditions.” In determining whether a specific community is “disadvantaged,” agencies are to consider “appropriate data, indices, and screening tools . . .based on a *combination* of variables” (emphasis added) including racial and ethnic residential segregation, disproportionate impacts from climate change, high energy cost burden, etc. EPA should thus interpret “disadvantaged communities” through the lens of cumulative impacts, recognizing that these communities are confronted with many different, overlapping, and combined environmental, public health, and socio-economic burdens, as well as varying vulnerability and risk factors. We recommend that EPA consult with the Agency for Toxic Substances and Disease Registry (ATSDR), which recently developed an Environmental Justice Index to measure cumulative impacts, as well as states like California, which has incorporated cumulative impacts into its CalEnviroScreen mapping tool since the first version released in 2013.

In addition, we recommend that EPA create a mechanism allowing states with their own environmental justice screening tools (such as California’s CalEnviroScreen) to apply for EPA’s approval to use their own state definitions or tools.

- **Transparent and Accessible:** EPA should provide clear definitions along with easily understandable maps and supporting information showing which communities qualify as low-income and disadvantaged for the GHGRF. Information on the process for designating low-income and disadvantaged communities should be provided and updated throughout the process.
- **Self-Nomination Process:** EPA should include a self-nomination process for communities that are left out of the definition of low-income and disadvantaged communities. Even the best-designed tool will leave out some communities, often due to the lack of adequate data or narrow selection of indicators which may exclude specific types of pollution burdens, like pesticide pollution. We recommend that EPA include a robust self-nomination process with clear guidelines on the definition of “disadvantaged community,” which could be modeled after the Illinois Solar For All Environmental Justice Self-Designation process.²

2. What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to ensure that low-income and disadvantaged communities can participate in and benefit from the program?

The GHGRF should be designed with a goal of maximizing participation from low-income and disadvantaged communities to the greatest extent possible, including program design and

² https://www.illinoisfa.com/app/uploads/2019/04/EJC-Self-Designation-Process_Final.pdf

governance, project development, and end use. To accomplish this goal, EPA should incorporate the following five key considerations in the design of the GHGRF.

1. **We urge EPA to disburse an initial tranche of funds for both financial and technical assistance to low-income and disadvantaged communities as soon as practicable.**

Technical assistance is needed at the community level to begin building trust, educating community members about potential decarbonization and pollution-reducing strategies, and connecting interested community members with resources to begin project development. Capacity-building technical assistance should also facilitate the participation of community members in the governance and decision-making of financial institutions who are administering GHGRF funding. Similarly, financial assistance for workforce development projects should be provided early to help meet the growing demand for qualified clean energy workers, including electricians, HVAC specialists, and energy auditors. Investing early in these communities will improve their ability to participate in and benefit from the GHGRF program going forward. Specifically, we recommend that EPA disburse an initial tranche of funding for these purposes in February 2023. This would allow EPA to meet statutory deadlines for spending and then take more time to carry out a robust and inclusive process to design and implement the GHGRF program.

2. **Eligibility to receive financial and technical assistance must be sufficiently flexible to maximize the ability of low-income and disadvantaged communities to participate.**

Different communities have different existing community assets and technical assistance needs, and ensuring that a variety of types of recipients are eligible for financial and technical assistance will ensure that a broad variety of low-income and disadvantaged communities are able to fully participate in the program. For example, because many disadvantaged communities are served and supported by a wide variety of entities, assistance should not be limited to only organizations with 501(c)(3) tax status. In addition, the process for applying for assistance, both technical and financial, should be as simple and straightforward as possible, ensuring the process is not burdensome to communities who are already resource-constrained.

3. **Financial and technical assistance should be provided in many different forms to meet the differing needs of low-income and disadvantaged communities.**

Financial assistance needs to be more than loans, and include grants and flexible, low-cost impact investing structures that provide opportunities to low-income households with low cash flow. There are many potential barriers to developing projects in low-income communities and require building community trust, workforce development and flexible early stage financing and support. Well-positioned and targeted grants can help build market confidence in clean energy technologies as well as advance the infrastructure

needed to deploy zero-emissions technologies. For example, there is a tremendous need for contractors, particularly minority- and women-owned business enterprises (MWBES), that can meet the growing demand for electrification. There is a significant upfront cost to starting contractor firms and businesses, accounting for equipment purchases, insurance, permitting and additional lines of credit. A one-time grant could help these businesses get set up and prepare to meet the growing interest in zero-emissions technologies.

In addition to financial assistance, technical assistance is also needed to help access and best utilize loan and financing programs. The technical assistance should be provided to the ultimate beneficiaries as well as to the direct GHGRF grant recipients (such as CDFIs, Green Banks, etc) to ensure that they are able to offer technical assistance to the ultimate beneficiaries (households, companies, contractor firms) of GHGRF resources. The specific technical assistance for beneficiaries should include credit enhancement, cash flow management, retrofit planning, and retrofit impact education. In addition, GHGRF grant recipients, such as CDFIs and green banks, will likely offer programs such as Property Assessed Clean Energy, Pay As You Save, and other financing programs that allow beneficiaries to leverage non-traditional methods of paying their loans (e.g. with energy bill savings). These programs can be helpful in increasing access among households without the ability to provide upfront capital but can also be difficult to navigate and even harmful in some circumstances. Technical assistance should be provided to help households and communities understand these, as well as other, options that might be available to them. Anecdotal evidence from CDFIs and CDFI networks suggests that the payback delinquency rate or risk of losses significantly decreases when technical assistance is provided. This technical assistance will be increasingly helpful for low-income recipients or recipients located in disadvantaged communities, given the lack of capacity and understanding that often exists in those communities.

4. **EPA should clarify in guidance that GHGRF can provide assistance for projects that are receiving assistance from other federal programs**, such as the Weatherization Assistance Program or various tax credits. Not only should GHGRF-provided assistance be expressly allowed for projects receiving assistance from other programs, technical assistance should be provided to low-income and disadvantaged communities on how to design projects that combine different sources of assistance and incentives. For example, technical assistance should be available to help GHGRF-assisted projects access available tax incentives, especially in low-income and disadvantaged communities that may have less experience and expertise with using tax credits.
5. **EPA should prioritize financial institutions that have proven track records of working with and investing in low-income and disadvantaged communities.** Many

CDFIs have expertise and trusted relationships in low-income and disadvantaged communities, and are well-positioned to ensure that financial and technical assistance will reach and benefit these communities. At the same time, we recommend that EPA ensure that emerging public financing entities, especially those that partner with CDFIs, are able to fully participate in GHGRF. Many publicly-owned green banks and newly emerging public banks may have the advantage of close coordination with local governments and their departments that are already planning and implementing projects addressing climate and pollution challenges, along with other related issues.

In addition, to ensure that no community is left behind, EPA should incorporate geographic diversity as a criteria in selecting recipients. We recommend that EPA consider establishing minimum carveouts, *e.g.* 40% of general assistance funding and 100% of funding dedicated to low-income and disadvantaged communities must be awarded to entities embedded in, reflective of, and with established relationships in the low-income and disadvantaged communities they serve. This may help address and mitigate the reproduction of racial disparities that have emerged in similar programs, like the New Markets Tax Credit program, which has historically underinvested in communities of color and counties with persistent poverty.³

3. What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to support and/or prioritize businesses owned or led by members of low-income or disadvantaged communities?

As discussed above, implementing GHGRF in a phased manner with the early distribution of resources to low-income and disadvantaged communities will support sustained community development and deployment of qualified projects. Assistance will likely be needed in many low-income and disadvantaged communities to help Minority, Women, and Disadvantaged Business Enterprises (MWDBEs) meet workforce needs. In addition, businesses owned or led by members of low-income and disadvantaged communities may benefit from technical assistance with a variety of financial, legal, and logistical challenges. EPA should consider prioritizing the following specific kinds of technical assistance: technology-agnostic educational information, market mapping, and gap financing to help MWDBEs access additional available resources.

Technical assistance grants should be provided to eligible recipients to conduct outreach and education about financing opportunities to low-income and disadvantaged communities, including through partnerships with trusted community-based organizations (CBOs). Given the compressed timeline for implementation, EPA should prioritize technical assistance grants to recipients that already have strong relationships with CBOs serving low-income and

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<http://hopepolicy.org/manage/wp-content/uploads/HOPE-Strategic-Use-of-NMTC-Maximizes-Development-Impact-in-Distressed-Communities-of-the-Deep-South-Brief.pdf>

disadvantaged communities. EPA should require that such technical assistance provide for cultural competence, language access, and other accessibility concerns.

Section 2: Program Design

1. What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate high private-sector leverage (i.e., each dollar of federal funding mobilizes additional private funding)?

A crucial way to facilitate high private-sector leverage is to provide the specific types and amount of assistance to ensure project viability. Projects that have more initial support in the form of technical assistance, as well as financial support for initial capital costs, are more likely to be viable. Specifically, to be effective and ensure the GHGRF can appropriately incentivize innovation and viable projects in communities, a mix of grants and patient capital will be needed.

GHGRF funds should incorporate the necessary capacity building, technical assistance, project development, and community engagement support necessary to deliver a pipeline of projects with meaningful impact over the long run. Technical assistance is needed at the community level to educate community members about benefits and strategies related to decarbonization and pollution reduction, and to connect interested parties to project development resources. Technical assistance will also be necessary to navigate technical issues like grid interconnection. All of these types of assistance help to ensure project viability, which will in turn facilitate high private-sector leverage.

2. What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate additionality (i.e., federal funding invests in projects that would have otherwise lacked access to financing)?

Low-income and disadvantaged communities have been historically left out of clean energy investments, which remain disproportionately inaccessible to them today, and thus have the greatest need for targeted investments and opportunities from the GHGRF. EPA should consider the IRA's \$8 billion set-aside for low-income and disadvantaged communities as a floor and not a ceiling. The \$11.97 billion provided for "general assistance" should be deployed to meet the Justice40 initiative's goals by prioritizing projects that are owned, operated by, or otherwise directly benefit low-income households or disadvantaged communities. The majority of funding in the IRA is directed toward tax credits or rebates, which have historically failed to benefit members of low-income and disadvantaged communities, where residents often do not have sufficient tax liability to take full advantage of tax credits. For example, in the case of the § 25D credit, more than 4 in 10 tax filers who have zero or negative tax liability will not be able to claim these credits and 7 in 10 tax filers will not have sufficient tax liability to take full

advantage of the credits.⁴ Directing the GHGRF program to prioritize those households and communities that are likely to otherwise be left behind will thus provide additionality.

Likewise, most renters, who constitute a majority of low-income and disadvantaged communities, will be unable to take advantage of IRA's tax credits and rebates, since both types of incentives would require coordination and cooperation from property owners. Since renters are largely excluded from participating in and benefiting from renewable energy development, prioritizing projects that benefit renters will very likely provide additionality. Such projects may include developing community solar projects that serve renters, or rooftop solar and storage projects on rental properties.

To ensure robust additionality of GHGRF funding, funding recipients should also prioritize financing of improvements in public housing and non-profit affordable housing, including solarization and energy efficiency upgrades. The New York Green Bank's portfolio, for example, includes loan facilities and other funding to finance energy improvements in public housing, affordable housing, and public school systems. In the wake of decades of public disinvestment in housing and education, the GHGRF should be a vehicle for drawing new financial resources into these neglected sectors, alongside increased public spending. Moreover, a focus on public and non-profit affordable housing and other public and non-profit facilities such as schools, municipal buildings, and churches, dovetails with the IRA's provision establishing "direct pay" of certain energy tax credits for tax-exempt entities. Direct pay tax credits combined with GHGRF financing could greatly enhance the affordability of energy improvements in these sectors. Finally, future lending that is subsidized by the GHGRF should adopt sound methods for assessing additionality of project finance. Impactful and equitable projects that are least likely to obtain private financing on their own should be typical in portfolios subsidized by the GHGRF, and these should be periodically audited to assess additionality and community impacts.

Clearly, low-income and disadvantaged communities have an acute need for assistance due to systematic public and private disinvestment, as well as environmental injustices, so that these communities often lack the financial infrastructure and resources to receive and distribute financial assistance. Indirect investments in these communities to establish financial infrastructure like CDFIs and public banks can be critical for creating markets and providing capital to deliver benefits to these communities.

3. What should EPA consider in the design of the program to ensure that revenue from financial assistance provided using Greenhouse Gas Reduction Fund grants is recycled to ensure continued operability?

⁴ <https://rmi.org/congress-cannot-ignore-residential-solar-tax-credit-inequities/>

To ensure revenue recycling from GHGRF-provided financial assistance, we recommend that EPA coordinate with DOE's State and Local Solution Center, within the Office of Energy Efficiency and Renewable Energy, to provide technical assistance in support of various financing models to support renewable energy and energy efficiency projects. In particular, EPA should provide guidance to recipients on developing and implementing financial tools such as on-bill financing that can help optimize the participation of low-income and disadvantaged households in various kinds of clean energy programs. This type of guidance and support will be important to ensure that indirect recipients of financial assistance, especially households with low cash flow, can participate in clean energy programs.

In addition, EPA should not set any rigid time requirements for repayment and reinvestment of revenue. Renewable energy projects typically lead to cost savings compared to fossil fuel alternatives, but the time horizons can vary widely based upon commodity costs and local market conditions. As renewable energy finance offerings are often tied to underlying energy savings, EPA should allow recipients to establish flexible timelines for program repayment and reinvestment based on the unique circumstances of each project.

4. What should EPA consider in the design of the program to enable Greenhouse Gas Reduction Fund grants to facilitate broad private market capital formation for greenhouse gas and air pollution reducing projects? How could Greenhouse Gas Reduction Fund grants help prove the "bankability" of financial structures that could then be replicated by private sector financial institutions?

To facilitate broad private market capital formation for greenhouse gas and air pollution reducing projects, EPA should consider GHGRF implementation as a critical opportunity to break down the many barriers faced by low-income and disadvantaged communities in the transition to a clean energy economy. Low-income and disadvantaged communities have faced significant financial and structural barriers both historically and persisting in the present day, including:

- Insufficient access to capital;
- Low home ownership rates;
- Complex financial arrangements in the context of low-income multifamily housing;
- Poor market delivery; and
- Failure to integrate and coordinate programs.

By designing GHGRF to tackle and reduce these barriers, EPA can significantly reduce the penetration gap between low-income and disadvantaged communities and the rest of the country, thus demonstrating the "bankability" of such investments.

For example, EPA can help reduce the barrier of insufficient access to capital by not relying upon high credit scores or complex and complicated verification requirements to obtain financing through GHGRF. EPA can also help reduce the barriers to low home ownership rates by supporting projects that provide benefits to tenants such as California's Solar on Multifamily Affordable Homes program.

5. Are there best practices in program design that EPA should consider to reduce burdens on applicants, grantees, and/or subrecipients (including borrowers)?

Given the statutorily-determined short timeline for distributing funding, it is essential that GHGRF implementation prioritizes CBOs and other entities with a proven track record of working with low-income and disadvantaged communities. To be equitable, the grant award process must include a streamlined application process that is not burdensome. We recommend that EPA consider adopting the following best practices to reduce burdens on applicants, grantees, and/or subrecipients:

- Provide clear and accessible information about applicable definitions, eligibility, and other requirements under GHGRF, with targeted outreach and education in low-income and disadvantaged communities. Information about the program should be disseminated in languages prevalent in these communities, so that residents with limited English proficiency are not excluded. EPA should also provide easily understandable resources about programs that can benefit tenants and households that live in multi-family buildings.
- Provide technical assistance to potential applicants to assist with the grant application process, prioritizing low-income and disadvantaged communities.
- Streamline applications to minimize paperwork burden and resources needed to apply. This should include minimizing requirements for verifying income eligibility, for example by allowing proof of enrollment in other means-tested programs.
- Promptly disburse grants, loans, and other forms of financial assistance.
- Provide a customer service-oriented hotline or similar, easy to access technical assistance program to help interested community members apply for funding, ask questions about what constitutes a "qualified project," and be directed to local providers of financial assistance. This assistance should be available both online and through a direct phone number, as well as in multiple languages.
- Support qualified projects by coordinating with other incentive and grant programs. EPA should ensure that interested applicants can easily leverage resources, incentives, and support through other existing programs. For example, Philadelphia's Built to Last program facilitates coordination and service delivery across a variety of programs and

organizations, screening for eligibility for benefits and adding grants and financing where needed.⁵

- Streamline consumer-facing financing and grant offerings across national, regional, or multi-state programs to avoid unnecessary fragmentation of programs. Differing program requirements across states for low-interest-rate loan products create significant administrability and customer-acquisition barriers for developers and contractors. We recommend that EPA prioritize funding for programs that serve multiple geographic areas and fill gaps in underserved areas, rather than relying primarily on single-state programs, to reduce burdens on both recipients and implementers.
- Prioritize awarding grants to CBOs and other entities that have a proven track record of working with low-income and disadvantaged communities. This prioritization will help ensure that there is no special preference given to applicants who have previously been awarded other kinds of federal financial assistance. Many applicants may be applying for federal financial assistance for the first time under this program and should not be excluded because of historic disadvantages.

6. What, if any, common federal grant program design features should EPA consider or avoid in order to maximize the ability of eligible recipients and/or indirect recipients to leverage and recycle Greenhouse Gas Reduction Fund grants?

In implementing the GHGRF, EPA should avoid the incorporation of cost-effectiveness tests for qualified projects. Such tests are often regressive and prevent many disadvantaged communities from accessing critical programs that they qualify for.

7. What should EPA consider in the design of the program, in addition to prevailing wage requirements in section 314 of the Clean Air Act, to encourage grantees and subrecipients to fund projects that create high quality jobs and adhere to best practices for labor standards, consistent with guidance such as Executive Order 14063 on the Use of Project Labor Agreements and the Department of Labor's Good Jobs Principles?

As discussed above, we urge EPA to prioritize financial and technical assistance to low-income and disadvantaged communities so that MDWBEs can meet workforce needs, as well as prevailing wage, local hire, and apprenticeship requirements.

In addition to Project Labor Agreements (PLAs), EPA should require grantees and subrecipients to prioritize projects that use Community Workforce Agreements (CWAs). Typically, PLAs contain provisions that only pertain to labor and management. However, in addition to the standard PLA language, a CWA incorporates community benefits into the agreement. By including targeted hiring provisions that specify the percentage of work hours for local residents

⁵ <https://philaenergy.org/wp-content/uploads/2022/10/10-2022-PEA-Built-to-Last-summary.pdf>

or disadvantaged workers (i.e. low-income or government benefits recipients) and specific apprenticeship provisions—such as direct entry options for approved pre-apprenticeship programs, on the job training, and a specified percentage of apprentices from each target demographic (i.e. disadvantaged workers)—a CWA can ensure that disadvantaged community members see the benefit of workforce and wealth building opportunities within their communities.

Further, CWAs include local procurement standards for Minority, Women, and Disadvantaged owned business enterprises (MWDBE). This provision not only creates opportunities to diversify the contractors and subcontractors within the project, but also creates additional wealth building opportunities for community members.

Finally, to ensure that parties are complying with the CWA community benefit provisions, CWAs include compliance monitoring provisions and sanctions for noncompliance.

Requiring the use of CWAs will ensure that the communities where GHGRF-assisted projects are implemented, especially low-income and disadvantaged communities, realize both the health and the wealth building opportunities that the GHGRF is intended to provide.

8. What should EPA consider when developing program guidance and policies, such as the appropriate collection of data, to ensure that greenhouse gas and air pollution reduction projects funded by grantees and subrecipients comply with the requirements of Title VI of the Civil Rights Act, which prohibits discrimination on the basis of race, color, and national origin in programs and activities receiving federal financial assistance?

To ensure that GHGRF-assisted projects comply with the requirements of Title VI of the Civil Rights Act, EPA should incorporate the following elements in guidance and policies:

- **Reporting and Programmatic Evaluation:** EPA should include reporting requirements in agreements with recipients to provide financial and technical assistance. Wherever possible, programmatic evaluation should incorporate independent data, including demographic data (including race, ethnicity, and income), and various environmental quality and public health indicators, instead of relying solely on data provided by entities that have benefited from the program. Evaluation should also account for whether projects meet local permitting and similar applicable requirements.

Evaluation should include community engagement, including whether disadvantaged communities were meaningfully involved in the project. The evaluation process should also provide an opportunity for community members to provide input throughout the

process, including providing a direct phone line for community members to provide feedback and raise concerns.

In addition to assessing the overall impacts of the program, this oversight and evaluation should explicitly assess compliance with Justice40. Project developers should be required to report Justice40 benefits, based on a transparent and accountable methodology developed by EPA with input from low-income and disadvantaged communities.

- **Assess Distributional Impacts:** Based on reported and other data, EPA should assess the distributional impacts of GHGRF-assisted projects, accounting for income and (imputed) race/ethnicity. We recommend that EPA assess projects' impacts on the following indicators in low-income and disadvantaged communities:
 - Energy burden;
 - Pollution exposures;
 - Solar and other clean energy access;
 - Clean energy jobs;
 - Energy resilience; and
 - Energy democracy.

The results of this assessment should inform programmatic changes or future revisions to the law to reduce disparities in the program and ensure compliance with Title VI.

- **Required Community Engagement:** Projects intended to benefit low-income and disadvantaged communities must only be built with the local community's free, prior, and informed consent. To ensure such community consent, at a minimum, EPA should direct providers of financial assistance to report information about community engagement activities planned and conducted related to potential projects.

This community engagement must be meaningfully accessible to community members, including the provision of interactive language access in communities with limited English proficiency and multiple public meetings scheduled at different times of the day and week. Community engagement activities should be evaluated based on the number of residents actually engaged, as opposed to dollars spent. Finally, EPA must provide an enforceable mechanism by which community members can independently register their objections to a proposed GHGRF-supported project.

9. What should EPA consider when developing program policies and guidance to ensure that greenhouse gas and air pollution reduction projects funded by grantees and subrecipients comply with the requirements of the Build America, Buy America Act that requires domestic procurement of iron, steel, manufactured products, and construction material?

The Build America, Buy America Act requires that federal financial assistance can only be obligated for “infrastructure” projects that meet a domestic content procurement preference.⁶ EPA should issue clear and transparent guidance to providers of financial assistance under GHGRF on how to make a determination as to whether a project constitutes “infrastructure” when assessing whether the project is a “qualified project.” The White House provided the following guidance as to how “infrastructure” should be interpreted:

When determining if a particular construction project of a type not listed in the definition above constitutes “infrastructure,” agencies should consider whether the project will serve a public function, including whether the project is publicly owned and operated, privately operated on behalf of the public, or is a place of public accommodation, as opposed to a project that is privately owned and not open to the public. Projects with the former qualities have greater indicia of infrastructure, while projects with the latter quality have fewer. Projects consisting solely of the purchase, construction, or improvement of a private home for personal use, for example, would not constitute an infrastructure project.⁷

In other words, GHGRF-assisted projects that are constructed on or in private buildings for personal use are not “infrastructure” and thus do not implicate the Build America, Buy America Act. On the other hand, publicly-accessible EV-charging infrastructure would likely implicate the Build America, Buy America Act’s domestic procurement preference.

10. What federal, state and/or local programs, including other programs included in the Inflation Reduction Act and the Infrastructure Investment and Jobs Act or “Bipartisan Infrastructure Law,” could EPA consider when designing the Greenhouse Gas Reduction Fund? How could such programs complement the funding available through the Greenhouse Gas Reduction Fund?

We strongly recommend that EPA design GHGRF to meet the needs of renters and other low-income households who face barriers to directly accessing benefits provided by programs in both IRA and IIJA. For example, EPA should consider prioritizing incentives for electrification and community or rooftop solar and storage deployment to owners of multifamily affordable housing in low-income and disadvantaged communities. In addition, IIJA provided significant additional funding for the Weatherization Assistance Program (WAP), but many low-income homeowners are unable to participate in WAP due to deferred maintenance and upgrade needs that are not generally eligible for WAP funding. GHGRF can provide gap funding for these upgrades and reduce deferrals.

⁶ Pub. L. 117-58 (2021), Division G, Title IX, sections 70901-70953.

⁷ <https://www.whitehouse.gov/wp-content/uploads/2022/04/M-22-11.pdf>.

We also recommend that when designing the GHGRF program, EPA consider incorporating the flexibility to provide financial and technical assistance to replicate or scale up other complementary programs under IRA, including the diesel emissions reduction program (§ 60104) and funding to address air pollution at schools in low-income and disadvantaged communities (§ 60106).

In addition, we recommend that EPA collaborate with DOE to explore how the energy efficiency revolving loan fund capitalization program in IIJA can be deployed in a complementary manner with GHGRF, for example by providing similar gap funding.

Section 3: Eligible Projects

1. What types of projects should EPA prioritize under sections 134(a)(1)-(3), consistent with the statutory definition of “qualified projects” and “zero emissions technology” as well as the statute’s direct and indirect investment provisions? Please describe how prioritizing such projects would:

- a. maximize greenhouse gas emission and air pollution reductions;*
- b. deliver benefits to low-income and disadvantaged communities;*
- c. enable investment in projects that would otherwise lack access to capital or financing;*
- d. recycle repayments and other revenue received from financial assistance provided using the grant funds to ensure continued operability; and*
- e. facilitate increased private sector investment.*

Initially, it is important that the projects prioritized through the GHGRF meet minimum requirements to reflect community input and not increase the burdens faced by communities. Rather, EPA should prioritize projects that provide concrete benefits to communities, rather than those that are merely sited within low-income or disadvantaged communities. Because this program is critical to reducing the very real gap between low-income and disadvantaged communities and the rest of the United States, this type of disconnect between siting and benefits must be excluded through intentional program design.

Environmental justice communities have not traditionally benefited from beneficial zero-carbon projects such as wind and solar resources.⁸ To address this, GHGRF should prioritize those projects that provide direct benefits to local low-income and disadvantaged communities. In particular, EPA should direct providers of financial assistance to prioritize projects that guarantee bill savings and reduce the energy burden of low-income households. EPA should also require financial assistance providers to take into account other project elements that can provide potential benefits to the local community, such as whether the project provides for local hiring.

⁸ <https://www.sciencedirect.com/science/article/abs/pii/S2214629620301870>.

EPA should further prioritize projects that advance equity and reduce all emissions. While there are many project types that could ultimately qualify for and receive assistance from GHGRF, none of these projects should rely on the continued extraction, processing, and combustion of fossil fuels. This applies not only to the GHGRF's \$7 billion funding stream for zero-emission technology, but also to the GHGRF's \$20 billion funding stream for qualified projects.

Qualified projects that benefit low-income and disadvantaged communities can range from energy efficiency, electrification, renewable energy, and resiliency investments. The GHGRF can maximize greenhouse gas and air pollution reductions and facilitate energy efficiency and electrification retrofits by reducing barriers and addressing pre-retrofit costs by providing grants for energy audits and health, safety, and weatherization upgrades. Especially in historically under-invested communities, older buildings may face basic health and safety issues like lead, mold, asbestos, roofing deficiencies, lack of insulation and dangerous wiring—all of which prevent electrification and require grants and/or low-cost financing to remediate. Once weatherized, these buildings are attractive electrification candidates that can much more easily recruit private-sector financing and/or deploy other public-sector incentives. These investments not only reduce emissions but also deliver air quality and health benefits. By also encouraging and prioritizing local community ownership and control, EPA can ensure that low-income and disadvantaged communities realize economic and wealth-building benefits as well.

Implementation of the funding stream for zero-emission technology in low-income and disadvantaged communities should incorporate provisions to ensure consumer protection and community benefits. Importantly, this funding stream should not be strictly limited to deploying rooftop solar, but should instead be flexible enough to account for other types of zero-emission technology, such as community solar, geothermal district heating, or battery storage, that may provide a greater combination of health, economic, and resiliency benefits to low-income and disadvantaged communities in certain geographies.

Investments that do not directly benefit low-income and disadvantaged communities should be screened out as these types of investments, such as utility-scale renewables, are well funded through other federal and state programs as well as private capital, and do not require additional public financial assistance.

2. Please describe what forms of financial assistance (e.g. subgrants, loans, or other forms of financial assistance) are necessary to fill financing gaps, enable investment, and accelerate deployment of such projects.

As discussed above, we strongly recommend that the first tranche of GHGRF funding to be released in February 2023 include financial assistance for workforce development activities. This

could include grants and low-interest loans to expand workforce development programs, expand or establish MWDBEs, and hire, train, and upskill new and existing workers.

Also discussed above, financial assistance, especially in the forms of grants, should be made available to address barriers to energy efficiency and electrification upgrades, such as energy audits and health, safety, and weatherization upgrades. There is a gap in funding support for these kinds of upgrades, which would help underinvested communities become “electrification-ready” and able to take advantage of other available incentives and programs.

The GHGRF should support zero-cost bridge loans to households and contractors to make IRA’s HOMES rebates and tax credits more accessible. These loans would provide households with the upfront purchasing power needed to make energy efficiency and electrification upgrades, in the amounts expected to be provided by applicable incentives. This same approach should also be applied to contractors providing retrofits eligible for HOMES rebates.

We further recommend that EPA collaborate with the Department of Energy’s Solar Energy Technologies Office to identify the specific types of financial assistance most needed and best suited to benefit residents of low-income and disadvantaged communities. For example, since community solar is often the only way that many low-income renters can directly benefit from and participate in solar development, we recommend that EPA issue guidance to providers of financial assistance on how to provide guarantees or other kinds of credit enhancement for equitable community solar projects that provide clear and direct benefits to subscribers, especially guaranteed bill savings.

3. Beyond financial assistance for project financing what other supports – such as technical assistance -- are necessary to accelerate deployment of such projects?

As described above, some additional supports that are critical for the successful, accelerated deployment of projects include:

- Working with local financial institutions and community-based organizations that have established and trusted relationships with the community;
- Developing clear and transparent program information and guidance to help interested stakeholders develop projects and understand the program;
- Technical assistance to ensure that local community-based organizations have the capacity to develop projects and otherwise participate in the program;
- Innovative and inclusive financial tools that allow participation, even with low cash flow or credit ratings;
- Simplified application and verification processes to reduce potential administrative burden; and

- Coordination across multiple programs to ensure that interested stakeholders can layer and braid incentives and other assistance and increase viability of projects.

Section 4: Eligible Recipients

1. Who could be eligible entities and/or indirect recipients under the Greenhouse Gas Reduction Fund consistent with statutory requirements specified in section 134 of the Clean Air Act? Please provide a description of these types of entities and references regarding the total capital deployed by such entities into greenhouse gas and air pollution reducing projects.

We envision that the GHGRF will be deployed through multiple intermediaries that can work with a variety of entities that can provide financial and technical assistance in communities and to households. As we discussed above, CDFIs have a particularly strong track record and expertise in place-based investing and collaborating with CBOs, and should be prioritized as both direct and indirect recipients. In addition, we recommend that minority deposit institutions and mission-based lenders can also be effective participants in the deployment of GHGRF-funded assistance. We also support the inclusion of public banks and publicly-owned green banks as direct and indirect recipients, as appropriate, especially those that partner with CDFIs and CBOs.

For GHGRF funds to be as flexible as possible, eligible recipients should be required to show that they are able to deploy grants and other financial assistance on a household-, project-, and community level. Since some green banks are not currently structured to support household-level projects, this requirement could encourage legislatures and other decision-makers to make changes to ensure that green banks can meet the needs of households. Through this emphasis on working with households, the GHGRF can help to advance innovative financial products that directly benefit individuals and households.

2. What types of entities (as eligible recipients and/or indirect recipients) could enable Greenhouse Gas Reduction Fund grants to support investment and deployment of greenhouse gas and air pollution reducing projects in low-income and disadvantaged communities?

EPA should ensure that the financial institutions that receive GHGRF funding can reach all low-income and disadvantaged communities located throughout the country, including Tribal Nations, insular areas, and rural communities. To establish this wide breadth, EPA should prioritize funding to CDFIs, community development credit unions, and minority deposit institutions which have strong track records in place-based investing and working with trusted community-based organizations to reach residents in low-income and disadvantaged communities.

In addition, EPA should ensure that public entities, including public banks and publicly-owned green banks, can fully participate in providing financial assistance under GHGRF. These types of entities may benefit from close coordination with state and local governments who are also working to address climate and pollution challenges and have established relationships with relevant stakeholders in the communities they serve. Emerging public banks, such as public banks authorized by California's AB 857 (2019), are also required to partner with CDFIs and can leverage CDFIs' strong track record of place-based investment and community development with state or local government powers and complementary programs.

In selecting indirect recipients to provide technical assistance, we recommend that EPA prioritize providers that have proven track records working with CBOs in low-income and disadvantaged communities or meet appropriate local procurement standards.

3. What types of entities (as eligible recipients and/or indirect recipients) could be created to enable Greenhouse Gas Reduction Fund grants to support investment in and deployment of greenhouse gas and air pollution reducing projects in communities where capacity to finance and deploy such projects does not currently exist?

We believe that creating public financing entities that are accessible and accountable to their communities, like public banks and publicly-owned green banks, can provide significant support for investment in and deployment of qualified projects, especially in communities where such financial infrastructure does not currently exist. These kinds of institutions could potentially leverage and braid both public and private resources, including deployment and service provision. For example, public banks and similar entities could take advantage of the direct payment option now available for several different tax credits, which could be leveraged by local governments to directly create public projects. This approach could potentially help increase penetration of GHGRF assistance in states where state governments are not prioritizing environmental justice.

4. How could EPA ensure the responsible implementation of the Greenhouse Gas Reduction Fund grants by new entities without a track record?

Robust oversight and reporting requirements will help guide the responsible implementation of GHGRF grants to new entities without a track record. EPA should consider whether new entities should be subject to more frequent oversight and reporting checkpoints.

Technical assistance should be provided to new entities to ensure their effectiveness, including assistance for meeting oversight and reporting requirements, facilitation of connections and shared resources, and peer support and mentoring from more experienced CDFIs, CBOs, and other relevant entity types.

5. What kinds of technical and/or financial assistance could Greenhouse Gas Reduction Fund grants facilitate to maximize investment in and deployment of greenhouse gas and air pollution reducing projects by existing and/or new eligible recipients and/or indirect recipients?

As we have discussed above, we strongly recommend that EPA prioritize disbursing an initial tranche of funding to low-income and disadvantaged communities. This priority funding should include technical assistance for community capacity-building, including outreach, education, and planning activities, funding for CBOs, and capitalization and support for establishing new public banks and publicly-owned green banks. This priority funding should also include financial assistance for workforce development activities to help meet the workforce needs of the transition to a clean, renewable energy-based economy. Together, these early investments will help position these communities to better take advantage of further funding opportunities from the public or private sector.

Section 5: Oversight and Reporting

1. What types of governance structures, reporting requirements and audit requirements (consistent with applicable federal regulations) should EPA consider requiring of direct and indirect recipients of Greenhouse Gas Reduction Fund grants to ensure the responsible implementation and oversight of grantee/subrecipient operations and financial assistance activities?

Accountable, inclusive, and responsive governance of the GHGRF program is fundamental to ensuring that funding is effectively addressing the needs of low-income and disadvantaged communities. EPA should ensure that both direct and indirect recipients of GHGRF assistance have governance structures that ensure accountability to the appropriate communities. The specific structures and mechanisms that should be used to provide such accountability must be informed by and vetted through engagement with members of low-income and disadvantaged communities.

We recommend that EPA consider requiring direct and indirect recipients report on the following information:

- Project location and impacts (including greenhouse gas and other air pollutant emissions reduced or avoided; as well as economic impacts, like jobs saved or created and amount of wealth-building opportunities provided)
- Demographic data (including race, ethnicity, income level) of applicants, indirect recipients, and project beneficiaries

In addition, we recommend that reporting requirements substantially align with the Justice40 general guidance issued by the Department of Energy. In particular, we recommend that the

GHGRF program reporting requirements include compatible stakeholder engagement requirements, community benefit plans, and transparent and consistent methodologies for calculating benefits for Justice40 purposes.

Program evaluation should include an assessment of the impact that the GHGRF has supported or catalyzed in partnership with other investors and partners. The GHGRF should not be evaluated based solely on the impact of GHGRF funds, and instead ensure that, whenever possible, GHGRF resources are additive to other resources in the market.

3. What metrics and indicators should EPA use to track relevant program outcomes including, but not limited to, (a) reductions in greenhouse gas emissions or air pollution, (b) allocation of benefits to low-income and disadvantaged communities, (c) private sector leverage and project additionality, (d) number of greenhouse gas and air pollution reduction projects funded and (f) distribution of projects at the national, regional, state and local levels?

Metrics and indicators EPA should use to track program outcomes should include:

- Demographic data of applicants, direct and indirect recipients, and project beneficiaries
- Environmental quality and public health data applicable to GHGRF-supported projects and local communities (including air quality and vulnerability to wildfires)
- Social and economic indicators related to GHGRF-supported projects and local communities (including rates of unemployment and Limited English Proficiency)
- Meaningful community engagement metrics (including number of community members participating)

Please see our response to #8 under Section 2 (on page 12-13 of this comment) for further discussion applicable to this question.

4. What should EPA consider in the design of the program to ensure community accountability for projects funded directly or indirectly by the Greenhouse Gas Reduction Fund? What if any existing governance structures, assessment criteria (e.g., the Community Development Financial Institutions Fund's Target Market Accountability criteria), rules, etc., should EPA consider?

Community accountability is critical to the GHGRF's success, especially with respect to meeting the Biden Administration's racial equity and environmental justice goals. We support the integration of flexible but meaningful standards for community accountability applicable to projects funded directly or indirectly by the GHGRF. We recommend applying the CDFI Fund's accountability criteria related to advisory/governing board membership and adoption of an organizational accountability policy, as proposed and previewed in October 2022.⁹ These accountability criteria appear to be fairly applicable to other kinds of direct or indirect recipients

⁹ <https://www.cdfifund.gov/programs-training/certification/cdfi/certification-pra>

besides CDFIs, including other kinds of financial institutions as well as non-profits, including community-based organizations. We recommend that EPA engage with community-based organizations and other stakeholders serving low-income and disadvantaged communities in developing analogous accountability criteria.

Section 6: General Comments

1. Do you have any other comments on the implementation of the Greenhouse Gas Reduction Fund?

OMB has released Interim Implementation Guidance on implementing Justice40 which specified that a “covered program” is a Federal Government program that makes covered investment benefits in one or more of seven areas, including climate change and clean energy and energy efficiency. The guidance further requires agencies to develop a methodology for calculating benefits and report benefits to OMB. We recommend that EPA promptly confirm that GHGRF is a covered program for Justice40 purposes, and plan to report transparently on methodology and benefits accordingly. As we discussed above, the Justice40 goal should apply to the full GHGRF program, including the \$11.97 billion in “general assistance.”

Conclusion

To reiterate, we urge EPA to ensure that the GHGRF is administered as justly and equitably as possible, by incorporating the following in implementation:

- Utilize definitions of low-income and disadvantaged communities that are inclusive, aligned, transparent, and accessible;
- Disburse initial funding for financial and technical assistance to low-income and disadvantaged communities as soon as possible;
- Provide financial and technical assistance in different forms to meet the diverse needs of low-income and disadvantaged communities, including assistance with capacity building, project development, and community engagement;
- Clarify that GHGRF can provide assistance to projects receiving assistance from other federal programs;
- Prioritize selecting financial institutions that have proven track records of working with and investing in low-income and disadvantaged communities;
- Maximize the funding dedicated to low-income and disadvantaged communities, and design GHGRF to break down the historical and persistent financial and structural barriers that low-income and disadvantaged communities face and have faced;
- Provide clear, accessible information about the Fund, minimize paperwork burden, disburse assistance on a timely basis, and provide coordination with other grant and incentive programs to help ensure project viability;

- Avoid incorporation of cost-effective tests for low-income and disadvantaged communities projects;
- Require project labor agreements and prioritize Community Workforce Agreements with local procurement standards from Minority, Women, and Disadvantaged Business Enterprises;
- Require robust reporting and programmatic evaluation, assess distributional impacts, and require community engagement; and
- Prioritize projects that reflect community input, provide concrete benefits to communities, and do not increase the burdens faced by communities.

We also re-emphasize here the importance of continuing EPA’s efforts to meaningfully engage with environmental justice communities; prioritize clean, community centered development; and to ensure that the agency’s actions do not perpetuate, exacerbate, or create pollution burdens in communities that have disproportionately suffered the negative effects of fossil fuel development and use.

Thank you for considering these comments.

Respectfully submitted,

Just Solutions Collective
 Emerald Cities Collaborative
 Rewiring America

100% Campaign
 Acterra: Action for a Healthy Planet
 Building Electrification Institute
 California Green New Deal Coalition
 Center for Progressive Reform
 Center for Sustainable Communities/Sustainability Solutions Group and Institute
 Clean Energy Group
 CleanAirNow
 Climate Justice Alliance
 Communities for a Better Environment
 EH Electric & HVAC
 Energy Savers Inc
 Executive Cleaning Operations
 Glass Electric Company, LLC
 Greenbank Associates
 GreenLatinos

Institute for Market Transformation
Mansfield & Mansfield Construction Clean-Up Co. Site Support
National Housing Trust
Natural Resources Defense Council
NC Climate Justice Collective
NDN Collective
New Buildings Institute
Northwest Minority Builders Alliance
Pilgrim Progress Community Development Corporation
Prairie Rivers Network
RENEW Wisconsin
Shake Energy Collaborative
Solstice Initiative
Soulardarity
Spark Northwest
The Wei LLC
Thurston Climate Action Team
Towers Construction Company
United Congregations of Metro East
Urban Design Center
Verde
Vote Solar

1. **Objectives:**

a. **Environmental Justice / Definition of “Low income and disadvantaged communities”**

What should EPA consider when defining “low income” and “disadvantaged” communities for purposes of this program? What elements from existing definitions, criteria, screening tools, etc., - in federal programs or otherwise - should EPA consider when prioritizing low-income and disadvantaged communities for greenhouse gas and other air pollution reducing projects?

Where possible, EPA should strive to allow alignment of these criteria with relevant state or local definitions. EPA goals should focus on ensuring that incentives and programming can be appropriately stacked with state incentives for qualifying projects while not increasing the verification burden to support broad access and uptake.

If there is concern that directly allowing relevant state/local definitions could be too expansive, EPA could establish high level criteria but allow verification through participation in relevant state or local level programs to limit additional verification burden.

EPA should consider all federal designations that indicate distress (such as those for CDFIs (Community Development Financial Institutions), New Markets, Food Deserts), as well as areas designated as distressed by state governments. For example, in Massachusetts this could include Environmental Justice neighborhoods or ‘Gateway Cities’ (formerly industrial cities suffering from job loss). Massachusetts defines an Environmental Justice neighborhood as meeting any of the thresholds related to income, minority status, or English-speaking proficiency (see Appendix A).

In addition to considering how to establish a clear definition for applicable community, EPA might find it valuable to establish a concept for a “low income” or “disadvantaged” household. This could be an important aspect of promoting more equitable access to resources, as a significant percentage of “low income” or “disadvantaged” households reside in communities that do not qualify as “low income” or “disadvantaged.” Likewise, there is a proportion of households in “low income” or “disadvantaged” communities that themselves are not “low income” or “disadvantaged.” By taking care to be inclusive of qualifying households in non-qualifying communities, EPA could establish a more robust definition of populations that could be prioritized for access to resources.

What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to ensure that low-income and disadvantaged communities can participate in and benefit from the program?

To effectively reach these communities, EPA should look to ensure GHGRF funds are able to facilitate a range of services and financial assistance (including direct incentives, finance, and technical assistance) that can support low income or disadvantaged communities and households through the range of unique challenges or barriers to adopting emission reduction solutions, recognizing these segments are not homogenous. This may include technical assistance for design and planning, support for grant

writing, as well as capacity building, education, and outreach, paired with grants and financing assistance to ensure these communities have access to affordable capital to implement solutions.

EPA should consider a very liberal definition of which financially supported actions/solutions the GHGRF applies to. Decarbonization solutions, particularly related to buildings, would include standard actions like heat pumps, weatherization, solar PV, ventilation, etc. It may also necessitate investment in related barriers, such as needed electrical upgrades, asbestos mitigation, knob and tube wiring replacement, etc. For entities without access to additional resources, it may also be necessary to support additional overlapping measures, such as re-roofing or re-siding to support insulation measures, solar PV, etc. While this may not universally make sense, it may be important to maintain local discretion for related decisions.

EPA should consider that any 'match' requirements are reduced for organizations representing low income or disadvantaged communities.

Some examples of programming in Massachusetts that has effectively targeted these communities (See Appendix B, C, and D for further details):

- EmPower Massachusetts: EmPower Mass offers multiple stages of investment in communities and community-based organizations so that they can explore, develop, and implement program models or projects that provide access to the benefits of clean energy for previously underserved populations. This MassCEC program crowd-sources new and innovative ideas, then helps build capacity and put them into action.
- Mass Solar Loan: A residential solar financing program where MassCEC partnered with local banks and credit unions to offer financing for residential solar PV systems, supported by credit enhancement tools including an Interest Rate Buy Down, Loan Loss Reserve, and Income Based Principal Reduction. This program had a specific focus on leveraging the private capital and expertise of local lenders while expanding access to financing to underserved markets. The Program had a particular focus on enabling direct ownership of solar for income qualified participants (where many income targeted PV programs focus on third party ownership, the intent of this program was to enable ownership of PV). Mass Solar Loan supported financing for over 3,000 income qualified residents and nearly 5,800 total consumers, representing ~50 MW of solar PV and deploying \$42 Million in assistance leveraging over \$185 Million in loan value. The program engaged 17 local banks and credit unions and a network of over 100 installers with infrastructure and technical assistance in addition to credit enhancements to support the offering of solar loan products.
- Affordable Housing Deep Energy Retrofit Scoping Assistance: As an example of technical assistance, MassCEC has partnered with LISC (Local Initiatives Support Corporation) Boston to offer 50% cost share grants to support deep energy retrofit studies for multifamily affordable housing. Owners approaching major rehabs are able to choose from a selection of approved firms to carry out feasibility studies with the goal of decarbonizing, either through a deep energy retrofit or with a "zero-over-time" rehab approach. Over 45 affordable or public housing developments have received this matching grant to date. As an example, this grant funding has led to the deep retrofit and decarbonization of the 283-unit, income restricted Salem Heights redevelopment through recladding, triple glazed window replacement, and addition of individualized heat pumps and ventilation systems.

- Affordable Housing Passive House Grants: MassCEC utilized \$1.7 million to provide \$4,000 per unit grants to 8 affordable housing LIHTC (Low Income Housing Tax Credit) developments (540 apartments) to upgrade and meet the ultra-efficient and healthy Passive House standard. Passive House multifamily projects have been using less than half the energy of similar code and LEED buildings in the Northeast. Grant recipients closely tracked costs associated with changes needed to meet the Passive House standard and on average only experienced an average 2% cost premium. This initial pilot and a subsequent Mass Save incentive program with similar program structure that provides design grants and a \$3K incentive per apartment has led to market transformation in Massachusetts with over 150 projects of more than 10,000 units poised to meet the Passive House standard.
- Transformative Development Initiative: A MassDevelopment program for disadvantaged communities (Gateway Cities) designed to accelerate economic growth within focused districts. The program works with cross-sector partnerships to engage community members in actionable planning, implement local economic development initiatives, and spur further public and private investment. This approach could accelerate other climate-related goals that need a district approach, particularly when it comes to switching districts from hydrocarbon heating sources towards electrification.

What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to support and/or prioritize businesses owned or led by members of low-income or disadvantaged communities?

EPA should consider set asides in available funding for these segments to ensure there is a specific allocation given the additional administrative and outreach costs that may be needed to reach this segment. EPA should consider that most businesses in disadvantaged communities may not be the owners of the real estate that they occupy or may not even possess strong leases. Capital injections for building envelopes and system improvements may struggle with split incentive challenges. However, assistance geared towards planning, design, and purchase of efficient equipment systems within tenant spaces, which would lower their energy consumption and electrify end uses may have a greater impact on this market segment in the absence of long-term site control.

EPA should also consider expanding the consideration for supporting business owners to include disadvantaged populations not residing in said communities. For example, a disadvantaged business enterprise (DBE) located in a community that is not disadvantaged may ultimately provide significant equity benefits. Likewise, some businesses and/or owners of businesses located in disadvantaged communities may not necessarily represent a disadvantaged population.

EPA is also encouraged to consider not only supporting projects for businesses meeting target criteria, but also how support can be provided to prepare these businesses to participate in the workforce and implementation of projects funded by the GHGRF or otherwise related to the energy transition. It is important that applications for this funding recognize the workforce needs and impact and work in partnership with organizations providing technical services or other support to businesses in these underserved segments to help them participate in this industry.

Some example programming in Massachusetts that has supported low-income or disadvantaged community business owners in participating in these markets is provided below and in Appendix E and F:

- Minority and Women Owned Business Enterprise Support: One example MassCEC has used to support and prioritize members of low-income or disadvantaged communities is by providing large-scale, multi-year funding opportunities to organizations that assist Minority and Women Owned Business Enterprises in gaining expertise and expanding into fields that are critical to meeting the Commonwealth's climate goals of reaching net zero emissions by 2050. Organizations who specialize in engaging underrepresented communities provide certification-assistance, mentoring, networking, pipelines to procurements, and access to capital, to businesses owned by minorities or women that historically have had limited success breaking into efficiency and clean energy fields. This ongoing program has funded \$2.8 million of support to date.
- Offshore Wind Workforce and Supply Chain Efforts: An example of industry focused efforts, MassCEC has launched needs assessments, development grants, information sharing and a curated network of the local supply chain to engage local businesses in the emerging offshore wind industry. These initiatives help ensure local businesses are enabled with skills, credentials and expertise needed to engage in the industry.

b. Program Efficiency

What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate high private-sector leverage (i.e., each dollar of federal funding mobilizes additional private funding)?

EPA is encouraged to work with established mission-aligned organizations (or any special purpose subsidiaries) to deliver programming who have a demonstrated experience designing programs to leverage private capital in support of relevant emissions targets. These organizations may have existing market penetration through past industry and consumer engagement. Furthermore, they may have established tools and personnel to deliver results quickly.

EPA is also encouraged to recognize the value of partnerships that leverage different expertise, such as clean energy focused institutions with financing focused institutions. In Massachusetts, for example, MassCEC (clean energy focused) and MassDevelopment (development finance focused) have been collaborating on how they can deliver climate finance solutions to the building sector.

In Massachusetts, the Massachusetts Clean Energy Center (MassCEC) has deployed over \$400M in clean energy programs and investments since 2010, attracting and leveraging over \$2.3B in private and federal capital. Since 2010, MassDevelopment, a development focused economic development agency, has deployed nearly \$37 Billion in development financing capital, leveraging billions more in private capital, which among other impacts, has created and rehabilitated 25,000 housing units and supported or created 150,000 jobs in Massachusetts.

EPA should also ensure funding approaches are flexible to allow direct and indirect recipients to ensure the 'bankable' project components can be privately funded, allowing more projects to be leveraged. Potential concepts for GHGRF funding include filling gaps that are not able to support debt (subordinated financing, grants, or forgivable loans), as well as loan guarantees or other credit enhancement that can reduce risk to facilitate private capital from banks or other lenders. EPA should recognize that using GHGRF funds to support gaps (via credit enhancement or other tools), while allowing the 'bankable' portions to be privately financed may negatively impact the potential 'return' on that federal capital.

EPA is also encouraged to consider that leverage requirements could disadvantage reach of under resourced communities, and in some cases, grants may be the more appropriate solution. EPA should consider leverage at the portfolio level, balanced against other impacts and goals, and also recognize the 'indirect leverage' value of projects that demonstrate solutions or support market development in developing sectors.

What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate additionality (i.e., federal funding invests in projects that would have otherwise lacked access to financing)?

EPA can increase additionality by working directly or indirectly with organizations guided by ambitious emissions goals. Public aligned agencies (such as climate focused or economic development agencies) in states with ambitious emissions targets that are looking to utilize GHGRF funding to develop markets, address barriers, and support a broader energy transition are a great opportunity for enhancing additionality.

Note particularly that GHGRF funding utilized in parallel with market development efforts have the potential for leverage not only at the project scale, but also indirectly, as those funds are able to grow markets, demonstrate viable solutions, address barriers, and pave the way for future projects and capital.

More traditional or existing financial organizations may bring experience and capability in underwriting and the provision of capital. However, if not carefully aligned with ambitious emissions targets, they may utilize funds to support projects that are already commercially viable with private financing. In fact, clean energy and energy efficiency projects that currently attract private financing may be the most cost-effective and sustainable product of a climate finance entity, and these projects may offer substantial greenhouse gas reductions. However, they may offer the least additionality and may not contribute significantly to increasing the trajectory of greenhouse gas reductions nationally. Examples of commercially viable projects that have access to capital or are adequately supported by existing policy may include utility-scale renewables, transmission, and light efficiency projects that extend reliance on fossil fuels.

It is important that EPA recognize that while programming targeting solutions with more difficult economics can substantially increase additionality, it may come at the expense of fund sustainability or

pace of deployment. It is important that EPA selection criteria recognize the potential tradeoff between pace, revenue generation, and market development potential. An example would be access to capital for deep building decarbonization and electrification projects. Current economics offer limited economic benefits in many areas and result in the market transformation being in its early stages. However, EPA should recognize the importance of accelerating this project type will play a critical role in accelerating the trajectory of building decarbonization in support of long-term emissions targets and the energy transition, as well as the long-term indirect additionality of projects that are market building.

EPA is encouraged to look for direct and indirect recipients that are working with private lenders to assess which projects or portions of projects have access to private capital and reasonable costs (bankability). Applications from entities or teams that have strong experience working with private sector financial institutions should be recognized for bringing this expertise.

What should EPA consider in the design of the program to ensure that revenue from financial assistance provided using Greenhouse Gas Reduction Fund grants is recycled to ensure continued operability?

Track records (including performance, accountability, and financial sustainability) of applicants and mission alignment on emissions reduction can help ensure longevity of financing offerings, as entities with long-term objectives will seek to establish a long-term financing entity. EPA could also consider limits such as recouping administrative costs ‘at cost’ to ensure funding is focused on long term operability. EPA should be sensitive to the distinction between ‘longevity’ and ‘recycling’ where some approaches may focus on longevity though recycling is limited by project or recipient focus.

As per the response to Program Design Question #2, long-term financial sustainability may, however, sometimes conflict with additionality, as the financially attractive deals may already be pursued by the private sector. However, leveraging additional resources (such as state incentive funding) into an “integrated” offering may help bridge any subsidy gaps that could hamper financial sustainability. Also, EPA could consider preserving a portion of funding to support projects that do not currently have access to capital but have perhaps less attractive returns or a longer payback period, or otherwise policy aligned projects such as those that advance Justice40 goals.

What federal, state and/or local programs, including other programs included in the Inflation Reduction Act and the Infrastructure Investment and Jobs Act or “Bipartisan Infrastructure Law,” could EPA consider when designing the Greenhouse Gas Reduction Fund? How could such programs complement the funding available through the Greenhouse Gas Reduction Fund?

EPA should consider how the GHGRF can align with or enable climate resilience and/or community resilience infrastructure projects, as priorities of both the Inflation Reduction Act and the Bipartisan Infrastructure Law.

EPA is encouraged to recognize that different states and regions have very different starting points for existing programming and support of emissions reduction programming. The GHGRF opportunity should recognize that states with strong additional programming may be able to utilize GHGRF funding to support more forward looking and leading-edge project types that could serve as examples and demonstrations of potential solutions nationally.

Massachusetts for example has been a long-standing leader in energy efficiency programming, has implemented market development programming for many building electrification solutions, and is also home to leading policy such as the City of Boston's Building Emissions Reduction and Disclosure Ordinance which sets reducing emissions requirements for large buildings.

EPA should consider how the GHGRF funds can be administered to leverage the market leading programs of a state like Massachusetts in a way that serves to demonstrate future programming nationally. EPA is particularly encouraged to look for applications that specifically reference market development and demonstration perspectives in their application.

Examples of market development programming undertaken in Massachusetts include (see Appendix G, H, and I for further details):

- Mass Solar Loan: As previously described, the program focused on access to solar financing with a particular emphasis on engaging private lenders and building up the market for residential solar finance amongst banks and credit unions.
- Heat Pump Rebate and Market Development Programs: Beginning in 2014, Massachusetts implemented a range of market development programs to develop and accelerate the market for clean heating and cooling solutions for the residential market. This includes a long-standing rebate program that provided \$28M in awards supporting over \$164M invested in 20,000 projects and resulting in a 17x growth in participating installers over the course of the program. This program helped kickstart the market and expand the installer workforce, enabled the development of educational content to streamline the process for consumers, and demonstrated solutions later integrated into the Commonwealth's long-term energy efficiency programming. In 2019 the concept evolved into a pilot focused on testing the performance of heat pumps as a standalone system in the Massachusetts climate. This pilot funded just under 170 homes, mostly retrofits, and also included the joint development of a report on the performance of heat pumps as a primary heating source. This pilot similarly demonstrated solutions that were later integrated into the Commonwealth's efficiency programming as a whole-home heat pump incentive. This continuum of programming has focused on developing the market and thoughtfully addressing barriers to support continued acceleration and growth.
- Advancing Commonwealth Energy Storage (ACES): The ACES program was a demonstration style market development program providing grants for the deployment of energy storage systems with the goal of supporting innovative and replicable energy storage use cases and business models. This demonstration support was designed to de-risk future investment by demonstrating replicable models in the field and sharing key findings that went on to support the design of subsequent energy storage incentivization programs.

II. Program Structure

a. Eligible Recipients

Who could be eligible entities and/or indirect recipients under the Greenhouse Gas Reduction Fund consistent with statutory requirements specified in section 134 of the Clean Air Act? Please provide a description of these types of entities and references regarding the total capital deployed by such entities into greenhouse gas and air pollution reducing projects.

As direct eligible entities, EPA should consider an expansive definition of ‘nonprofit’ that would enable participation by mission aligned organizations (or their subsidiaries) with demonstrated capabilities in this space such as Quasi-Public or public affiliated clean energy and/or economic development focused agencies. Such entities meet the non-profit seeking intent of the language, are missioned aligned with emissions reductions goals of the fund, and have the networks and capabilities to thoughtfully deploy funds to meet national and state emissions targets with a focus on equity for underserved communities.

As an example, the Massachusetts Clean Energy Center, a quasi-public economic development agency focused on the clean energy economy has deployed over \$400M in clean energy programs and investments since 2010, attracting over \$2.3B in private and federal capital. MassDevelopment, another Quasi-Public Agency focused on development financing, including building rehabilitation, has deployed nearly \$37 Billion in development financing capital, leveraging billions more in private capital, since 2010.

EPA should also consider prioritizing mission aligned quasi-public entities as indirect recipients and should ensure that direct recipients consider alignment and track record in their own criteria for funding disbursement. Capital deployed by applicants should be one of the criteria to examine in considering track record.

EPA is also encouraged to recognize that most emissions-reducing projects for buildings are at their core construction or development financing projects and should maintain a broad interpretation to facilitate participation by the greatest amount of development financing providers. Particularly enabling public sector development financiers to access these funds and leverage their own programs and capital streams to incorporate net-zero goals and emissions reductions.

What types of entities (as eligible recipients and/or indirect recipients) could enable Greenhouse Gas Reduction Fund grants to support investment and deployment of greenhouse gas and air pollution reducing projects in low-income and disadvantaged communities?

As described above, quasi-public agencies with aligned missions and demonstrated experience in deploying equity focused programming should be prioritized as partners in reaching these communities, particularly to help ensure these communities are targeted thoughtfully and with awareness of potential risks (including energy burden, additional debt, maintenance costs and more). For example, the Massachusetts Clean Energy Center typically integrates a focus on low-income households or

environmental justice communities into our programming. This includes workforce development programming designed to engage these communities in the clean energy workforce. MassCEC has also worked closely with local Community Development Corporations and affordable housing developers to prioritize clean energy and building decarbonization actions. The flexibility and nimble nature of MassCEC's organizational structure makes these arrangements actionable, and mission-alignment keeps the organization focused on decarbonization goals.

EPA is also encouraged to allow "receivers" as eligible beneficiaries of the funding, though not direct recipients/administrators. In Massachusetts, receivers are private entities that are assigned by the courts to be the caretaker of residential property when it is deemed that landlords are being chronically negligent of their housing units. Receivers are then tasked with making capital upgrades to the facility to bring them into code compliance and reduce blight. This often includes a series of insulation and HVAC system upgrades that will last for at least a decade. This is the ideal time to provide further incentive to take net-zero energy or decarbonization actions within disadvantaged communities. In general, prioritizing rehabilitation projects of older infrastructure in disadvantaged communities will make the highest impact as these communities often see less new construction, and rehab projects are often limited by low margins.

What types of entities (as eligible recipients and/or indirect recipients) could be created to enable Greenhouse Gas Reduction Fund grants to support investment in and deployment of greenhouse gas and air pollution reducing projects in communities where capacity to finance and deploy such projects does not currently exist?

GHGRF funding has potential to be a valuable resource in supporting the launch of new climate finance or greenhouse gas reduction focused organizations. However, EPA should ensure that new entities seeking funding are well developed, have clearly defined missions and governance, can demonstrate potential project pipelines, and have cooperative relationships or partnerships with other clean energy or emissions focused organizations in their region. Such entities should also demonstrate their programming is intended to support existing lending markets and be complimentary not competitive. Demonstrated partnership with trusted organizations in disadvantaged communities and/or public entities with a track record of equity programming should also be carefully considered.

EPA should also consider how public sector corporations focused on energy, development finance and building construction and maintenance could form creative partnerships to bridge some of the toughest barriers to adoption such as the "split incentive" between building asset ownership and energy use by tenants. EPA should look to ensure funding can be deployed flexibly to enable such partnerships that could capture value from cost savings and properly dedicate to debt service and align the incentives of energy consumers.

How could EPA ensure the responsible implementation of the Greenhouse Gas Reduction Fund grants by new entities without a track record?

For new entities, EPA should consider if those new entities are special purpose entities related to established entities. For example, an existing organization with deep market penetration may find it favorable to create a new entity with an exclusive focus on accelerating climate financing. While that entity may not directly have experience, its relation to the parent entity will ensure that it has the experience, market engagement, and resources needed, as well as the governance to be responsible fiduciaries of public funds.

b. Eligible Projects

What kinds of technical and/or financial assistance could Greenhouse Gas Reduction Fund grants facilitate to maximize investment in and deployment of greenhouse gas and air pollution reducing projects by existing and/or new eligible recipients and/or indirect recipients?

Building decarbonization is a complex challenge and requires thoughtful consideration of specific building constraints to optimize for cost, end of life of existing systems, emissions reductions, comfort, and other constraints. Building owners need sophisticated technical assistance, including design, cost estimation and project planning services. Technical Assistance that helps develop a pipeline of these retrofits can build momentum within the market, help establish design consistencies and ‘muscle memory’ within the construction/development industry needed to electrify buildings at scale.

As mentioned previously, financial assistance offered through the fund should be varied and flexible to ensure it is able to support innovative financing solutions that have the potential to shift the needle on private sector financing.

What should EPA consider in the design of the program to enable Greenhouse Gas Reduction Fund grants to facilitate broad private market capital formation for greenhouse gas and air pollution reducing projects? How could Greenhouse Gas Reduction Fund grants help prove the “bankability” of financial structures that could then be replicated by private sector financial institutions?

EPA should look specifically for recipients and applications with a focus on market development and demonstration of solutions that can scale to the private sector, and with a track record of implementing programming with these goals.

Ensuring funds are used for the ‘un-bankable’ portions of projects in partnership with private lenders (or loan guarantees that can reduce the perceived risk) can help ensure GHGRF funds are demonstrating models for future private lender products.

What types of projects should EPA prioritize under sections 134(a)(1)-(3), consistent with the

statutory definition of “qualified projects” and “zero emissions technology” as well as the statute’s direct and indirect investment provisions? Please describe how prioritizing such projects would:

- a. maximize greenhouse gas emission and air pollution reductions;**
- b. deliver benefits to low-income and disadvantaged communities;**
- c. enable investment in projects that would otherwise lack access to capital or financing;**
- d. recycle repayments and other revenue received from financial assistance provided using the grant funds to ensure continued operability; and**
- e. facilitate increased private sector investment.**

EPA should ensure the fund prioritizes supporting ambitious electrification and decarbonization projects in the buildings sector needed to reach state and national level emissions targets. This building energy transition is going to require billions of dollars in capital across millions of buildings and decision makers but is critical to meeting emission reduction targets and has an important impact on indoor air pollution/quality. There are also many clearly identified financing gaps in building decarbonization.

Building decarbonization projects typically incorporate weatherization of a building’s envelope (i.e., air-sealing and insulation), electrification of energy end uses (e.g., heat pumps for heating and domestic hot water, electrification of cooking and other appliances), and integration of on-site renewables when possible. It also likely requires electrical upgrades and may have on-site vehicle charging and/or energy storage equipment. As stated in an earlier response, it will likely be necessary to support costs indirectly associated with decarbonization, including electrical upgrades, overcoming pre-weatherization barriers (e.g., asbestos, knob and tube wiring), and associated home repairs (e.g., reroofing), especially for lower-income households.

Ensuring access to affordable capital for these projects in the early stages is critical to ensuring the pace of this transition can accelerate and the market is able to develop at the scale needed. Particularly, ensuring access in low-income or disadvantaged communities is critical to not inhibited them from participating in this transition and being left with rising costs on legacy systems.

It is important to recognize that in many markets, decarbonization or electrification projects may not deliver cost savings, have markets that are in their infancy, and are best delivered in ‘over-time’ approaches that leverage natural equipment replacement cycles. As a result, supporting these projects through the GHGRF may come at the expense of other goals such as sustainability of funding or pace of deployment relative to other solutions that are more commonly commercially bankable (e.g., Solar PV or “cost-effective” efficiency). EPA should take care to avoid funding assistance for projects with existing access to private capital or that are sufficiently supported through existing sources.

EPA should also ensure the fund can support project proposals that plan, design, prepare and begin the coordinated conversion of neighborhoods from hydrocarbon heating grids (i.e., gas and oil distribution) to decarbonized solutions such as all-electric neighborhoods, networked geothermal districts, and/or clean district energy systems. These projects, now being piloted in Massachusetts and elsewhere, are necessary to avoid placing the high fixed cost of gas and other distribution networks on the lowest income residents and businesses while higher worth individuals can make these building transitions on their own accord.

Implementation projects that focus on converting whole neighborhoods will need initial support and subsidy and this fund could be a major accelerator for electrification efforts across the nation as the electric grid continues to grow its portfolio of renewable sources. Taking a neighborhood-level strategy would allow bundling of financing, where some buildings “pen out” as bankable and others do not, but the portfolio of building improvements writ large could either be bankable through private finance (given ground-level coordination with these funds) or need dramatically less public subsidy. The acceleration of electrification through entire neighborhoods would require the engagement and investment by private owners, banking institutions, and other partners.

EPA should also consider allowing funds to pilot approaches to reduce hydrocarbon use and other fuels that emit particulate matter within industrial processes located in or proximate to environmental justice communities. For example, natural gas is often used not just for indoor environment heating but for a myriad of production processes.

EPA is encouraged to recognize the track record of many economic development agencies (Massachusetts examples: MassCEC and MassDevelopment) in successfully leveraging grants and public funds with private sector investment to deliver projects.

Please describe what forms of financial assistance (e.g., subgrants, loans, or other forms of financial assistance) are necessary to fill financing gaps, enable investment, and accelerate deployment of such projects.

EPA should ensure that assistance (to direct recipients as well as indirect recipients) is available in a range of formats and with flexibility to ensure that funding can be used by applicants to support innovative solutions, including those that may develop over time as market gaps are better understood. EPA should focus on the goals of the financial assistance but leave form and specifics flexible for the applicants.

Flexible solutions could include capital for projects with cash flows but other credit concerns, technical assistance grants, predevelopment capital, and coverage for gaps that cannot be supported by debt. A particular example is capital that can finance smaller projects through a Property Assessed Clean Energy (PACE) structure, where smaller commercial projects (under \$500,000) struggle to find private PACE capital providers in MA. An initial capital source for these projects could help demonstrate bankability over time, to encourage availability of private capital for this project type. While grant style funding could be utilized to ensure lack of savings over a 20-year term in the PACE structure could be used to cover ‘uneconomic’ portions and allow participants to make the desired (and most GHG beneficial) improvements.

EPA could consider limited allowance of using funding to “buy down” principal in order to make projects financially viable, especially for low-income households that might not be able to implement cost-effective solutions even with sufficient financing. While this resembles a selective rebate, it might be necessary if other sources of incentive support are not available to make a project “pencil out.” This gap is particularly burdensome for lower-income households.

EPA is encouraged to recognize how these different forms of financing assistance may advance the goals of the Justice40 initiative.

Beyond financial assistance for project financing what other supports – such as technical assistance -- are necessary to accelerate deployment of such projects?

Technical assistance is critical to ensuring successful outcomes, given the complex nature of optimizing building decarbonization projects, including assistance in outreach and project evaluation.

EPA is encouraged to recognize that Technical Assistance may come in many forms to entities involved in the clean energy transition. This may include technical assistance to building owners including developing project scopes, identifying funding, procuring relevant services, commissioning, monitoring and more. It may also include technical assistance for lenders (helping them understand technical solutions, building performance standards or relevant policies, or building pipelines to achieve scale and disbursed risks.

District-level coordinated projects particularly would face additional administrative costs and need for coordination staff, while enabling participation by a pool of building owners that can thoughtfully shrink legacy distribution systems.

EPA might also consider convening funding recipients to share approaches and best practices and to offer technical assistance in development of consumer or wholesale products

C. Structure of Funding

Are there best practices in program design that EPA should consider to reduce burdens on applicants, grantees, and/or subrecipients (including borrowers)?

EPA should consider that the application process (for direct recipients or indirect recipients) should include a 'expression of interest' round to allow reviewers to share feedback on draft proposals, to better enable participation by organizations with fewer resources or less experience with competitive applications.

EPA is encouraged to look to existing state programs and efforts at the state and local level to streamline customer experience.

EPA can help reduce burdens by prioritizing direct and indirect recipients that have demonstrated experience and/or strong partner relationships with existing incentive providers for clean technologies and can ensure GHGRF funding can be appropriately coordinated with other programming in an administratively thoughtful manner, and particularly in a way that reaches underserved markets.

EPA should look to limit reporting or certification that is required at the project level and keep reporting requirements to EPA streamlined at top-line details on limited and regular intervals. EPA should also seek to limit requirements on funding recipients in an effort to minimize additional administrative or project costs beyond those of the current market.

What, if any, common federal grant program design features should EPA consider or avoid in order to maximize the ability of eligible recipients and/or indirect recipients to leverage and recycle Greenhouse Gas Reduction Fund grants?

EPA could consider using similar reporting and tracking frameworks as the US Treasury Department's SSBCI program. EPA should avoid lengthy and complicated regulations on funding use such as those generally associated with US HUD's CDBG program, which could be seen as a disincentive for many private participants in this context.

If EPA is seeking to encourage recycling of GHGRF funds, it might consider reducing or eliminating tracking, reporting, and other requirements after original disbursement. Recycling of funds may take several years from the time of original disbursement and these requirements may prove unhelpful or burdensome in future years. However, it is important to maintain high level requirements that recycled funding be utilized with the same greenhouse gas reduction objectives.

What should EPA consider in the design of the program, in addition to prevailing wage requirements in section 314 of the Clean Air Act, to encourage grantees and subrecipients to fund projects that create high quality jobs and adhere to best practices for labor standards, consistent with guidance such as Executive Order 14063 on the Use of Project Labor Agreements and the Department of Labor's Good Jobs Principles?

In Massachusetts, labor costs and wages are relatively high, and unemployment is very low. This has contributed to very high costs for construction and housing costs. As Massachusetts aggressively pursues our decarbonization goals, we are focused on compressing the currently high costs of consumer decarbonization while preserving a strong and well-paying industry. Our market research has documented that clean energy jobs are well paying. And many interrelated fields, such as HVAC and electricians, pay well above median incomes and typically six figures. EPA should be aware of this, and we recommend that EPA strongly consider structuring requirements around this funding in a way to minimize increases in consumer costs by limiting requirements that could inflate labor costs.

EPA is encouraged to consider the potential consumer cost impact of higher-than-market wage requirements, particularly for smaller projects. EPA is encouraged to consider exemptions for smaller scale projects or investments focused on low-income or underserved communities where administrative burden or increased costs could risk reducing participation or offsetting the value that GHGRF funds could provide.

What should EPA consider when developing program guidance and policies, such as the appropriate collection of data, to ensure that greenhouse gas and air pollution reduction projects funded by grantees and subrecipients comply with the requirements of Title VI of the Civil Rights Act, which prohibits discrimination on the basis of race, color, and national origin in programs and activities receiving federal financial assistance?

The objectives of non-discrimination as stated are critical and demonstrating compliance with those requirements is necessary. However, EPA should consider how this could be streamlined in a way that would not be burdensome to funded entities or private recipients of those entities. For example, a statistical sampling of a small subset of projects or recipients may be sufficient to confirm non-discrimination. Also, EPA could consider utilizing any local or state requirements that are consistent with those of the federal government to demonstrate compliance. For federal funding to have substantive impact on a market transformation, it is necessary for that funding to have only the most critical administrative and reporting requirements in order to minimize administrative costs and staffing burdens for both the administrative entity and private recipients.

What should EPA consider when developing program policies and guidance to ensure that greenhouse gas and air pollution reduction projects funded by grantees and subrecipients comply with the requirements of the Build America, Buy America Act that requires domestic procurement of iron, steel, manufactured products, and construction material?

Similar to question #8 above, the objectives of the Build America, Buy America Act are important, but it is critical to ensure that the requirements and reporting do not compromise the objectives of the funding by creating administrative costs and staffing burdens on awardees. There are likely structures to simplify the process of confirming compliance.

Also, it should be noted that domestic manufacturing of critical decarbonization technologies like heat pumps and solar panels is currently extremely limited. EPA should consider how to establish these requirements on distributed funding and potentially evaluate feasibility of this requirement on certain manufactured products in the near- to mid-term.

III. Execution, Reporting & Accountability

What types of governance structures, reporting requirements and audit requirements (consistent with applicable federal regulations) should EPA consider requiring of direct and indirect recipients of Greenhouse Gas Reduction Fund grants to ensure the responsible implementation and oversight of grantee/subrecipient operations and financial assistance activities?

EPA should carefully consider the mission and alignment of the governance structure to national and state level emissions goals. EPA should take a degree of confidence in organizations that align governance and mission with relevant public sector organizations.

Reporting and audit requirements should be established with care to not overburden direct and indirect recipients and avoid limiting innovation, efficiency, or creative fund use amongst recipients.

Are there any compliance requirements in addition to those provided for in Federal statutes or regulations (e.g., requirements related to administering federal grant funds) that EPA should consider when designing the program?

We do not have any specific recommendations on this topic but would like to encourage EPA to minimize compliance requirements to the extent practical.

What metrics and indicators should EPA use to track relevant program outcomes including, but not limited to, (a) reductions in greenhouse gas emissions or air pollution, (b) allocation of benefits to low-income and disadvantaged communities, (c) private sector leverage and project additionality, (d) number of greenhouse gas and air pollution reduction projects funded and (f) distribution of projects at the national, regional, state and local levels?

When tracking reductions in greenhouse gas emissions due to electrification, EPA should carefully consider its methodology to accurately reflect the benefits of electrification over time. This may require evaluating electricity emissions using an “average” emissions factor or a “build margin” emissions factor rather than a “marginal” emissions factor. Furthermore, the emissions savings should be calculated over the expected lifetime of a project over which the electric grid will likely become cleaner instead of just during the year implemented.

What should EPA consider in the design of the program to ensure community accountability for projects funded directly or indirectly by the Greenhouse Gas Reduction Fund? What if any existing governance structures, assessment criteria (e.g., the Community Development Financial Institutions Fund’s Target Market Accountability criteria), rules, etc., should EPA consider?

Consider providing an online reference map of projects that have been financed/supported by the fund, for easy access to the public.

General Comment:

Long term sustainability of the GHGRF is optimal, but the effect of grants and forgivable or otherwise concessionary loans should be considered. The goal of sustainability should not impair the immediate goals of making the most impactful investments to reduce greenhouse gas emissions, support and develop markets such as building electrification that are needed to meet emissions targets, and impact low-income or disadvantaged communities.

EPA should consider prioritizing funding for more difficult to decarbonize segments (such as building decarbonization and underserved environmental justice/low-income populations) and to support innovative and non-traditional financing approaches.

EPA should consider guardrails to minimize displacement of residents and businesses that could be indirectly impacted by these funds. Often the lowest energy-performing buildings are older stock, have suffered disinvestment over the years, are less valuable and therefore have lower rents – correlating highly where disadvantaged populations and businesses would locate. Incentivizing wholesale improvements to buildings would likely correlate with higher values (such as co-investment with other building improvements, lower utility costs, better environment, etc.). Without guardrails that might consider the displacement of tenants due to construction or rising rent costs, the targeting of disadvantaged geographies could lead to a gentrification effect, ultimately impacting the most vulnerable.

From: [Todd Nedwick](#)
To: [EFAB](#)
Subject: Input on the GHGRF from 18 affordable housing organizations
Date: Friday, December 9, 2022 3:56:00 PM
Attachments: [image001.png](#)

Dear members of the Environmental Financial Advisory Board,

Thank you for the opportunity to provide comments as you consider your recommendations to EPA for the design of the Greenhouse Gas Reduction Fund.

National Housing Trust (NHT) and 17 organizations representing a cross-section of the affordable housing industry submitted comments to the RFI urging EPA to ensure that decarbonizing affordable housing and making housing more energy-efficient are priority uses of the

Greenhouse Gas Reduction Fund (GHGRF). We also strongly recommend that financing organizations with significant experience and success serving low-income and disadvantaged communities, such as Community Development Financial Institutions (CDFIs) and state and local housing finance agencies (HFAs), be eligible and priority recipients of GHGRF grants.

While our full comments can be accessed [here](#), below are excerpts from our comments that pertain to the specific questions that EFAB is contemplating.

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?

- **EPA should use existing definitions and methodologies** to define “low-income” and “disadvantaged” communities based on data that is universally accessible. EPA should align GHGRF definitions with existing criteria, datasets, and tools to reduce administrative burdens and facilitate combining GHGRF funding with other programs.

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?

- **Organizations with existing relationships in low-income and disadvantaged communities** and experience lending to such communities are best positioned to enable projects that reduce greenhouse gas emissions

and air pollution. These include CDFIs and state and local housing finance agencies.

- With regards to the \$7 B for states, localities, and Tribal governments: **A carve-out for localities** is important to ensure that funding is available to low-income and disadvantaged communities if state leadership chooses not to participate for political reasons. EPA should create separate pools of funding for states, localities, and Tribal governments so that states are only competing with other states for funding, and likewise for localities and Tribal governments. For example, EPA could earmark 45% of \$7 billion for states, 45% for localities, and 10% for Tribal governments.

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.

- **One-stop-shop support:** GHGRF direct recipients should fund CBOs and energy efficiency program implementers to provide a single point of contact and technical assistance to support affordable multifamily housing providers implement decarbonization projects. Such support is necessary to drive demand for decarbonization financing.
- **EPA should encourage grant recipients to partner with technical assistance providers to ensure that borrowers have access to one-stop-shop services.** Partnerships between CDFIs and energy efficiency technical assistance providers can streamline the retrofit process and ensure owners have access to financing and project services. For example:
 - The Community Investment Corp (CIC) in Chicago works with Elevate, an energy efficiency technical assistance organization, to provide energy efficiency services to building owners. CIC and Elevate have supported energy efficiency upgrades in 42,000 units.
 - Triple Bottom Line Foundation (TBL Fund) in Colorado provides development services and customized financial products for green projects for multifamily affordable housing and disadvantaged communities. Borrowers can work with the TBL Fund's partner organization, ICAST, to receive one-stop-shop services.
- **The GHGRF can spur long-term capital mobilization by structuring a portion of the funds as subsidies or equity** to encourage early adopters to

undertake decarbonization projects. While using a portion of GHGRF funds as a subsidy will limit recyclability in the short term, supporting market development will mobilize private capital in the long term. EPA should require higher levels of leverage and recycling for other types of investments that are easier to finance than projects in low-income and disadvantaged communities.

- **Community lenders like CDFIs will require grants to develop affordable loan products** for low-income and disadvantaged communities. To remain financially sustainable and cover operating costs, CDFIs must earn a return on their loans. If EPA or its intermediaries expect a return on the capital provided, it will require CDFIs to charge a higher interest rate to borrowers to achieve a sufficient spread to remain operable. Higher-cost loans will be out of reach for many low-income borrowers. Ideally, EPA and/or its intermediaries will provide financial assistance to CDFIs in the form of grants that must not be paid back.

If the capital is expected to be paid back to the intermediaries, it should be provided as long-term capital at a 0% interest rate. The National Housing Trust Community Development Fund (NHTCDF) provides a Green Retrofit Preservation Loan for affordable multifamily property owners to reduce energy and water consumption. NHTCDF has faced several obstacles in deploying these funds, including access to the low-cost, long-term capital needed to make such loans work. Underwriting loans against energy savings requires making loans that fully amortize over 15-20 years. CDFIs generally do not have adequate long-term capital to support this kind of project.

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?*

- **EPA can ensure that GHGRF grants facilitate additionality by prioritizing underserved markets, specifically affordable multifamily housing.** Low-income and disadvantaged communities lack access to public and private-sector

financing. Owners and renters in affordable multifamily housing often cannot afford the upfront costs associated with decarbonization. As such, practically any deployment of GHGRF funds to facilitate decarbonization projects in affordable multifamily housing will exhibit additionality.

Decarbonization scopes of work are often value-engineered out of affordable housing due to cost concerns and limited funding. Demand for affordable housing far outstrips the level of funding available to finance fully decarbonized buildings. The Low-Income Housing Tax Credit program is the main source of equity for affordable housing but is insufficient to meet the demand for affordable housing. Developers requested nearly \$2.8 billion in housing credits from states in 2020—2.5 times the available authority of \$1.1 billion allocated. The cost of developing affordable housing has increased by 30 percent over the last few years, creating even more pressure to find cost-cutting opportunities to maximize the number of units created and preserved each year.

- **EPA should design the GHGRF to support long-term capital mobilization and market development by allowing financial assistance to be structured as grants into affordable housing projects.** Financing affordable housing decarbonization is challenging due to the perceived risks of such projects which increases the cost of capital. The perception of risk is driven by a lack of familiarity with decarbonization technologies among lenders and building owners. There's also little information available about the financial impact of decarbonization due to a lack of performance data. More investment in decarbonizing affordable housing will increase awareness of new technologies and project outcomes and reduce the perceived risks. This will bring down the costs of capital in the long term and drive demand for financing.

II. Program Structure

a. Eligible Recipients

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

- **The U.S. Treasury approves Community Development Financial Institutions (CDFIs) which** serve low-income and disadvantaged communities, especially communities of color, rural, and persistent poverty communities. CDFIs include community development banks, credit unions, loan funds, and venture capital funds, which share a primary mission of community development and predominant financing activity in low-income and communities of color. As capillaries of the financial system, CDFIs provide both technical assistance and

financing across all fifty states, with nearly 40 percent of CDFI lending in persistent poverty areas. There are more than 1,200 certified CDFIs nationwide in every state and D.C.

- **State and Local Housing Finance Agencies (HFAs)** play a central role in the nation's affordable housing system, delivering more than \$500 billion in financing to make possible the purchase, development, and rehabilitation of over 7.5 million affordable homes and rental apartments for low- and middle-income households. Low Income Housing Tax Credit (LIHTC) and Housing Bond financed affordable housing properties have an outstanding performance track record: only 0.57 percent of Housing Credit developments have undergone foreclosure, an unparalleled record compared to market-rate properties and all other real estate classes. This is due to strict state agency underwriting standards, stringent compliance requirements, and due diligence from the private sector.
- **Affordable multifamily owners and managers will require technical assistance and flexibility to complete decarbonization projects.** Technical assistance from trusted partners will drive demand for decarbonization in affordable housing and maximize GHG emission reductions. Affordable housing providers have limited staff capacity and resources to plan for and implement GHG reduction projects. Affordable multifamily property owners and managers generally do not have the expertise to conduct energy audits and evaluate which decarbonization measures make the most sense to implement. They may also be unfamiliar with finding qualified contractors to make improvements. If they commit money and time to complete a retrofit, they will need assurances that the measures selected and implemented will produce meaningful carbon savings.

GHGRF should fund technical assistance providers that can provide one-stop-shop services to affordable housing providers. Funding should support existing one-stop-shops and be used to stand up new one-stop-shops that would:

- coordinate applying to multiple incentive programs to leverage multiple funding sources;
- provide project development and technical assistance, such as initial assessments, audits, and project support;
- act as trusted partners to building owners and build relationships in the community to identify and recruit affordable housing providers to participate in the program;
- help the customer evaluate bids and select contractors, and facilitates scheduling to ease the administrative burden on the owner; and

- inspect contractors' work during installation when necessary, and at project completion to ensure new equipment is properly installed.

b. Eligible Projects

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

- **Prioritizing affordable housing decarbonization will ensure that low-income families and individuals directly benefit from the GHGRF while achieving significant carbon emission reductions.** Affordable multifamily housing offers substantial potential for reducing the nation's carbon emissions in low-income communities:
 - Multifamily is a significant housing sector, especially housing occupied by LMI households; 42% of apartment households have incomes below \$35,000, compared to 25% of all households.
 - Housing accounted for 21% of total U.S. energy consumption in 2021 and nearly 20% of CO2 emissions.
 - HUD-assisted properties have the potential to generate over 11,548 GWh of solar electricity annually and reduce carbon emissions by more than eight million metric tons.
 - There is a significant opportunity to decarbonize multifamily housing through electrification paired with energy efficiency. As of 2015, only 5% of multifamily units used electric heat pumps for space heating. Nearly 6 million multifamily units have fossil-fuel-burning stoves.
- **GHGRF should also prioritize investments in affordable multifamily housing projects near public transit and in walkable and bikeable communities which reduce GHG emissions through fewer vehicle trips of gasoline-fueled cars.** EPA can look to California's Affordable Housing and Sustainable Communities program (AHSC) to see the benefits of integrating financing for affordable housing, transportation, urban greening, and community programs to reduce GHG emissions. AHSC pairs affordable housing with high-quality transportation investments to foster healthy, well-connected communities, while reducing their environmental impact. With funding from California's Greenhouse Gas Reduction Fund, AHSC has invested \$2.5 billion to create 15,324 new, transit-connected affordable homes. The location efficiency of this housing avoids 4.4 million metric tons of GHG emissions.

ii. Considering each major project type/sector/market segment, discuss: 1. What are the barriers to private sector capital? 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. 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. 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?

- **Affordable housing owners may find financing products more accessible if the eligible measures include non-energy efficiency improvements such as structural upgrades or health and safety improvements** that must be addressed before implementing efficiency upgrades. The Montgomery County Green Bank's Commercial Loan for Energy Efficiencies and Renewables (CLEER) Program allows up to 30% of the loan to cover measures that do not directly result in energy savings. Capital for Change's LIME loan allows up to 25% of loan proceeds to be used for non-energy efficiency improvements, provided there are sufficient savings to carry the costs.
- **Address the unique needs of rural and persistent poverty communities.** Rural communities in the United States face some special challenges in reducing emissions of greenhouse gases and other pollutants. For example, transit-oriented siting of housing and jobs is not possible in the many rural communities that lack reliable public transportation. At the same time, rural residents are more likely than their urban peers to experience substandard housing conditions and almost as likely to endure burdensome housing costs. Reducing pollutants is particularly difficult in the 377 counties that experience persistent poverty – poverty rates above 20 percent for three consecutive decades – and 81 percent of these counties are outside metropolitan areas.

Capacity building is also sorely needed in rural America. Rural communities often have small and part-time local governments, inadequate philanthropic support, and a shortage of the specialists needed to navigate the complexities of federal programs and modern finance and to compete for government and philanthropic resources. To ensure rural needs are addressed, we recommend that EPA:

- Create a rural set aside or a priority for GHGRF applications that will serve rural areas, with an even higher priority for those that will address needs in persistent poverty areas;
- Make funding available for community lenders like CDFIs in the form of

grants or long-term interest-free loans so that they can make grants or very low-interest loans to their partners, particularly those with limited capacity;

- Include the rural housing programs run by the U.S. Department of Agriculture (USDA) in any references to federally assisted housing, to avoid the all-too-common confusion created when regulations or guidance mention the Department of Housing and Urban Development's programs but not USDA's.



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U.S. Environmental Protection Agency
Environmental Financial Advisory Board
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December 8, 2022

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

Thank you for the opportunity to provide input on the design and implementation of the Greenhouse Gas Reduction Fund. As an organization that relies on a science-based, collaborative approach, The Nature Conservancy believe the science is clear that climate change poses a significant threat to our communities, our economy, and to nature itself. As we work to reduce carbon emissions and achieve “net-zero” by 2050, we must also seek ways to address the disproportionate effects of air pollution and climate change on historically marginalized or underserved communities and ensure the benefits of the clean energy transition are equitably shared. The Greenhouse Gas Reduction Fund (GHGRF) offers one tool to tackle all of these challenges.

As the Environmental Financial Advisory Board (EFAB) finalizes its recommendations on program structure and design, we offer the following considerations and additional examples of eligible recipients and projects to incorporate into your report to the Environmental Protection Agency (EPA).

Eligible Recipients

EFAB has outlined six potential structural options to serve as the basis for distributing funds through the GHGRF. Given the short timeframe for designing and implementing the program and competing mandates, we support the combination approach that EFAB has proposed. Strategically offering resources at multiple levels will leverage varying types of experience of existing institutions—from community-based organizations with the ability to reach disadvantaged communities to entities with a broader focus and track record of market activation. Encouraging collaboration across these scales will be necessary to achieve the objectives of the GHGRF. A patchwork of hyper-local programs with varying qualifications, financing opportunities, and geographic restrictions may create market confusion that limits the scale, impact, and ability to leverage and recycle funds. On the other hand, statewide or regionally focused programs may lack the robust on-the-ground engagement necessary for these programs to identify and meet community needs and increase accessibility to the intended beneficiaries. EFAB highlights these types of strengths and challenges in the outline of the six potential options for program structure. With no single option clearly meeting all of the program objectives, EPA should pursue the option that enables the agency to strategically allocate portions of the funding across the different models.

We offer a few additional considerations that could be included in the discussion of the options for program structure. The state and regional policy backdrop, against which these programs will be

administered, is another distinguishing characteristic that could be factored into the pros and cons of the optional structures and selecting recipients, and is not currently identified by EFAB. For example, a community-solar-focused sectoral approach will have limited success in a state or region lacking community-solar enabling legislation. Similarly, commercial property assessed clean energy (C-PACE) programs that could help facilitate or complement buildings-focused strategies require state and local authorization.

In addition, the ability of recipients to build, partner with others to provide, or more broadly utilize turnkey products—financing products for which the end user bears almost no burdens or difficulty associated with the research, implementation or financing of the project—should be a consideration in defining the program structure and the types of recipients that may be eligible. Turnkey products are important for clean energy market mobilization overall but particularly in low-income and disadvantaged communities. A turnkey clean energy financing product would be built to maximize ease-of-use for both the end user and contractor providing the service. It might include implementation, financing at terms that fit the expected life-time and/or provide a built-in cash flow positivity requirement, and savings measurements for the customer—all in a single, easily understandable product. The contractor would be trained and certified as a trusted purveyor of the financing product, have clear forms and easy-to-understand branded collateral, and enjoy an open channel of communication with the lender (i.e. the provider of the turnkey product). Utilizing the GHGRF to build financing products with turnkey qualities will not only help reduce market confusion and provide ease of use on the consumer and program facilitator, it also will provide opportunities for increasing the scale and longevity of public dollars by leveraging private investment. Broader accessibility to turnkey products with standardized terms and loan attributes may allow for loans to be bundled and sold in the secondary market to recapitalize loan-product availability, thus extending the impact of public dollars.

Eligible Projects

As EFAB considers recommendations for how to prioritize projects, sectors, and market segments, we are encouraged by the Advisory Board’s approach to balancing measurable greenhouse gas emissions reductions and zero-emissions technology deployment with other community benefits and needs. Funding certain enabling conditions and capacity building will amplify the benefits of the program, but the impacts of such investments may not be harder to measure. We offer some additional factors to consider in defining criteria for eligible projects.

In many cases, financing gaps are one of many barriers to investments in clean energy or other projects to reduce greenhouse gas emissions, such as home ownership, housing quality, and geographic disparities (e.g., rural versus urban). GHGRF funds could be used to remove some of these other barriers necessary to unlock or leverage other sources of financing. For example, aging housing stocks may have structural or other issues that make the homes ineligible for funding through the Weatherization Assistance Program (WAP), which received a large boost of funding through the recent bipartisan infrastructure bill. In Virginia, one eligible use of the funds from the Regional Greenhouse Gas Initiative

is to finance upgrades to houses that would then enable the homeowner to access the federal WAP funding.

Most renters, who make up a majority of low-income and disadvantaged communities, will be unable to take advantage of the Inflation Reduction Act's tax credits and rebates. Prioritizing projects that equitably benefit both property owners and renters will very likely provide additionality since renters are largely excluded from directly facilitating renewable energy development that would benefit them. Such projects may include developing community solar projects that serve renters, or rooftop solar and storage projects on rental properties. These investments may increase property and rental values, so programs must be designed to avoid displacement of low-income renters and ensure that energy burden is reduced at the occupant level.

Projects that focus on "kitchen table" home and small-business economics will unlock broader benefits that support communities. Examples include:

- Home-scale energy upgrades that partner health, safety, and livability improvements with energy efficiency and clean energy;
- Enhanced financing for new and pre-owned efficient vehicles to lower cost of commuting burden (e.g., hybrid vehicles, high MPG rated vehicles, electric vehicles);
- Financing energy efficient equipment for small businesses that lower utility cost and cost (e.g., laundromats, restaurants, neighborhood groceries, local delivery, automotive service shops etc.);
- Community solar projects -- where the clear intent of the project is to lower energy burden compared to standard default service offerings, or to provide long-term cost certainty against rising costs.

In addition, projects that support the institutions that serve communities can have a positive knock-on effect for community quality of life and cost of living. Municipal energy improvements such as streetlighting upgrades could lower operating costs, and delay the need for tax increases. With clean energy and energy upgrades, hospitals, schools, community centers can all dedicate more resources to services if options to reduce energy burden are abundant, with favorable financing terms that consider additional incentives, and the institutions are supported by impartial technical assistance to reduce their own capacity constraints.

Discussions of eligible projects should also include nature-based emissions reduction projects such as forest management or reforestation. Natural climate solutions are actions to protect, better manage and restore nature to avoid the emission of greenhouse gasses, or to capture and store emissions already in the atmosphere. For example, practices that improve forest management can help forest owners increase the carbon stored in their trees; cover crops, or the practice of planting ground cover in the off season, result in healthier, carbon-rich soil; and restoring tidal wetlands sequesters carbon in submerged soil. The total mitigation potential of natural climate solutions actions in the United States is 1.2 Gt CO₂e annually, meaning natural climate solutions could prevent or sequester more than one-fifth

of annual U.S. greenhouse gas pollution.¹ Natural climate solutions projects can require significant upfront investment but require long wait times for financial return on the investment. Access to project capital or financing is a significant barrier to these projects. Recently in November 2022, the White House Council on Environmental Quality, Office of Science and Technology Policy, and Office of Domestic Climate Policy released a report titled “Opportunities to Accelerate Nature-Based Solutions” in response to Executive Order 14072, Strengthening the Nation’s Forests, Communities, and Local Economies. We support the report’s recommendation for the Greenhouse Gas Reduction Fund program to provide grants to nonprofit financial institutions to invest in nature-based emissions reduction projects such as forest management or reforestation.

Low-income and Disadvantaged Communities

In designing and implementing the GHGRF, the focus must be on meeting the needs of the intended primary beneficiaries—low-income and disadvantaged communities. We know that EPA has received input from local communities and coalitions detailing how to best leverage the GHGRF to address environmental justice. We encourage EPA and EFAB to seriously consider these perspectives.

The EFAB Objectives Workgroup has outlined several considerations to help ensure decisions best meet the needs of low-income and disadvantaged communities and incorporate community input. The definition and utilization of screening tools is a key decision that will reverberate throughout the implementation of the program. EFAB has rightly concluded that no one definition will meet the needs of every region, state, and community. If EPA decides to pursue a combination approach to program design (i.e., spreading the funds across states/tribal/municipal entities, regional partnerships, sectoral-focused institutions, etc.), then there is more room for EPA to utilize different approaches to low-income and disadvantaged communities and screening tools. EFAB should incorporate how the guiding principles and approaches to the definitions and tools could be applied to or tailored to the program design options under consideration.

The ability of the GHGRF to provide both financial and technical assistance will enhance the viability of projects and better serve the communities it is meant to benefit. Community engagement and capacity building is an important aspect of technical assistance that EFAB could consider adding to its report. Technical assistance is needed at the community level to educate community members about benefits and strategies related to decarbonization and pollution reduction, and to connect interested parties to project development resources. Building GHGRF recipients’ capacity for community engagement and supporting communities through technical assistance work together to help ensure community input and priorities are reflected in program implementation, provide concrete benefits to communities, and avoid increasing burdens faced by communities.

¹ Joseph Fargione, Steven Bassett, Timothy Boucher et al. 2018. Natural climate solutions for the United States. *Science Advances*, 4(11). DOI: 10.1126/sciadv.aat1869



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As EFAB considers the types of technical assistance required to facilitate an effective program, we encourage looking beyond strictly the GHGRF. The GHGRF is one of many federal, state, and municipal programs providing funding and resources for low-income and disadvantaged communities to reduce energy burdens, improve energy efficiency, increase access to clean energy, and lower emissions. Community outreach and technical assistance are typically underfunded in these programs, creating one barrier in accessing the assistance. Recognizing the limited funding for GHGRF technical assistance funding, there may still be room for EPA to create a one-stop-shop or at least information sharing on programs that are complementary. For example, projects or eligible recipients developing community solar or installing rooftop solar for renters should be eligible for certain base level renewable energy tax credits extended or created under the Inflation Reduction Act. The Inflation Reduction Act also created a bonus tax credit (§§ 48(e) and 48E(h)) for solar projects located in low-income communities and specifically targeting low-income residential buildings or low-income economic development projects. To become eligible and receive an additional 10%-20% value above the base tax credit, projects will submit an application to Treasury for an “environmental justice capacity limitation.” Bundling information and assistance on accessing the GHGRF funding along with information and assistance on applying for the “environmental justice capacity limitation” will enhance the project’s financial strengths and improve accessibility to both government programs.



December 5, 2022

Michael Regan, Administrator
US Environmental Protection Agency
Office of the Administrator, Mail Code 1101A
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Re: Docket ID No. EPA-HQ-OA-2022-0859

Dear Administrator Regan, EPA Staff, and Members of the Environmental Finance Advisory Board,

The team at NDN Collective welcomes and appreciates the opportunity to respond to the Environmental Protection Agency's (the "EPA") Request For Information ("RFI") on the Greenhouse Gas Reduction Fund (the "Fund") program design and implementation.

As of this year, NDN Collective has become the largest Indigenous-led fund in history in the U.S., providing over 600 Tribal Nations and Indigenous groups and organizations and Island Nations a total of \$32 million since 2019. We share this because we are committed to driving resources equitably to Tribal, Indigenous and Native communities so that Indigenous people can develop sustainable solutions on their terms, in ways that are culturally and ecologically relevant and meet the unique needs of their community. The entire NDN Collective ecosystem is creating a paradigm shift in economic development by grounding investment strategy in Indigenous systems design, recognizing the interconnectedness of all things and our responsibilities to our homelands and each other. Through our Resilient & Regenerative Lending Principles, Capital Screens, and underwriting practices, we are supporting not only new ways of capital flow to support communities, but also capacity building to help Native Nations, developers, and lenders access the tools and resources to actualize climate, social, and cultural resiliency and regeneration. Our commitment to this work extends to offering guidance and working with agencies such as the US Environmental Protection Agency (EPA) to ensure that low-income and disadvantaged communities (DACs) — especially Tribal Nations, Indigenous communities, and those that are under-resourced — benefit significantly from the deployment of this Fund. We are also writing to offer some concrete recommendations to ensure efficiency, effectiveness, accountability, and above all else equity in implementation.

Before elaborating on the details of the EPA's Request for Information, we are providing some core principles and background that we urge the EPA to consider as it makes decisions about program implementation.

- More than seventy-five percent of the unelectrified homes in the United States are located on Tribal lands, according to the American Public Power Association.
- Tribal communities suffer from higher costs of service, higher interconnection fees, more blackouts or brownouts and remote and distant service locations.
- The core recommendation is that federal funding and programming cannot focus on our Tribal governments alone. The opportunity cost of not investing in the private sector is too high. There are over 100 Native financial institutions (including NCDFIs), thousands of non-tribally owned non-profits, economic development corporations, and other key Indigenous-led intermediaries that can help generate, channel and manage resources, in order to help our communities and entrepreneurs make the best and highest use of the large influx of capital through the Green New Deal for Cities Act of 2021, American Rescue Plan Act, and other targeted funding.
- Invest in building capacity and employment within Tribes to better understand how to build regenerative business plans and apply funding into climate resiliency. We believe that it is an issue of equity to distribute and channel resources to where they are needed most. Oftentimes, in Tribal communities and Nations, non-Native agencies are hired to apply for funding. If these proposals are passed and funding makes its way to Tribal Nations, departments and capacity must be built and filled by Native and Indigenous peoples who best understand the issues facing their people and communities.
- U.S. governmental agencies can look to NDN Collective's approach to projects we finance as an example of how to drive equitable, sustainable growth. For example, we are working with businesses and Tribal ventures in both large-scale solar and wind power across the country, while remaining cognizant of the nuances that every project holds. Even renewables can have negative externalities for the ecology and overall well-being of our communities. For example, wind farms can result in habitat loss, deforestation, and fragmentation, negatively impacting wildlife and plant life if there is not meaningful upfront planning. To this end we are encouraged by the Administration's new commitments announced at the 2022 White House Tribal Nations Summit to establish uniform standards to be implemented across all federal agencies regarding how Tribal consultations are conducted. We urge EPA to ensure that the agency is complying with these new standards.
- Carbon trading is a false solution that will not get us to where we need, reducing carbon and greenhouse emissions from entering the atmosphere. We urge the EPA to not fund carbon trading and carbon market offsetting projects and consider funding climate solutions and projects that sequester carbon and restore our ecosystems but do not compromise other ecosystems from being degraded. EPA should prioritize climate solutions that are community led, are effective and have on the ground impacts to climate change mitigation and adaptation.

Section 1: Low-Income and Disadvantaged Communities

1. What should EPA consider when defining “low income” and “disadvantaged” communities for purposes of this program? What elements from existing definitions, criteria, screening tools, etc., - in federal programs or otherwise - should EPA consider when prioritizing low-income and disadvantaged communities for greenhouse gas and other air pollution reducing projects?

- When defining low-income and disadvantaged communities, the EPA should incorporate the most inclusive definition used in the current administration, for example the definition used for Justice 40 and for the Climate and Economic Justice Screening Tool, while further recognizing the unique disparities that situate many Indigenous Peoples and their respective Tribal communities as low-income and disadvantaged compared to other population demographics of the United States.
- Furthermore, we suggest that the EPA incorporate elements of environmental justice such as climate change, clean energy, energy efficiency, clean transit, remediation and reduction of legacy pollution, and the development of critical clean water and wastewater infrastructure, as defined in the Justice 40 Initiative.
- We also suggest that the EPA include and implement the principles, goals, and actions established by the Council on Environmental Quality following their action plan for consultation and coordination with Tribal Nations and Indigenous Peoples.

2. What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to ensure that low-income and disadvantaged communities can participate in and benefit from the program?

The EPA should make resources plentiful and flexible enough to support and advocate for self-learning, institutional knowledge, and long-term commitments to help establish experienced professionals and practitioners from the community to move project development forward. The flexibility of these resources would further promote the tradition of self-determination for Indigenous Peoples and Tribal communities and allow them to participate in and benefit from the program.

3. What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to support and/or prioritize businesses owned or led by members of low-income or disadvantaged communities?

We suggest that the EPA focus on additional grant development, no-interest loans, forgivable loans, and access to business consultants, experts, and learning cohorts to help facilitate the development and direction of projects within those low-income or disadvantaged communities. Accessibility to these options would significantly increase participation in the program and the sustainability of businesses owned or led by members of low-income or disadvantaged communities.

Section 2: Program Design

1. What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate high private-sector leverage (i.e., each dollar of federal funding mobilizes additional private funding)?

EPA should consider private sector partners with relationships in target communities, i.e., the partnership between Native Americans in Philanthropy (NAP) and The National Fish and Wildlife Foundation (NFWF), as seen in America the Beautiful Challenge 2022. Consideration should also be prioritized for matching resources for coalition funding and the Biodiversity Funders Group. These partnerships would improve the successful longevity of pursued projects and better formulate the relationships necessary for future projects that may arise between the various entities.

2. What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate additionality (i.e., federal funding invests in projects that would have otherwise lacked access to financing)?

Given the considerable lack of economic resources in many low-income and disadvantaged communities, especially in Indigenous and Tribal communities, the EPA should consider regional focus areas where the communities mentioned above, which have traditionally been removed from such funding opportunities, would have prioritization for their projects. In our work, we have found that regional focus areas allow for implementation that is place-based and designed by the communities and peoples on the ground. In addition, this approach supports in coordinating efforts and increases the effectiveness of lending, grantmaking, organizing, and wealth- building programs; and provides a mechanism for organizations or agencies (the EPA) to grow stronger partnerships with Indigenous communities than simply financing their work.

3. What should EPA consider in the design of the program to ensure that revenue from financial assistance provided using Greenhouse Gas Reduction Fund grants is recycled to ensure continued operability?

To encourage long-term project sustainability, we suggest the EPA consider a public investment offering to fund a no-interest loan pool, handled primarily through the EPA in collaboration with other government agencies, to support the creation and development of sustainable and regenerative greenhouse gas reduction-focused projects throughout a variety of low-income and disadvantaged communities. This would create healthy community participation and ensure the probability for low-income and disadvantaged communities to pursue their respective projects without fear of economic unsustainability.

We recommend that the funds go to NCDFIs, Indigenous-led organizations, and groups who invest heavily and successfully in Tribes, Indigenous Peoples and communities.

4. What should EPA consider in the design of the program to enable Greenhouse Gas Reduction Fund grants to facilitate broad private market capital formation for greenhouse gas and air pollution reducing projects? How could Greenhouse Gas Reduction Fund grants help prove the “bankability” of financial structures that could then be replicated by private sector financial institutions?

We suggest the EPA consider tax credits, opportunity zones, and guarantee programs specifically targeted to Native-led efforts similar to the Native Initiatives of the CDFI Fund to facilitate broad private market capital formation. This approach would help to replicate the bankability process and build transferable and replicable expertise in Native-led organizations and efforts.

5. Are there best practices in program design that EPA should consider to reduce burdens on applicants, grantees, and/or subrecipients (including borrowers)?

To improve accessibility, we suggest the EPA consider developing and implementing a streamlined application process based on the practical feasibility of a project and its simplification in addressing greenhouse gas reduction accurately.

We encourage that the EPA waive any matching funds requirement for Greenhouse Gas Reduction Fund grants as it will leave out many Tribal Nations, communities and Indigenous organizations that are leading the way in climate change solutions, mitigation and adaptation to not apply or qualify if they do not have large amounts of matching funds at the moment that the applications are due. We believe that communities and organizations that are committed and have already been doing this work but might not have matching funds should not be left out of the application process and access to these funds.

6. What, if any, common federal grant program design features should EPA consider or avoid in order to maximize the ability of eligible recipients and/or indirect recipients to leverage and recycle Greenhouse Gas Reduction Fund grants?

Similar to the above question, we suggest the EPA consider streamlining application and reporting processes to allow individuals, organizations, and Tribal communities unfamiliar with the process but needing monies for their respective projects, the added ability to participate.

7. What should EPA consider in the design of the program, in addition to prevailing wage requirements in section 314 of the Clean Air Act, to encourage grantees and subrecipients to fund projects that create high quality jobs and adhere to best practices for labor standards, consistent with guidance such as Executive Order 14063 on the Use of Project Labor Agreements and the Department of Labor's Good Jobs Principles?

The EPA should consider participatory input from the Economic Development Administration (EDA) regional planning measures in the grant award process. Furthermore, concerning project implementation and workforce development measures in Indigenous Peoples and Tribal communities, including feedback from various Tribal Employment Rights Ordinances or Offices (TERO), which were established and empowered to monitor and enforce the requirements of the Tribal employment rights ordinance.

8. What should EPA consider when developing program guidance and policies, such as the appropriate collection of data, to ensure that greenhouse gas and air pollution reduction projects funded by grantees and subrecipients comply with the requirements of Title VI of the Civil Rights Act, which prohibits discrimination on the basis of race, color, and national origin in programs and activities receiving federal financial assistance?

EPA should consider local IIRB compliance and the inclusion of Self Determination and Free, Prior, and Informed Consent (FPIC) measures. FPIC and Self Determination are specific rights pertaining to Indigenous Peoples and are recognized in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). It allows Tribal Nations to give or withhold consent to a project that may affect them or their territories and have autonomy over the projects that they implement in their communities. Once they have their support, they can withdraw it at any stage. Furthermore, FPIC enables them to negotiate the conditions under which the project will be designed, implemented, monitored, and evaluated. This is also embedded within the universal right to self-determination.

9. What should EPA consider when developing program policies and guidance to ensure that greenhouse gas and air pollution reduction projects funded by grantees and subrecipients comply with the requirements of the Build America, Buy America Act that requires domestic procurement of iron, steel, manufactured products, and construction material?

For effective compliance measures, EPA should consider creating purchase agreements, adherence to regional regulatory practices, and buyer's cohorts for common goods.

We also encourage the EPA to comply with the Buy Native Act, which provides for special federal contracting preferences by DOI and HHS to procure supplies, services, and construction from Native-owned businesses. At the recent White House Tribal Nations Summit, DOI announced "its goal of awarding 75% of contract dollars from Indian Affairs (including BIA, Bureau of Indian Education, and Bureau of Trust Funds Administration) and 10% of contract dollars across the rest of the Department to Native-owned businesses, using its authority under the Buy Indian Act". We recommend the EPA implement similar goals and practices.

10. What federal, state and/or local programs, including other programs included in the Inflation Reduction Act and the Infrastructure Investment and Jobs Act or "Bipartisan Infrastructure Law," could EPA consider when designing the Greenhouse Gas Reduction Fund? How could such programs complement the funding available through the Greenhouse Gas Reduction Fund?

Regarding collaboration efforts, EPA should highly consider coordination with the Justice 40 Initiative, as it addresses environmental justice issues and its relationship to marginalized communities regarding climate issues. This collaboration further benefits the immediate need to address climate change and its devastating effects, especially for low-income and disadvantaged communities.

11. Is guidance specific to Tribal and/or territorial governments necessary to implement the program? If so, what specific issues should such guidance address?

Yes. It is essential to create access to opportunities, develop allocations for non-governmental partners who can do work in the community, like native community-led NGOs, and include additional communication pathways between the project teams and federal government agencies.

Section 3: Eligible Projects

1. What types of projects should EPA prioritize under sections 134(a)(1)-(3), consistent with the statutory definition of “qualified projects” and “zero emissions technology” as well as the statute’s direct and indirect investment provisions? Please describe how prioritizing such projects would:

- a. maximize greenhouse gas emission and air pollution reductions;**
- b. deliver benefits to low-income and disadvantaged communities;**
- c. enable investment in projects that would otherwise lack access to capital or financing;**
- d. recycle repayments and other revenue received from financial assistance provided using the grant funds to ensure continued operability; and**
- e. facilitate increased private sector investment.**

To facilitate the effective distribution of grant monies, the EPA should focus on awarding projects that do not fall into offering false solutions, i.e., Carbon capture, utilization and storage (CCUS), a technique that captures, transfers, and stores carbon dioxide. While it protects ecosystems that are sequestering carbon, it ignores the root cause of climate change and allows for degradation, mining and exploitation of other ecosystems. It delays the transition to renewables and is more expensive than renewables. It promotes increased extraction and pollution of fossil fuels. Other false solutions include projects that may utilize carbon markets, biofuels, or liquefied natural gas. Avoidance of such false solutions would more appropriately allocate grant monies to projects that offer better and more effective and sufficient solutions.

2. Please describe what forms of financial assistance (e.g. subgrants, loans, or other forms of financial assistance) are necessary to fill financing gaps, enable investment, and accelerate deployment of such projects.

To expedite the process of project deployment, we suggest the EPA consider regenerative financing (ReFi) as a foundational element regarding distributing grant monies to most effectively solve systemic problems and regenerate communities and natural environments.

3. Beyond financial assistance for project financing what other supports – such as technical assistance -- are necessary to accelerate deployment of such projects?

We suggest the EPA consider local, regional and national organizational collaboration with that of potential award grantees as a reasonable way to ensure project buy-in and success more appropriately.

Section 4: Eligible Recipients

1. Who could be eligible entities and/or indirect recipients under the Greenhouse Gas Reduction Fund consistent with statutory requirements specified in section 134 of the Clean Air Act? Please provide a description of these types of entities and references regarding the total capital deployed by such entities into greenhouse gas and air pollution reducing projects.

Following the statutory requirements specified in section 134 of the Clean Air Act, we suggest that Indigenous-led nonprofit organizations that work directly with Indigenous Peoples and Tribal Nations and communities be included as eligible entities to receive federal grant funding through the Greenhouse Gas Reduction Fund. In addition, we suggest that the EPA allocates an amount of the federal grant funding solely for Indigenous-led nonprofit organizations to apply towards. Indigenous nonprofit organizations, such as NDN Collective, have successful funding models that can distribute monies efficiently to Indigenous communities, projects and solutions that have a direct impact on confronting the challenges of climate change, and that respect self-determination and have been inclusive of Indigenous land ethics and adherence to environmental causes.

2. What types of entities (as eligible recipients and/or indirect recipients) could enable Greenhouse Gas Reduction Fund grants to support investment and deployment of greenhouse gas and air pollution reducing projects in low-income and disadvantaged communities?

Per the previous answer, nonprofit organizations, and in our case, particularly Indigenous-led nonprofit organizations, would enable the expeditious distribution of federal grant funding directly to low-income and disadvantaged communities, mainly due to their longstanding connections to those communities through past collaborative projects. NDN Collective defines Indigenous-led as 100% board of directors/decision makers, and 70% staff. The efficiency of such a distribution of funds would benefit the respective communities greatly; for many, time is of the essence in addressing the climate challenges they are experiencing.

3. What types of entities (as eligible recipients and/or indirect recipients) could be created to enable Greenhouse Gas Reduction Fund grants to support investment in and deployment of greenhouse gas and air pollution reducing projects in communities where capacity to finance and deploy such projects does not currently exist?

We suggest that the EPA consider creating local, place-based partnership initiatives with similar goal-based organizations/foundations in close (or the closest) physical proximity to the grantee's proposed project area. This collaborative approach would help to fully develop the initiatives, empower existing collaborations as well as initiate potential collaborative processes between the entities in the future.

4. How could EPA ensure the responsible implementation of the Greenhouse Gas Reduction Fund grants by new entities without a track record?

If the suggestion of place-based partnerships is followed, regulatory measures and responsible implementation of Greenhouse Gas Reduction Fund grant projects for grant recipients without a track record would be better situated due to their collaboration with established organizations/foundations. In addition, as recommended above, technical assistance resources would be dedicated to building the skills and capacity of grantees so program participation and impact is ensured and optimized.

5. What kinds of technical and/or financial assistance could Greenhouse Gas Reduction Fund grants facilitate to maximize investment in and deployment of greenhouse gas and air pollution reducing projects by existing and/or new eligible recipients and/or indirect recipients?

Create access to technical assistance and improve outreach for federal funding opportunities. We know from extensive work in moving resources to Tribes and Indigenous communities that there are significant issues and gaps when it comes to moving large amounts of capital in Indian Country, and this must be acknowledged in the implementation of the American Jobs Plan, Justice 40, and Green New Deal for Cities Act of 2021. On the one hand, there are billions of dollars in infrastructure needs left on the table every year and an estimated housing shortage of up to 250,000 units (a number that only includes housing on federally-recognized tribes, leaving out tribes that are still unrecognized by the U.S. government and does not acknowledge the dire need for rehabilitations to existing tribal housing). On the other hand, many Native Nations do not have access to existing grants or technical assistance in areas like the Department of Energy's Office that would support the strategic planning and development of renewable energy projects in Indian Country. Further, not all Nations have the physical, governmental, or organizational infrastructure to take on these funds. There is a lot of groundwork that needs to be done in our communities that is continuously overlooked by the federal government.

The Biden Administration must work with Tribes to create capacity for technical assistance for Tribal citizens and Indigenous peoples to understand and troubleshoot available grants, as well as invest in capacity to promote grant and funding opportunities in multiple languages and through various platforms. However, each federal agency must devote long-term resources and staff towards working

one-on-one with individual Tribal Nations to help them achieve the institutional, legal, and human capital foundations to make the most out of future funding and capital opportunities. Native Nations and entrepreneurs alike emphasize the dire need for deep and long-term capacity building services to do meaningful development. This improves our ability to make decisions that focus on smart innovation and growth to address issues affecting our world's climate.

Section 5: Oversight and Reporting

1. What types of governance structures, reporting requirements and audit requirements (consistent with applicable federal regulations) should EPA consider requiring of direct and indirect recipients of Greenhouse Gas Reduction Fund grants to ensure the responsible implementation and oversight of grantee/subrecipient operations and financial assistance activities?

Due to the enormous scope that some of the projects may entail, we suggest that the EPA consider the development of a diverse governing body that includes a variety of individuals from different cultural and career backgrounds, but which are all centered on their understanding of issues encompassing greenhouse gas reduction and climate change. Grantees would also benefit from requirements that align with those of other federal government programs that are effectively granting and lending to Indigenous-led organizations and initiatives to minimize duplication of efforts.

2. Are there any compliance requirements in addition to those provided for in Federal statutes or regulations (e.g., requirements related to administering federal grant funds) that EPA should consider when designing the program?

No comment (at the moment).

3. What metrics and indicators should EPA use to track relevant program outcomes including, but not limited to, (a) reductions in greenhouse gas emissions or air pollution, (b) allocation of benefits to low-income and disadvantaged communities, (c) private sector leverage and project additionality, (d) number of greenhouse gas and air pollution reduction projects funded and (f) distribution of projects at the national, regional, state and local levels?

On metrics and indicators to track relevant program outcomes, we suggest that the EPA consider including an additional component in budget formation found in the grant application to have those that apply to make it a necessity to allocate monies to purchase remote sensor monitoring or similar technologies to monitor greenhouse gas reduction throughout the timeline of the project. Such monitoring technologies would allow the EPA and the grantee to have accurate data points from which to examine and adjust project elements, if necessary.

4. What should EPA consider in the design of the program to ensure community accountability for projects funded directly or indirectly by the Greenhouse Gas Reduction Fund? What if any existing

governance structures, assessment criteria (e.g., the Community Development Financial Institutions Fund's Target Market Accountability criteria), rules, etc., should EPA consider?

NDN Fund's Resilient Community Development Principles and related Resilient Impact Assessment Lending Criteria. We would be happy to meet with the EPA to share these tools.

Section 6: General Comments

1. Do you have any other comments on the implementation of the Greenhouse Gas Reduction Fund?

We want to recommend that the Environmental Protection Agency (EPA) be more inclusionary of Indigenous-led nonprofit organizations that provide economic assistance to Indigenous communities directly experiencing and combating climate change issues and implementing solutions for climate change mitigation and adaptation, including greenhouse gas reduction. While Tribal governments can offer and allocate grant-awarded monies to adopt clean energy and climate projects within their respective Tribal Nations, those same monies can also become hindered by a bureaucracy that can prevent truly effective measures from being implemented throughout those Tribal communities.

Indigenous-led nonprofits, being primarily removed from such governmental bureaucracy, can provide the most effective opportunity for successful external financing and leverage of private capital for clean energy and climate projects, particularly those that reduce greenhouse gas emissions in Tribal communities due to their ability to work directly with those communities in an expedited manner. We appreciate that the EPA has issued this RFI, and urge you to heed our input as well the input of Tribes, Indigenous communities, Indigenous led non-profits and financial institutions to design and implement the Greenhouse Gas Reduction Fund in a manner that directly benefits low-income and disadvantaged communities.

Sincerely,

NDN Collective

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December 8, 2022

Chairperson Kerry O'Neill
U.S. Environmental Protection Agency
Environmental Financial Advisory Board
1200 Pennsylvania Avenue, N.W.
Washington, DC 20460

Re: New York State Response to EPA's Request for Information (EPA Docket No. EPA-HQ-OA-2022-0859)

Dear Chairperson O'Neill,

On December 5, 2022, New York State Energy Research and Development Authority ("NYSERDA") submitted a response to the Environmental Protection Agency ("EPA") Request for Information ("RFI") on the Greenhouse Gas Reduction Fund ("GHGRF"). NYSERDA respectfully submits the same comments to Environmental Financial Advisory Board ("EFAB") below, in advance of the December 15, 2022, Board meeting and vote on the final charge. NYSERDA thanks EFAB for the opportunity to provide input during its process and looks forward to continued engagement with EFAB in connection with the GHGRF.



NYSERDA

KATHY HOCHUL
Governor

RICHARD L. KAUFFMAN
Chair

DOREEN M. HARRIS
President and CEO

December 5, 2022

The Honorable Michael Regan
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, N.W.
Washington, DC 20460

Re: New York State Response to Request for Information (EPA Docket No. EPA-HQ-OA-2022-0859)

Dear Honorable Regan,

The New York State Energy Research and Development Authority (“**NYSERDA**”) and the NY Green Bank (“**NYGB**”), a division of NYSERDA, on behalf of the State of New York, appreciate the opportunity to submit these comments in response to the U.S. Environmental Protection Agency (“**EPA**”) Office of Air and Radiation’s Request for Information under Docket No. EPA-HQ-OA-2022-0859 in connection with the Greenhouse Gas Reduction Fund (the “**GHGRF**”) authorized under Section 60103 of the Inflation Reduction Act of 2022 (the “**IRA**”), which amended the Clean Air Act (the “**CAA**”) by inserting Section 134. The GHGRF consists of three programs: (1) the \$7 billion zero emissions technology program established under Section 134(a)(1) of the CAA (the “**ZET Program**”), (2) the \$11.97 billion general assistance program established under Section 134(a)(2) of the CAA (the “**General Assistance Program**”) and (3) the \$8 billion low-income and disadvantaged communities program established under Section 134(a)(3) of the CAA (the “**DAC Program**” and, collectively, the “**Programs**”).

New York appreciates the leadership and funding being put forth by the federal government, and the EPA in particular, by providing funding, loans and technical assistance to advance the reduction of greenhouse gases and pollution across the country. These funds will help states, tribes, territories and organizations around the country to equitably advance improvements in our communities to protect peoples’ health and improve our quality of life while reducing the impacts of climate change and pollution, creating good paying jobs and generating economic growth.

The funding and technical assistance made available as part of this unprecedented federal investment will make a transformative change in our communities and modernize our homes and businesses. These investments and partnership with EPA are critical for New York’s success. Recognizing New York’s nation leading performance in climate and energy policy and implementation, the primary point of feedback that New York respectfully submits is that EPA allow flexibility for states, territories, and tribes to use established administrative structures and policies to successfully implement these funds. For example, as part of New York’s Community Leadership Climate Protection Act of 2019 the (“**Climate Act**”), New York has drafted a comprehensive definition and tracking system identifying Disadvantaged Communities. NYSERDA and NYGB are grateful for the opportunity to provide feedback to the EPA on the GHGRF’s design and implementation and

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appreciates the thoughtful and comprehensive approach that the EPA is taking to incorporate market feedback into the development and deployment of these transformational funds. We hope our responses in the pages that follow will assist in developing the program, and we stand ready to provide any further insight or support throughout the process of creating this historic funding opportunity.

About NYSERDA

NYSERDA, a New York State public benefit corporation, is the state energy office of New York State. NYSERDA has been at the forefront of advancing energy solutions while working to protect the environment since 1975. NYSERDA offers objective information and analysis, innovative programs, technical expertise, and assistance to help New Yorkers increase energy efficiency, use renewable energy, and reduce reliance on fossil fuels. NYSERDA has extensive experience and expertise in the low-to moderate- income market segment, having administered a robust portfolio of initiatives designed to create access to clean energy solutions and reduce energy burden for the most vulnerable New Yorkers, since 2006. In addition, NYSERDA has prioritized a just and inclusive clean energy transition, with multiple initiatives to ensure that disadvantaged communities are positioned to participate in and benefit from the clean energy economy.

About NY Green Bank

The comments submitted to the GHGRF draw heavily on the experience of NYGB, which is a division of NYSERDA. NYGB is a \$1B sustainable infrastructure investment fund which leverages public funds to mobilize greater private investment in the deployment of clean energy and sustainable infrastructure in New York State. As a division of NYSERDA, NYGB serves as a cost-effective and complementary component of New York State's portfolio of clean energy programs. NYGB works with counterparties to develop financing structures that address and alleviate specific funding gaps and barriers in clean energy capital markets, thereby mobilizing clean energy activity, attracting private sector capital, and accelerating clean energy deployment in New York State. There is a healthy symbiosis between NYSERDA program activity and NYGB investments, with NYSERDA particularly focused on technical assistance, regulatory and clean energy policy elements while NYGB is focused on creating attractive financing precedents that draw private and institutional lenders and investors into clean energy asset classes and project types where they had not previously been active. NYGB was first announced in 2013 and since then has committed over \$1.8B cumulatively, mobilizing up to \$4.5B in total capital through over 100 investments across sustainable infrastructure technology types and asset classes. Through its market-based investment approach, NYGB has been financially self-sufficient since 2018 and has grown its capital base by over \$53 million as of March 31, 2022, which represents cumulative revenues in excess of cumulative expenses.

Section 1: Low-Income and Disadvantaged Communities

1. What should EPA consider when defining "low income" and "disadvantaged" communities for purposes of this program? What elements from existing definitions, criteria, screening tools, etc., - in federal programs or otherwise - should EPA consider when prioritizing low-income and disadvantaged communities for greenhouse gas and other air pollution reducing projects?

This response applies to the ZET Program and the DAC Program. The EPA should identify disadvantaged communities based on geographic, public health, environmental hazards, and socioeconomic criteria. Even though location-based definitions are imperfect, screening tools that identify disadvantaged communities at the census tract level should be used when possible. Address lookup tools will greatly reduce the administrative burden for program administrators screening investment opportunities and reporting benefits.

Further, New York recommends that the EPA allow states with an existing framework and administrative process for identifying disadvantaged communities and low-income households and communities to defer to these existing approaches in the administration of GHGRF to reduce administrative burden, market confusion, and ensure equitable and impactful deployment of funds. Allowing state administrators to continue using state criteria for disadvantaged and low-income communities to meet EPA requirements will reduce incremental administrative burden for both EPA and the administrators in areas such as eligibility determination and reporting, and will allow for administrative resources to focus on making investments that benefit DACs. In addition, NYSERDA works with multiple market actors in the delivery of programs and investments to disadvantaged and low-income communities. The use of different criteria to identify eligible communities has the potential to cause confusion amongst service providers, financiers, and communities themselves, limiting the potential for delivering the greatest impact with EPA funds.

New York is focused on implementing the Climate Act to maximize positive impacts for disadvantaged communities, including through the administration of state and federal programs. For states that have not yet established such a framework, NYSERDA recommends that EPA adopt a federal standard such as the Justice40 a Climate Equity Justice Screening Tool (“CEJST”).

Additional information about New York State’s criteria for DACs can be found at: <https://climate.ny.gov/DAC-Criteria#comment>.

2. What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to ensure that low-income and disadvantaged communities can participate in and benefit from the program?

This answer applies to the ZET Program and the DAC Program.

New York recommends that the EPA allow for flexibility in how grant recipients administer funds - both in terms of products and pricing, and the provision of technical assistance to help incorporate considerations for clean energy finance into the processes and procedures of actors in low-income and disadvantaged communities, such as affordable housing providers, non-profits and small businesses. Within New York State, NYSERDA has found that needs for financial and technical assistance can differ by sector and geography, and that a range of products and supports will be necessary to achieve impact in difficult to reach markets. By allowing flexibility in product design and pricing, individual regional needs can be addressed, and then best practices can be shared to scale those solutions, resulting in faster and broader capital deployment and adoption of clean energy technologies. Furthermore, New York recommends that the EPA allow for maximum flexibility in what can be provided as technical assistance, allowing for energy audits, preparation of documentation in support of financial products, preparation of documentation as may be required for 3rd party validation systems, and other needs as identified by the market and recipients of funds.

Organizations like the NYGB and NYSERDA can align market development and technical assistance interventions with financial assistance to offer a continuum of supports that can benefit project sponsors and developers by developing creative financing structures that fill funding gaps and can be replicated for future transactions. Where projects can demonstrably support market rate debt, there is a benefit to providing capital at those rates, rather than at low or zero cost, because it demonstrates to private sector investors that they can profit from these types of investments and helps to crowd-in private sector capital. Over time through replication, standardization and increased private sector competition for these financing opportunities, financing costs will trend downward.

Financial Assistance:

As an example of the benefits of allowing for product flexibility and a regional focus in identifying product needs, NYGB undertook a substantial stakeholder engagement process to better understand financing needs within DACs in NYS, including outreach to 132 organizations and many conversations with property developers, service providers, environmental justice advocates, community-based organizations, and Community Development Financial Institutions ("CDFIs") throughout 2022. These conversations highlighted a particular need for financing solutions in affordable housing and building decarbonization projects that benefit DACs. NYGB has committed to investing at least \$150M in affordable housing projects and \$100M in building decarbonization projects in DACs by December 31, 2025.¹

In addition, DAC stakeholder groups highlighted several financing products that would be particularly valuable and necessary to fill funding gaps, including:

- Loans to projects that are not credit enhanced by the State of New York Mortgage Agency;
- Off balance sheet loans;
- Predevelopment loans;
- Bridge loans for government and utility incentives;
- Subordinated debt for mid-cycle projects that could be layered with existing debt;
- Debt to support funding gaps for buildings seeking to convert from fossil gas to electricity; and
- Credit enhancement products that facilitate the transfer performance risk from building owners to insurers.

Throughout and following these stakeholder sessions, NYGB developed multiple offerings in these areas, and has seen particularly high demand for predevelopment loans that allow borrowers to cover project soft costs before they can obtain construction financing. Other specific examples include community solar and DAC-specific concessionary lending.

Community Solar Example

NYGB has played a critical role in financing community solar projects in the State. Over time, NYGB has adjusted its terms and pricing for certain products to incentivize more inclusive subscriber aggregation practices. NYGB initially allowed developers to offer short term contracts to individual subscribers and eliminated minimum FICO score requirements. This practice was adopted by other lenders and tax equity investors, which gave developers the opportunity to market to and subscribe low-to-moderate income earning ("LMI") New Yorkers and those living in DACs. More inclusive lending practices give more New Yorkers greater access to the benefits of community solar, including bill savings.

In alignment with NYSEDA's Inclusive Community Solar Adder² and in response to stakeholder feedback regarding the added cost of identifying and marketing to LMI subscribers, NYGB is now incentivizing inclusive subscriber aggregation practices by offering tiered pricing. Specifically, NYGB's loan agreements provide for reductions in interest rates to projects that can demonstrate certain minimum levels of LMI subscribers in New York. NYGB estimates the net present value of interest rate reductions to be as much as 3 cents/watt for projects with 100% LMI subscribers.

¹ See page 17 here: <https://documents.dps.ny.gov/public/Common/ViewDoc.aspx?DocRefId={D9BA5CDD-5DC3-45B7-B4AA-C9C78A98B9FD}>.

²<https://www.nyserda.ny.gov/All-Programs/NY-Sun/Contractors/Dashboards-and-incentives/Inclusive-Community-Solar-Adder>

DAC-Specific Concessionary Lending

Although NYGB offers most of its lending at market rates to demonstrate to private sector investors that sustainable infrastructure loans are viable investments, NYGB recognizes that subsidized or concessionary pricing has historically played a very critical role in supporting project development within disadvantaged communities. In an effort to animate providers of concessionary capital to invest more capital and specifically target investments that lead to greenhouse gas reductions, NYGB announced in May 2022 that it intends to launch a new \$250M concessionary funding pathway in early 2023 to CDFIs and other market intermediaries with a track record, strategy and pipeline to support the development of sustainable infrastructure in DACs.³

Technical Assistance:

New York recommends that EPA also provide flexibility in how grant recipients deliver technical assistance. NYSERDA believes that technical assistance is an important component of the GHGRF, and eligible recipients should be given flexibility in administration – for example, some organizations may have internal expertise and others may deploy technical assistance through external parties. Eligible recipients should be able to clearly demonstrate in their application that they have a business plan to provide technical assistance, whether internally or through external relationships. This should be a key criterion for any applicant, and EPA should seek to deeply understand the format and structure of collaboration between the lending institution and the technical service provider, if they are different organizations. New York also recommends that the EPA allow for flexibility of what kind of technical assistance can be provided to the market, as stated above.

There is a particular need to build skills in understanding building decarbonization strategies as it affects portfolios of affordable housing and how such organizations can build their asset management capacity to both access financing for decarbonization and train asset managers and building operators to manage buildings for energy savings.

NYSERDA recommends EPA include access to capital to enable technical assistance and support, in the form of engineering studies and Integrated Physical Needs Assessments (“IPNAs”). Coordinated financial and technical assistance strategically supports low-income communities and maximizes available financial support/initiatives to inform capital planning and achieve greater energy savings. Often building owners do not have the in-house technical capacity or resources to drive increased energy performance of their portfolios, and access to performance data is key to advancing the underwriting of clean energy projects. Inclusive of support to deliver engineering analyses and IPNAs, the GHGRF should include funding to support regional expertise and build technical assistance capacity. This regional support would be used to provide information to individuals, small businesses, and affordable housing owners about the benefits of the clean energy economy, ways to reduce energy use and costs, and how to make more informed energy decisions.

New York recommends that EPA include access to capital to support the implementation of technical assistance through existing market channels. Where available, EPA should leverage state-led programs delivering technical assistance to the market, given their existing broad infrastructure. In addition to direct soft cost support, NYSERDA recommends EPA support building capacity through regional onsite support to work with DACs to leverage financial and technical assistance support.

³ Please see page 32 here: <https://greenbank.ny.gov/-/media/Project/Greenbank/Files/2021-22-NYGB-Annual-Business-Plan.pdf>

In DACs specifically, New York recommends that the EPA consider additional financial incentives, including cost buy downs, access to low/no-cost loans, and direction installation programs to expedite and coordinate the deployment of resources. Further, capacity building within community-based organizations to connect potential projects and building owners with incentives or finance solutions should be considered in the scope of technical assistance available through these funds. EPA should leverage existing state and local infrastructure to support the deployment of resources where available and to maximize benefit and impact to disadvantaged communities.

3. What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to support and/or prioritize businesses owned or led by members of low-income or disadvantaged communities?

New York recommends the EPA allow for recipients to have full flexibility in providing a diverse mix of technical assistance. In addition to the uses recommended above, advancing opportunities for members of low-income or disadvantaged communities is a critical component of a just transition. Financial and technical assistance should be focused on addressing the range of barriers to starting and operating a clean energy business, including supporting soft-skill development, technical trainings, entrepreneurship, business operations, and legal support. In addition to activities supporting businesses located in Disadvantaged Communities, NYSERDA recommends that investment guidance also include preference supporting the provision of financial assistance to businesses owned by Minority and Women Business Enterprises.

Section 2: Program Design

1. What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate high private-sector leverage (i.e., each dollar of federal funding mobilizes additional private funding)?

Significant private sector capital is necessary to fund the energy transition in the United States that is necessary to achieve climate goals. High private-sector leverage should, therefore, be a high priority objective of the GHGRF. High private-sector leverage can result from either (i) the contribution of public funding alongside private sector funds, or (ii) the expected replacement of public funds with private capital at a later point in time.

New York recommends that EPA look to NYGB as an example of how to create and implement a model that can effectively facilitate high private-sector leverage. As discussed further below, NYGB has been successfully operating for close to ten years, investing in projects that reduce greenhouse gas emissions, mobilizing private sector investment, and benefiting disadvantaged communities.

New York also recommends EPA design the program so that grants can be allocated by recipients in a manner that is flexible, commercial, and focused on addressing specific funding gaps to allow for maximum impact of capital. EPA should allow grants made through the program to be offered in a variety of product types to address evolving financing gaps, and for debt and equity products to be fully repaid, with principal and interest recycled into future activities to ensure maximum impact with each public dollar.

Finally, New York recommends that, to facilitate high private sector leverage, the GHGRF program should support institutions that have a demonstrated successful track record of leveraging private sector funds. Those entities are generally those that are structured similarly to private sector entities that are commercially oriented and flexible, running a familiar transaction underwriting process while working alongside and bringing in other private sector investors.

NYGB as an example: demonstrating the value of being commercially oriented and flexible

NYGB has utilized its \$1B of capitalization to catalyze \$4.5B of sustainable infrastructure investment since inception. Its ability to achieve this type of leverage has resulted from its focus on remaining nimble, flexible, commercial and, while oriented toward a government mission and the public interest, utilizing private-sector derived investment skills and a commercial mindset (i.e., robust underwriting criteria; risk analysis, mitigation and commensurate pricing; and a sophisticated approach to investment portfolio management). With an outward face and positioning that is commercially familiar and understood, NYGB is able to attract additional private capital investment either (i) upfront alongside NYGB as a co-investor; (ii) replacing NYGB in a follow-on refinancing; or (iii) utilizing an NYGB financing structure in a separate transaction. Importantly, private investors will not risk investing alongside or buying an investment from a financial institution that they do not understand or trust to behave in a rational and economic manner – to attract private capital, you have to act like private capital. Some of NYGB’s operating principles and features are further detailed below:

A Market-Responsive Orientation

NYGB is market-responsive with a focus on deployment. NYGB does not generally design and announce programs around narrowly-defined, pre-determined prerequisites. Between the design and launch of a program, the perceived need may not have materialized or may no longer be relevant. Rather, NYGB broadly invites any developer to apply for funding if their project/business satisfies three criteria paraphrased below:

- i. it is economically and technical feasible, and should afford a financial return that exceeds NYGB operating costs and expected portfolio losses on a portfolio basis;
- ii. it should contribute to greenhouse gas reductions; and
- iii. it should contribute to clean energy market transformation and the mobilization of private sector investment.

With regard to these criteria, NYGB seeks to identify clean energy/GHG-reducing investment opportunities that can earn a market rate commensurate with the investment’s risk and that enable NYGB to preserve/grow its capital base to recycle into new investments. These investment opportunities exist because markets are not efficient and institutional investors tend to be risk-averse and cautious. NYGB seeks to identify clean energy financing market barriers and gaps for otherwise economically feasible projects. Often, these barriers and gaps are simply the result of private institutional investors’ hesitancy to devote the time and effort to approve new investment sectors and financial products without reasonable assurance of a pipeline of subsequent investment opportunities. In those cases, NYGB acts as the "first mover" demonstrating financeability several times over and publicizing the investment’s structure, benefits and protective features, until private investors accept and begin to adopt the structure.

Importantly, NYGB has the financial flexibility to make investments in any form (debt, preferred, equity) and in any tenor. This affords NYGB maximum flexibility to identify and make financial gap-filling investments that support meaningful and rapid project deployment in NYS, lead to GHG emission reductions, and transform markets by spurring private sector investment activity.

Extensive Private Sector Financial Experience

NYGB's senior investment professionals (i) have extensive private sector experience at global financial institutions across a swath of disciplines including project finance, leveraged finance, securitization, mergers & acquisitions, and special situations/restructuring; (ii) apply this deep experience to collaborate internally and externally with other market participants; (iii) can understand and address developers' and private investors' needs; and (iv) have the knowledge and experience to structure investments in any form (senior debt, subordinated debt, preferred equity, etc.) and for any purposes (bridge financing , warehouse financing , inventory finance, pre-development loans, construction loan, mini-perm, term loan, etc.) to overcome a financing gap or barrier.

This team is complemented by its Risk, Legal and Finance functions who also possess extensive private sector experience and who collaborate closely throughout the transaction due diligence, approval, execution, funding, and payment processes.

Private Sector Processes

To be seen as an attractive counterparty/financier for private sector developers and an attractive co-investor for private sector investors, NYGB has structured itself and manages itself like a comparable private sector fund. All NYGB's investment and portfolio management activities are similar to those of private sector institutions: they occur on comparable time frames with fast turnarounds and decisions as necessary; they require only customary disclosures, reporting and other conditions; and they respect proprietary or confidential information. NYGB's diligence and underwriting processes are thorough, reflecting best practice in private sector lending activity. And as a steward of public funds, NYGB has established robust investment and business standards, including extensive risk management principles.

Early on, NYGB transactors spent inordinate time explaining to developers why NYGB would not provide grants but rather sought to make loans, and then why NYGB's investment and monitoring requirements were so methodical. Similarly, financial institutions were slow to invite NYGB to participate in transactions as they perceived NYGB as a political entity primarily. Both groups had to get comfortable with NYGB's business proposition and processes before accepting NYGB as commercially familiar and welcoming NYGB as a financial counterparty/partner. It should be expected that any new green bank entity will be required to undertake a similar market education process.

Experience Working with New/Small Companies

Working with new/smaller companies in the clean energy sector was a new experience for NYGB's investment professionals, but NYGB has accumulated a wealth of knowledge and practical experience over eight years and 100+ transactions to date. Many of these transactions involved small companies, with limited financial resources but an experienced / passionate management team with a good business model. They and their partners, if any, were relying on NYGB to provide the capital that will bridge the capital barrier/financing gap and facilitate project deployment. In developing fit-for-purpose solutions, NYGB therefore emphasizes cost and simplicity. While the cost to diligence and document a project finance transaction can run well into six figures, NYGB has learned how and where it can limit these costs while protecting its interests as lender, identifying which elements are essential and

which unnecessary; which are “pinhole risks” and which can be resolved practically rather than perfectly. Simplicity is also important when companies do not have the staff or the sophistication to handle an administer a complex financing.

Through its ongoing consultation and collaboration with borrowers, NYGB becomes a quasi-financial advisor. Although first and foremost the lender, NYGB seeks to facilitate growth and regularly upsizes and adapts its financing structures as a business grows and its business strategy and financial needs evolve. With smaller firms, NYGB may engage in a certain amount of “handholding” initially, introducing the firm to financial market standards and expectations. Ultimately, when the borrower finds other private capital to replace NYGB, often set up with NYGB’s assistance, then NYGB has fulfilled its investment criteria to “crowd in” capital and transform markets, for the particular transaction and more broadly for the technology sector’s future success.

Although private funding can be mobilized by providing a guarantee or a loss reserve, these approaches are not optimal long-term strategies that would likely be adopted by private investors as such public sector credit enhancement tools are subsidizing and de-risking private capital. When that support goes away, private sector capital interest may evaporate. Instead, NYGB has sought to identify investment opportunities that earn a market rate commensurate with the risk and preserve/grow its capital base to recycle into new investments. NYGB works alongside private sector lenders and developers to understand their needs and objectives and develop financial structures that meet them. NYGB is market responsive, seeking to identify financing market barriers and gaps for otherwise economically feasible projects. Often, these barriers and gaps are the result of private investors hesitancy to devote the time and institutional effort to approve new investment sectors and products without reasonable assurance of a pipeline of subsequent investment opportunities.

2. What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate additionality (i.e., federal funding invests in projects that would have otherwise lacked access to financing)?

New York recommends that EPA utilize GHGRF grants to enable organizations that already focused on additionality (i.e., those opportunities that would otherwise have lacked access to financing) to do so at greater scale through additional federal resources. Rather than require recipients to demonstrate new types of additionality considerations – i.e., creating new lines of business, supporting new market areas, or taking on less well mitigated risks – New York recommends EPA also support recipients in expanding and scaling existing programs, products, and activities with strong track records of success and efficacy.

NYGB serves as an example of an organization with additionality considerations deeply embedded into its core structure. Any investment made by NYGB is undertaken only if the underlying transaction or project is unlikely to have been funded in as efficient or scalable a manner absent NYGB’s investment. NYGB’s adoption of this broad market view in evaluating additionality of qualifying investment opportunities includes considering the unique benefit NYGB brings to a proposed financing arrangement, specifically considering whether the transaction would occur in private markets, but i) involving less favorable terms as to tenor, cost, fees and other key transaction attributes; and ii) would likely not happen at the market breadth needed to scale the sector. This approach to additionality has allowed NYGB financing to support private sector entities on “near frontier” opportunities, i.e. those that are similar to, but just beyond, those currently being supported by private sector investors. By focusing on those not-quite-but-near widely financeable opportunities, NYGB is able to transition those project types more quickly into the mainstream, accelerating adoption by other private sector actors.

Since inception, NYGB's positioning, and origination strategy has included the integration of additionality considerations in proposed investments. As part of NYGB's transaction approval process, there is a robust evaluation of a new investment's strategic fit, including GHG reduction, market transformation, and additionality. A proposed NYGB investment must be able to demonstrate that it is not crowding out private capital and that it can animate private capital through replication and greater scale.

3. What should EPA consider in the design of the program to ensure that revenue from financial assistance provided using Greenhouse Gas Reduction Fund grants is recycled to ensure continued operability?

To ensure GHGRF grants are effectively recycled to facilitate continued operability, EPA should prioritize allocating capital to entities with a demonstrated track record of generating meaningful returns on investments, and an ability to grow an initial capital base to expand future product offerings and services. EPA should also allow recipients to allocate a portion of funds toward operating costs and manage those operating costs to maximize deployment and minimize losses, including in deployment to sub-recipients. Finally, EPA should require applicants to submit a business plan, and progress should be measured and evaluated against that plan as they deploy funds to ensure fund money is being used in a way that will ensure continued operability.

Pricing of Products:

New York recommends that EPA provide financial assistance to qualified, eligible recipients in the form of grants that are not expected to be repaid, and those eligible recipients should be expected to utilize those grant dollars to advance business models that are self-sustaining once an initial capitalization has been provided through the GHGRF. NYGB serves as an example of how to ensure revenue generated through sub-recipients can be recycled to ensure continued operability, and to demonstrate how an entity can generate enough revenue to become financially self-sustaining.

NYGB investment terms are determined by perceived credit risk and exposure assumed by NYGB and other investment participants, adopting a traditional private sector approach to identifying and valuing risk. Wherever possible, NYGB investments reflect market pricing for comparable transactions, including ongoing and upfront fees. Specific NYGB pricing for any proposed transaction is set at a level comparable to the reasonable commercial expectation for similar efficient private sector funding. This means that in pricing its products, NYGB considers current market rates as well as commercial market expectations of rates at a point when the market for the relevant investment is expected to be more liquid. In certain circumstances, NYGB can consider receiving a lower-than-market liquidity premium if its involvement is expected to demonstrate material benefits to market expansion and future liquidity. This allows NYGB to play a key role in advancing transactions that might not otherwise happen without its involvement.

Becoming self-sufficient entails careful consideration of product risks and mitigants together with pricing, establishing clear milestones and check points, and a careful monitoring of the investment portfolio.

Capital Redeployment:

Another consideration we recommend EPA should prioritize to ensure that recipients are able to be self-sustaining is the ability to efficiently recycle funds. Unlike grant dollars or other pools of public funds that are dispensed once to qualifying projects in a non-refundable capacity or in subsidy form, funds entrusted to entities such as NYGB should be disbursed under commercial arrangements generating investment income and requiring repayment in accordance with agreed terms appropriate to each product and client/partner project, i.e. market or concessionary depending on the target market. This means that each dollar granted to a sub-recipient will cycle through successive investments, compounding benefits over time. The accumulation rate of these benefits will be tied to the weighted average holding

period of the financial products that NYGB or any other sub-recipient provides to its clients. The multiplier effect will be expanded as commercial markets are increasingly able to accommodate clean energy financings across emerging sustainable infrastructure asset classes.

Another means of capital redeployment is via pooling of projects to enable the issuance of Asset Backed Securities-type products that can attract institutional investors. Mitigation and adaptation investment projects are often too small with respect to institutional investors' requirement of diversified asset pools. Approaches that pool projects, notably those that facilitate project bundling, can help address this constraint. To attract private sector capital in climate mitigation and decarbonization investment, especially for low-and-moderate income communities and DACs, there is a need for innovative financial instruments in addition to those that already exist, including blended and structured financing and risk sharing, where public financial resources like NYSERDA capital can partly reduce and mitigate risks for investments. NYSERDA has successfully deployed revolving loan funds under the Green Jobs Green NY Program, with funding of \$350 million of residential loans, including \$75 million of loans to LMI borrowers.⁴ The program has best in class secondary liquidity through a Green Bond asset backed securitization program approach that is well received by fixed-income investors. NYSERDA has also catalyzed lending in the LMI sector via an offering of a Loan Loss Reserve ("LLR") product that provides risk mitigation to lenders, including CDFIs, by providing loss reserves on a portfolio approach. NYSERDA benefits from the revolving nature of the LLR fund to leverage private capital upwards of 10:1 in the market. The net impact of the LLR approach has resulted in longer terms, expansion of credit grades, and significantly lower interest rates available for LMI borrowers.⁵

4. What should EPA consider in the design of the program to enable Greenhouse Gas Reduction Fund grants to facilitate broad private market capital formation for greenhouse gas and air pollution reducing projects? How could Greenhouse Gas Reduction Fund grants help prove the "bankability" of financial structures that could then be replicated by private sector financial institutions?

New York recommends the EPA prioritize the provision of grant funds to qualified entities oriented to developing and delivering financing solutions to crowd in private sector capital providers, who are also specialized in decarbonization or have partners that are specialists in decarbonization, will create the multiplier effect that ensures the long-term goals and intentions of this fund are achieved.

It will be essential for successful EPA grant recipients and sub-recipients to be staffed with individuals familiar with structuring and underwriting credit transactions, who are well-versed in those sources of private market capital and have an ability to develop structures that address specific market needs and financing gaps. Effectively demonstrating "bankability" of any financing structure or product means ensuring that product is adopted effectively by the marketplace. This may require taking the time to develop and structure an initial transaction based on sound and accepted commercial principles while showing that something new can be done, and then selling down or co-investing to demonstrate the viability of such transactions to other investors.

NYSERDA and NYGB both have a strong track record of driving this type of activity, frequently referred to as market transformation. In New York, this has been demonstrated through the impact of NYGB's lending on the community solar financing market's evolution. When New York State first established its community solar policy in 2015, the

⁴ <https://www.nyserdera.ny.gov/researchers-and-policymakers/green-jobs-green-new-york>

⁵ <https://www.nyserdera.ny.gov/All-Programs/Loan-Loss-Reserve-Program>

market was faced with an unfamiliar business model, a nuanced policy framework, and complex revenue streams. Investors did not know how to evaluate risk or determine the market value of projects. By closing some of the earliest transactions in New York's community solar market and creating precedents, NYGB led the way for commercial lenders to follow. Today, private financiers have become significantly more involved in the market and as conventional lenders have become comfortable financing the long-term ownership and operation of community solar assets, more competitively priced private term financing has become available.

NYSDERDA recommends that direct recipients focus on wholesale investments that are potentially attractive to financial institutions. Direct grant recipients may select a combination of sub-recipients, some to make wholesale investments and others to aggregate pools of retail investments. Working on a wholesale basis in partnership with private sector intermediaries encourages scale, which NYGB has demonstrated as a successful approach to mobilize both the capital and institutional capabilities of private market players, building upon existing and extensive private lending platforms.

5. Are there best practices in program design that EPA should consider to reduce burdens on applicants, grantees, and/or subrecipients (including borrowers)?

EPA should allow recipients to follow established banking and private capital investment practices that are well understood by the market. EPA should design an application approach that is efficient, transparent and asks organizations to demonstrate how they plan to use the funds through a business plan. Reporting obligations for this program should be reasonable and not overly burdensome and similar to the industry standard for private sector investors. Reporting should demonstrate performance against the business plan, and critical financial and impact metrics should be reported at least annually.

6. What, if any, common federal grant program design features should EPA consider or avoid in order to maximize the ability of eligible recipients and/or indirect recipients to leverage and recycle Greenhouse Gas Reduction Fund grants?

New York recommends that as the EPA gathers best practices, those best practices be shared with all Recipients so that we can all learn from and benefit from best practices around the country.

7. What should EPA consider in the design of the program, in addition to prevailing wage requirements in section 314 of the Clean Air Act, to encourage grantees and subrecipients to fund projects that create high quality jobs and adhere to best practices for labor standards, consistent with guidance such as Executive Order 14063 on the Use of Project Labor Agreements and the Department of Labor's Good Jobs Principles?

New York recommends that as the EPA gathers best practices, those best practices be shared with all Recipients so that we can all learn from and benefit from best practices around the country.

8. What should EPA consider when developing program guidance and policies, such as the appropriate collection of data, to ensure that greenhouse gas and air pollution reduction projects funded by grantees and subrecipients comply with the requirements of Title VI of the Civil Rights Act, which prohibits discrimination on the basis of race, color, and national origin in programs and activities receiving federal financial assistance?

New York recommends that as the EPA gathers best practices, those best practices be shared with all Recipients so that we can all learn from and benefit from best practices around the country.

9. What should EPA consider when developing program policies and guidance to ensure that greenhouse gas and air pollution reduction projects funded by grantees and subrecipients comply with the requirements of the Build America, Buy America Act that requires domestic procurement of iron, steel, manufactured products, and construction material?

New York recommends that as the EPA gathers best practices, those best practices be shared with all Recipients so that we can all learn from and benefit from best practices around the country.

10. What federal, state and/or local programs, including other programs included in the Inflation Reduction Act and the Infrastructure Investment and Jobs Act or “Bipartisan Infrastructure Law,” could EPA consider when designing the Greenhouse Gas Reduction Fund? How could such programs complement the funding available through the Greenhouse Gas Reduction Fund?

New York recommends that EPA consider the Clean Water State Revolving Loan Fund as well as the Department of Energy’s Loan Programs Office and State Energy Program. EPA may also wish to consider NYGB when designing the GHGRF, since NYGB has established a successful track record as the leading state green bank. NYGB’s Operational Supplement⁶ provides a useful overview of NYGB’s investment criteria, key performance indicators, investment process, risk management and oversight framework, and impact measurement and reporting. NYGB also recommends that EPA clarify that recipients and subrecipients may use GHG Funds to invest in projects and companies that receive federal tax benefits or other federal benefits pursuant to the Inflation Reduction Act, the Bipartisan Infrastructure Law or any other law. Any restriction on the ability to invest in projects that receive such federal benefits would be administratively burdensome and place a drag on fund utilization.

Section 3: Eligible Projects

1. What types of projects should EPA prioritize under sections 134(a)(1)-(3), consistent with the statutory definition of “qualified projects” and “zero emissions technology” as well as the statute’s direct and indirect investment provisions? Please describe how prioritizing such projects would:
 - a) maximize greenhouse gas emission and air pollution reductions
 - b) deliver benefits to low-income and disadvantaged communities
 - c) enable investment in projects that would otherwise lack access to capital or financing
 - d) recycle repayments and other revenue received from financial assistance provided using the grant funds to ensure continued operability
 - e) facilitate increased private sector investment

New York recommends that EPA prioritize projects that use proven clean technologies that can be adopted at scale and will increase deployment of clean energy and/or demonstrate potential for greenhouse gas reductions. To be clear, by “scale” New York is not referring to multi-billion dollar investments, rather, it is referring to market-oriented, replicable investment opportunities. In order to encourage other lenders and investors into the market, it is essential that they see these opportunities as viable for success and a clear pathway towards building a pipeline. It is critical

⁶ <https://greenbank.ny.gov/Resources/Public-Filings>

that recipients such as NYSERDA/NYGB would support projects that benefit many communities (through replicable, scalable investments) rather than a few (as would be the case with a select number of large investments).

Developing and implementing scalable, replicable products is the clearest pathway to facilitating increased private sector investment, which will drive more greenhouse gas reductions, deliver more benefits to DACs, and enable the more rapid adoption of national climate policies. Focusing on proven technologies that are relatively familiar to market participants, and transaction structures that are relatively easier to replicate, will help speed the market adoption of a particular technology and close financing gaps. Private investors want to invest in projects that can be built quickly and generate a reliable cash flow, either from the sale of clean energy or savings resulting from a tangible increase in energy efficiency. Therefore, EPA should consider qualified projects to be those that utilize proven clean technology and focus on addressing financial market failures.

To maximize the reduction of greenhouse gas emissions and pollution, NYSERDA recommends that the EPA consider issuing guidance that specifically supports and encourages uses of the funds that will result in the installation of weatherization and building envelope improvements, that will reduce air infiltration and improve insulation, as well as result in improved glazing measures. Additionally, NYSERDA recommends that EPA's guidance include preference for water efficiency measures be specifically included, particularly those that will help reduce the demand for hot water. Measures, and packages of measures, that support weatherization, improved building envelope performance and water efficiency, will in turn more easily allow for electrification of both space and water heating. Projects that include an efficiency + electrification approach should also be prioritized for funding. New York has done extensive research that shows that when these efficiency and electrification improvements are combined, the resulting homes and buildings have a significantly reduced greenhouse gas and emissions impact, and result in a healthier, and more comfortable and resilient home or building.

New York recommends that EPA give recipients flexibility in determining how to allocate capital across different types of projects and different technology types - and not establish a minimum project size. NYGB's investment focus areas have shifted over time as some markets mature and new financing gaps are identified. This is demonstrated in the considerable range in size of investments made by NYGB – from less than \$1M to more than \$100M. This flexibility has allowed NYGB to support market participants and their projects in areas where capital is most needed and to allow market needs to dictate terms and products for maximum impact.

2. Please describe what forms of financial assistance (e.g., subgrants, loans, or other forms of financial assistance) are necessary to fill financing gaps, enable investment, and accelerate deployment of such projects.

New York recommends that EPA allow recipients flexibility to work with counterparties to determine what innovative financing products and other eligible subgrants can fill funding gaps, and to analyze the cost of capital that a project can support. NYSERDA believes that recipients and sub-recipients can provide a variety of forms of financial assistance, while still maintaining overall profitability, as mandated by the GHGRF.

As one successful example, NYGB has a demonstrated track record that can be used as a model for the design of the GHGRF. NYGB was created as a market-focused and market-responsive entity in identifying and addressing clean energy financing gaps and barriers and retaining flexibility in NYGB strategy and operations is critical.

NYGB primarily provides market rate debt to projects that can support this cost of capital but cannot access financing through traditional markets. Even if a project can support market rate debt, there can still be challenges finding financing because traditional financiers don't approve new investment products without intense scrutiny and are

more likely to focus on tried-and-true structures. There need to be many sizeable deals, perhaps big enough to be syndicated, so that larger financiers can see a viable pathway to developing a business around a technology or financial product. NYGB is experienced in identifying and developing these opportunities.

Providing loans at market rates demonstrates to financing markets that clean energy investments can be profitable. By “crowding in” private sector capital through this demonstration effect, climate goals can be achieved at an even more rapid rate, while lowering borrowing costs for clean energy developers overall. This has been NYGB's strategy since inception, and it has demonstrated success by mobilizing over \$4.5B of private sector capital with \$1.8B of NYGB investments.

It has been beneficial for NYGB to be able to adjust the cost of capital to meet counterparty needs and fill financing gaps to animate markets. As one example of this flexibility, after hearing from stakeholders working in low-income and disadvantaged communities that lower cost capital would be beneficial for these types of projects, NYGB announced a \$250 million pool of lower cost capital specifically for projects that benefit disadvantaged communities.⁷

EPA should consider offering tranches of capital within each Program – capital that can be offered at market rate, capital that is low-cost, and capital that is zero cost. As part of applications, Eligible Recipients can outline how much of each type of capital they can put to work in their pipeline of projects.

3. Beyond financial assistance for project financing what other supports – such as technical assistance -- are necessary to accelerate deployment of such projects?

New York recommends that the EPA consider funding integrated technical assistance, along with regional services to build capacity, disseminate information, and support project implementation. Where available, EPA should leverage existing state resources to deploy coordinated technical assistance with financial assistance. Additionally, EPA should seek coordinated approaches to financial and technical assistance to streamline the customer’s access to programming and expedite delivery of resources. New York recommends that the EPA allow for the broadest flexibility for recipients to provide a wide range of technical assistance as part of the program.

Section 4: Eligible Recipients

1. Who could be eligible entities and/or indirect recipients under the Greenhouse Gas Reduction Fund consistent with statutory requirements specified in section 134 of the Clean Air Act? Please provide a description of these types of entities and references regarding the total capital deployed by such entities into greenhouse gas and air pollution reducing projects.

New York recommends that the EPA consider the track record of any entity that applies for GHGRF funds. Key areas for EPA to assess in an entity's application include the qualifications of the management team, investment track record, the business plan, terms for deploying capital, risk and other monitoring systems for loans, and policies and procedures that are in place for making investment decisions and managing the portfolio. Entities that have a strong track record of deploying capital into greenhouse gas reducing projects and have best-in-class risk and portfolio management processes, are best positioned to successfully execute transactions with GHGRF funds.

⁷ Please see page 32 here: <https://greenbank.ny.gov/-/media/Project/Greenbank/Files/2021-22-NYGB-Annual-Business-Plan.pdf>.

New York suggests that EPA should identify green banks as eligible recipients and indirect recipients under the GHGRF. Green banks have demonstrated a successful model for deploying capital into greenhouse gas and air pollution reducing projects and animating the market for these types of investments. Enabling green banks to access additional capital through the GHGRF will further accelerate the development of financing markets for greenhouse gas reducing projects.

EPA should have the discretion to reasonably interpret the term “non-profit organization,” as used in Section 134(c)(1) of the Clean Air Act, to include not just private not-for-profit corporations, but also government-sponsored entities that are (1) created by state legislation to advance state public policy, (2) tax-exempt and (3) not operated on a for-profit basis. Such entities include many state green banks with a demonstrated ability to deploy capital at scale in support of GHG emission reductions and disadvantaged communities.

2. What types of entities (as eligible recipients and/or indirect recipients) could enable Greenhouse Gas Reduction Fund grants to support investment and deployment of greenhouse gas and air pollution reducing projects in low-income and disadvantaged communities?

EPA should consider the low-income and disadvantaged community investment track record of any entity that applies for funds under GHGRF. EPA should consider green banks as entities that can enable the GHGRF grants to support investment and deployment of greenhouse gas and air pollution reducing projects in low-income and disadvantaged communities. Green banks can be flexible with their capital to fill funding gaps, including where there are specific needs in low-income and disadvantaged communities. Green banks have also demonstrated the ability to deploy funds into projects in low-income and disadvantaged communities. Since January 1, 2020, 20% of NYGB investments have benefitted disadvantaged communities, and NYGB has a goal of at least 35% of investments bringing benefits to DACs over the period of January 1, 2020, to December 31, 2025.

3. What types of entities (as eligible recipients and/or indirect recipients) could be created to enable Greenhouse Gas Reduction Fund grants to support investment in and deployment of greenhouse gas and air pollution reducing projects in communities where capacity to finance and deploy such projects does not currently exist?

New York recommends that EPA focus on eligible recipients that have a track record of deploying funds into greenhouse gas and air pollution reducing projects. It is more effective and less risky for established organizations with the technical knowledge, infrastructure, and track record to extend their operations or enter into joint ventures that support investment in and deployment of projects in communities which themselves do not currently possess this capacity.

New York recommends that EPA give direct recipients the ability to evaluate indirect recipients as part of their due diligence process. Established organizations have due diligence processes in place to evaluate organizations that they lend to, the same way that due diligence is done on a sponsor of a project.

4. How could EPA ensure the responsible implementation of the Greenhouse Gas Reduction Fund grants by new entities without a track record?

New York recommends that EPA focus on eligible recipients that have a track record of deploying funds into greenhouse gas and air pollution reducing projects. These organizations have the system in place to responsibly implement GHGRF grants, and if they choose to lend to entities without a track record, direct recipients are responsible for due diligence, deployment, and performance by indirect recipients, and they have the necessary experience to manage that investment in an indirect recipient.

Section 5: Oversight and Reporting

1. What types of governance structures, reporting requirements and audit requirements (consistent with applicable federal regulations) should EPA consider requiring of direct and indirect recipients of Greenhouse Gas Reduction Fund grants to ensure the responsible implementation and oversight of grantee/subrecipient operations and financial assistance activities?

New York recommends that EPA requires direct recipients to be governed by a professional board of directors and a management team with a strong track record and industry experience. In addition, EPA should require direct recipients to deliver to EPA annual audited financial statements and an annual business plan, which includes reporting on financial and impact metrics from the previous year and goals for the future year. Direct recipients should be subject to EPA audit rights.

Direct and indirect recipients should be required to establish and implement policies and procedures regarding business ethics, conflicts of interest, confidential and material nonpublic information, gifts, political contributions, etc. that are similar to those required for investment advisers and securities industry professionals.

EPA should require direct recipients to conduct satisfactory due diligence with respect to the governance of indirect recipients. Indirect recipients should be required to provide direct recipients with annual and quarterly financial statements as well as periodic metrics reports. As with direct recipients, indirect recipients that are financial intermediaries should be subject to EPA audit rights. However, projects and companies that receive funding indirectly should be subject to audit rights of the relevant direct and indirect recipients, rather than EPA. EPA should be able to rely on the relevant direct and indirect recipients to exercise their audit rights to obtain relevant information from underlying projects and companies. This will reduce the administrative burden on both EPA and underlying projects and companies.

EPA should also consider setting up an independently managed complaints hotline, to allow a confidential whistleblowing mechanism.

2. Are there any compliance requirements in addition to those provided for in Federal statutes or regulations (e.g., requirements related to administering federal grant funds) that EPA should consider when designing the program?

New York recommends that EPA does not require any compliance requirements in addition to those provided for in Federal statutes or regulations. Green banks, CDFIs, and other organizations that are applying for funds have significant existing compliance requirements that hold them accountable to the public.

3. What metrics and indicators should EPA use to track relevant program outcomes including, but not limited to, (a) reductions in greenhouse gas emissions or air pollution, (b) allocation of benefits to low-income and disadvantaged communities, (c) private sector leverage and project additionality, (d) number of greenhouse gas and air pollution reduction projects funded and (f) distribution of projects at the national, regional, state and local levels?

New York recommends that EPA use all of the metrics outlined above to track program outcomes and demonstrate impact of the GHGRF. EPA should consider using metrics to evaluate entities on their overall effectiveness in deploying GHGRF dollars against their business plan, and to evaluate if there are unused funds that can be deployed elsewhere for greater impact. In addition to the metrics outlined above, NYGB measures:

- Committed Funds

- Deployed Funds
- Current Portfolio Mix
- Cumulative investments, deployed funds and principal repaid
- Total Project Costs (Cumulative)
- Estimated Gross Energy and Environmental Benefits, for example:
 - GHG Reductions
 - Reduction in Energy Use Against Historic Baseline
 - Elimination of Fossil Fuel Use
- Active Pipeline
- Percentage of investments that benefit to Disadvantaged Communities
- Financial Performance indicators including
 - Cumulative Revenue, Expenses and Income Earned
 - Return on Investment – Gross and Net, Annual and Cumulative Percentages
 - Position Impairments
 - Capital Redeployment Cycle Time

NYSERDA recommends that EPA appoint an internal team to aggregate reporting from all recipients and report publicly to show overall impact from the GHGRF. Finally, NYSERDA recommends that for indirect investments, direct recipients set the reporting requirements during the investment process based on the direct recipient's own reporting requirements to EPA. Indirect recipients should report to the direct recipient, not directly to EPA.

More information can be found on NYGB reporting on the public filing page of its website, <https://greenbank.ny.gov/Resources/Public-Filings>. The following link will prompt a download of NYGB's [Metrics, Reporting and Evaluation Plan](#).

NYSERDA has managed a robust evaluation team for several decades, performing independent review and analysis of program performance. New York recommends that the EPA allow for recipients to dedicate a portion of any award to conduct evaluation work similar to what NYSERDA has successfully completed on its programs. Additional information about NYSERDA's evaluation work can be found at: <https://www.nyserda.ny.gov/About/Publications/Evaluation-Reports>

Section 6: General Comments

1. Do you have any other comments on the implementation of the Greenhouse Gas Reduction Fund?

With regards to the ZET Program, New York recommends that EPA design the program to award funds to applicants on a first-come-first-served basis. Awards should be based on (1) the applicant's demonstrated need for funding to provide financial and technical assistance to low-income and disadvantaged communities and (2) the applicant's demonstrated ability to provide financial and technical assistance to low-income and disadvantaged communities. This approach will ensure that ZET Program funds are awarded on the most efficient and timely basis and achieve the maximum benefit to low-income and disadvantaged communities.

If EPA decides to allocate funds to states using a formula-based approach prior to making awards, New York recommends that EPA use a formula that allocates funding based on the number of households or persons in low-income and disadvantaged communities within a state. Such a formula should rely on (1) the population census tracts

designated as qualified Opportunity Zones by the Secretary of the Treasury and (2) the Climate and Economic Justice Screening Tool published by the Council on Environmental Quality (or, alternatively, the [EJScreen](#) tool published by EPA). NYSERDA recommends that EPA not set any allocation floor, since that risks allocating funds to states in amounts in excess of what they can reasonably deploy to achieve emission reductions in low-income and disadvantaged communities.

Importantly, any allocated funds that have not been awarded within 12 months (or other reasonable timeframe after allocations are determined) should be forfeited and reallocated to other states. Applicants will be able to apply for such reallocated funds, subject to the September 30, 2024 statutory deadline for EPA to award funds. Given the pending September 30, 2024 statutory deadline, it would be inefficient to reallocate funds using the same formula as the original allocation, since there is not likely to be sufficient time for multiple reallocations. Instead, EPA should reallocate funds to states based on the amount of allocated funds that have been awarded to them so far. This will ensure that funds will be reallocated to states that have the highest likelihood of successfully applying for—and disbursing—funds. Otherwise, EPA risks reallocating funds to states that are unlikely to successfully apply for or disburse funds.

New York recommends that EPA not require any timeframe for disbursing awarded funds. Any timeframe may pressure awardees to reject impactful projects that need additional time to achieve development milestones before they are ready for funding. A timeframe may also incentivize awardees to fund projects prematurely to avoid a claw back. However, if EPA decides that a timeframe is necessary, New York strongly recommends that EPA provide a long timeframe (at least 3-5 years). This will allow awardees to ensure that projects can achieve sufficient development milestones to be ready for financing before funding becomes subject to a claw back.

In addition, New York recommends that EPA exercise its discretion to interpret the term “zero emissions technologies” broadly, consistent with the broad definition of the term in CAA Section 134(c)(4). In order to address market confusion, EPA should clarify that zero emissions technologies are not limited to distributed technologies on residential rooftops. EPA should also clarify that CAA Section 134(a)(1) permits recipients to use grant funds to make loans and investments to financial institutions that provide financing for zero emissions technologies in low-income and disadvantaged communities (just as eligible recipients are able to make indirect investments pursuant to CAA Section 134(b)(2)).

Finally, consistent with the recommendation made in Section 1 above, it is critical that states be able to use their own definitions of low-income and disadvantaged communities for purposes of complying with the requirements of CAA Section 134(a)(1).

New York appreciates the opportunity to respond to this Request for Information. If EPA staff have any questions regarding any of these responses, we would be grateful for the opportunity to clarify or provide additional feedback to support this important work and funding being provided by the EPA.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Doreen M. Harris".

Doreen Harris

President and CEO

New York State Energy and Research Development Authority

From: [Jory Fleming](#)
To: [EFAB](#)
Subject: Comment Submission
Date: Thursday, December 8, 2022 2:06:13 PM

Dear EPA EFAB Members,

I submitted a comment to the EPA on behalf of the South Carolina Clean Energy & Resilience Accelerator, an emerging green bank in South Carolina (comment ID: lbb-71an-tha4).

I have a further comment that is specific to EFAB:

I have not seen considerations from EFAB that they are engaging the State Department as part of its expert review process or acquiring information on existing green banks outside the United States. Several other countries across the world have green banks or similar institutions, including some at a national scale. EFAB should request the State Department provide a briefing that provides information on these institutions and their impacts so that the EFAB can consider it when making its final recommendations. It is unwise for the EFAB to ignore functioning institutions in other places, including some in countries that are allies of the United States or have similar market characteristics, when making its own recommendation on similar institutions in the United States.

Best,
Jory Fleming

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Introduction

To Environmental Protection Agency Staff,

Thank you for this comment opportunity. I am working to deploy a green bank in South Carolina. In 2020, the State Energy Office of the South Carolina Office of Regulatory Staff (SC Energy Office) brought together a green bank working group. This was recommended out of a stakeholder-driven process under their Energy Efficiency Roadmap Initiative. In 2021, this working group started coordinating with the American Green Bank Consortium and held consultations with existing green banks from across the country.

Beginning in September 2021, I led a comprehensive market assessment evaluating the benefits of a green bank in South Carolina. The purpose of this assessment was to identify financial barriers across the state and identify gaps that a green bank could meaningfully address. This work was done in coordination with the SC Energy Office and included an in-depth analysis of conditions in our state that includes the expertise of over 60 organizations who spoke to us. This assessment was finalized in September 2022 and is referenced below.

The assessment identified many issues and financial barriers that impact residents, businesses, municipalities, and communities. These financial barriers limit the scale and speed of project investment across a variety of sectors that could otherwise benefit South Carolina. I am currently taking our findings forward and hoping to address these barriers by forming a green bank that would operate across South Carolina.

The South Carolina Clean Energy and Resilience Accelerator (SC CLEAR) is pursuing designation as a 501c3 and is a member of the American Green Bank Consortium. In this letter, I am writing to share our perspective as an emerging green bank in relation to the Greenhouse Gas Reduction Fund, which presents an opportunity to accelerate our deployment. I draw mainly on our market assessment and current outlook in addressing the EPA's request for information. My comment does not represent the 60+ organizations who contributed their expertise to our market assessment or the SC Energy Office.

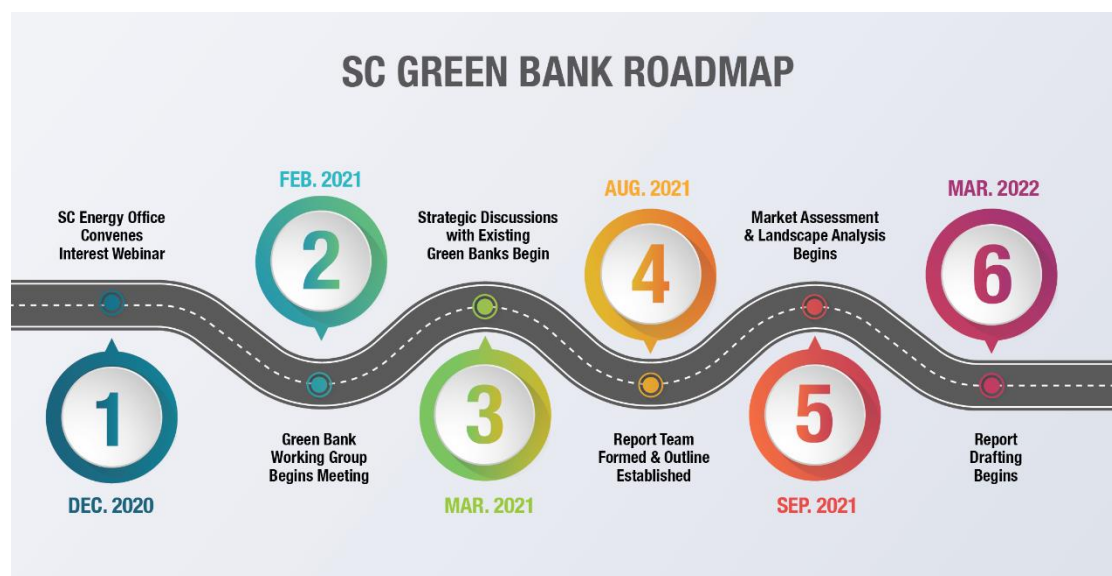


Figure 1: The roadmap that led to today's efforts to deploy a green bank in South Carolina.

Comment Structure

My comment does not align neatly with the individual questions posed by the EPA, with information potentially referring to multiple posed questions. I have thus organized this comment under four overall themes, with related information organized underneath the most relevant theme.

References

Fleming, J. & Windsor, C. (2022). The Role of a Green Bank in South Carolina: A Market & Feasibility Assessment. University of South Carolina.
https://scholarcommons.sc.edu/geog_facpub/231

Note: The EPA RFI Guidance states that outside information will not be viewed. With that in mind and where pertinent, graphics and data sources from the report will be included or noted in footnotes. Further information can be found in the report, linked above.

Section 134(a)(2) and Section 134(a)(3)

The EPA should consider designating significant funding from these sections to a National Green Bank. The potential for a new long-term and stable partner that provides financial and technical assistance over an indefinite time horizon has the potential to be truly transformative in South Carolina.

- The EPA should not adopt a funding approach that prioritizes disbursement of funds under these sections to a large quantity of organizations or projects. That approach would prioritize states with greater financial capacity and quantity of applicants. Relevant points from our market research include:
 - South Carolina, both overall and geographically within the state, tends to have lower quantities of banks, specialized financial institutions and/or philanthropic investment. For example, South Carolina has fewer CDFIs on average¹, has a lower spatial density of community foundations,² and rural areas of the state are largely financially underserved.³
 - In South Carolina there are currently few financial products from local financial institutions designed for sectors like energy efficiency or clean energy. Examples of current offerings are often extensions of existing products like home equity loans or auto loans (that encompass a home level 2 charger with an EV purchase). Local financial institutions struggle to connect supply and demand in these sectors, which limits the number of current offerings in the state that are custom programs or financial products.
 - Prior to our current efforts to deploy SC CLEAR, there was not an operating green bank in the state.

¹ Community Development Financial Development Institutions Fund, total number of certified CDFIs as of March 14, 2022.

² Wu, VS. The Geography and Disparities of Community Philanthropy: A Community Assessment Model of Needs, Resources, and Ecological Environment. *Voluntas* 32, 351–371 (2021).

³ Federal Financial Institutions Examination Council (2022). List of Distressed or Underserved Nonmetropolitan Middle-Income Geographies.

- The creation of a single entity as a National Green Bank is more likely to support the deployment of funds in South Carolina by both a green bank and other financial institutions.
 - Due to current supply/demand disconnects, price or risk uncertainty, the fact that green lending is outside traditional activities, and other considerations by local financial institutions, it will likely take them time to design distinct financial products in energy and resilience sectors and grow demand for them.
 - The capacity to work with a single entity has two distinct advantages:
 - Sufficient capital to incentivize investment into these new sectors
 - The institutional stability to engage in scaling investment over a longer time horizon.
 - A South Carolina green bank could work in coordination with a National Green Bank to involve a growing number of local lenders in green lending over time in concert with a growing market and perceived demand. This scenario is more likely to succeed than an approach that would involve convincing as many SC lenders as possible to apply for competitive grants over a highly compressed time horizon of the next two years in market sectors that they are not currently heavily involved in.
 - A South Carolina green bank is likely to have capital needs that extend beyond the end-date of funding time horizons indicated in Section 134(a)(1). It would be easier to form a long-term partnership with a single entity to meet these needs. For example, a South Carolina green bank could establish an initial program such as a revolving loan fund, and continually tap the National Green Bank to recapitalize the fund as it scales on an as-needed basis.
 - Working with a fewer number of entities on a regional and national scale would allow a South Carolina green bank to focus its efforts on growing partnerships and networks within the state of South Carolina instead.
 - A South Carolina green bank, and potentially other eligible financial institutions, would benefit from a National Green Bank with respect to certain financial products. For example, it would be significantly easier to establish a single loan loss reserve from a National Green Bank than fund many smaller reserves across different states. A South Carolina green bank could utilize the larger reserve to accelerate investment within the state without the logistical and operating expenses of managing its own smaller fund.
 - A South Carolina green bank is likely to begin a single program first and grow to address more financial barriers over time through additional programs. A National Green Bank could support the development of new programs by serving as a hub for technical assistance in financial product design, meeting Federal requirements, etc.

Section 134(a)(1)

The \$7 billion sub-set of funds designated to States, municipalities, Tribal governments and eligible recipients presents an opportunity to accelerate investment in South Carolina. The EPA should consider diversifying the timeline for applications, quantities, and types of funding provided under this branch of funding.

Considerations related to a South Carolina Green Bank

Eligibility & Timeline

- The EPA should be aware when considering eligible recipients and the universe of possible applicants under Section 134(a)(1) that in the Southeast green banks are currently non-profits or quasi-public entities. Many operate without state support. Some, including North Carolina and Texas, formed green banks only recently in 2021.
- South Carolina is in the Southeast and has a green bank in development but not yet deployed (SC CLEAR). SC CLEAR plans to seek 501c3 status in 2023. If the state of South Carolina indicates interest in supporting green bank deployment and transitioning SC CLEAR to a quasi-public entity (similar to how other states have supported non-profit green banks), the absolute earliest this support would be available is Q2 / Q3 2024 (as a result of state budget cycles).
- The EPA should consider the factors above when evaluating eligibility, how applications are reviewed and evaluated, the types of funding offered, and when different grant applications are open. South Carolina and other Southeastern states should be proportionately supported through Section 134(a)(1).
 - Newly formed green banks will have different funding needs than green banks that already have staff, financial products and programs in place, and large balance sheets.
 - SC CLEAR views Section 134(a)(1) as an opportunity to capitalize a program that addresses a financial barrier in an un-served or under-served sector in South Carolina and assist with building the institutional capacity needed to deliver such a program. SC CLEAR would benefit from specificity and time considerations in funding applications in order to fairly compete in the applicant pool.

Programs & Market Sectors

- The EPA should consider designing a balanced approach to program evaluation in applications to funds under this section. In South Carolina, about half of the electricity provided to the grid is zero-emission nuclear power⁴, which could decrease the greenhouse gas emissions reductions of a new program relative to another geographic area. Depending on how the EPA elects to evaluate programs, a solar panel or energy-efficiency investment in South Carolina could thus be “worth less” in terms of greenhouse gas emissions reductions that an identical investment in a different area, creating a geographic inequality in fund disbursement to South Carolina (and other parts of the country).
- To the extent practicable while still meeting the intent of the Greenhouse Gas Reduction Fund, the EPA should consider additional costs, benefits, or other forms of impact in addition to greenhouse gas emissions reductions when evaluating applications.
 - For example, South Carolina is expected to have the 8th highest climate costs among states by end of century, with every county exceeding the national

⁴ U.S. Energy Information Administration (2022). South Carolina State Profile and Energy Estimates. <https://www.eia.gov/state/analysis.php?sid=SC>

average for annual average damages to its GDP (many by double or more).⁵ Our market assessment also found that investment into projects that reduce greenhouse gas emissions can have public health, resilience, or other co-benefits. Examples include an energy-efficiency retrofit that also concurrently addresses interior mold or a solar + storage project in a community center that saves money and also increases resilience during extreme weather events.

- In considering different projects that could fall within “zero-emission technologies” and/or “other greenhouse gas reduction activities” the following findings from our market assessment are relevant:
 - South Carolina has a functioning solar market and a state tax credit for solar panels. However, solar is a very low percentage (~2%) of the state’s total electricity generation⁶. After passage of the Energy Freedom Act in 2019, total solar net generation more than tripled⁷, but this was largely due to utility scale solar investment. Residential rooftop solar investment is a low percentage of the total market (in terms of generation), and the market is also geospatially sporadic.⁸ The changes to the tax credit under the IRA are more likely to shift the market for non-profits and municipalities because they can take advantage of the 30% federal credit now, but the small increase is less likely to shift considerations in the residential market or disadvantaged communities considering a similarly sized federal credit (and sizeable state credit) was already available. These investments can be transformative and have large energy savings or emissions reductions, but also have project sizes that would still be in the tens of thousands of dollars.

⁵ Costs calculated using data from Hsiant et al. (2017) and the U.S. Bureau of Economic Analysis, methodology detailed in the market assessment under footnotes 34 – 36. Further climate costs impacts from sources like the Federal Reserve Bank of Richmond and other sources is evaluated alongside GDP calculations in the “Climate Conditions” section of the assessment. Further, South Carolina’s key climate impacts of concern do not necessarily align with other states (for example, property damages in SC’s coastal counties are projected to exceed \$250 million per year by 2050 due primarily to sea level rise, which would not apply to states without a coastline).

⁶ U.S. Energy Information Administration (2022). South Carolina State Profile and Energy Estimates. <https://www.eia.gov/state/analysis.php?sid=SC>

⁷ U.S. Energy Information Administration (2022). Net generation for all solar, annual [Data set]. <https://www.eia.gov/electricity/data.php>

⁸ SC Energy Office (2022). State Energy Database [Data set]

Distributed Solar Installations in South Carolina

Residential & Commercial Market Segments

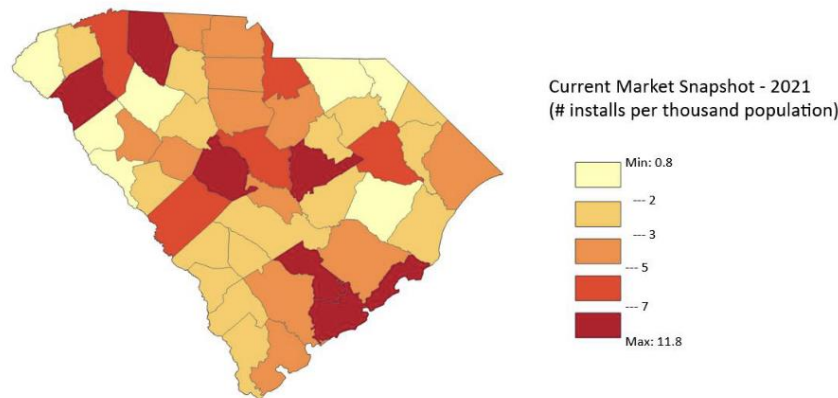


Figure 2: Current market snapshot for distributed solar in SC.

- o Energy Efficiency needs are high in South Carolina, with outdated building codes and older or manufactured housing that contributes to high energy burden. For example, South Carolina fares poorly in achieving energy efficiency, saving only ~0.35% in energy savings from retail electric sales (half the national average).⁹ According to one estimate, 99% of households in South Carolina would have energy savings from switching to energy efficient appliances (with low- to middle-income households saving more than the average household in every county).¹⁰ Project costs are lower (~\$3,000 for a small-scale weatherization project), and energy savings can be significant (~20%) but are likely lower in terms of emissions reductions than other project types.

⁹ Bradley-Wright, F., Pohan, H. & Schober, M. (2022). Energy Efficiency in the Southeast – Fourth Annual Report. Southern Alliance for Clean Energy. <https://cleanenergy.org/wp-content/uploads/Energy-Efficiency-in-the-Southeast-Fourth-Annual-Report.pdf>

Berg, W., E. Cooper, and M. DiMascio. 2022. State Energy Efficiency Scorecard: 2021 Progress Report. Washington, DC: ACEEE. <https://aceee.org/research-report/u2201>

¹⁰ Rewiring America (2022). Benefits of Household Electrification – South Carolina. https://map.rewiringamerica.org/states/south_carolina-sc

Energy Efficiency Savings

Energy bill savings in low to middle income households from switching to modern, electric appliances

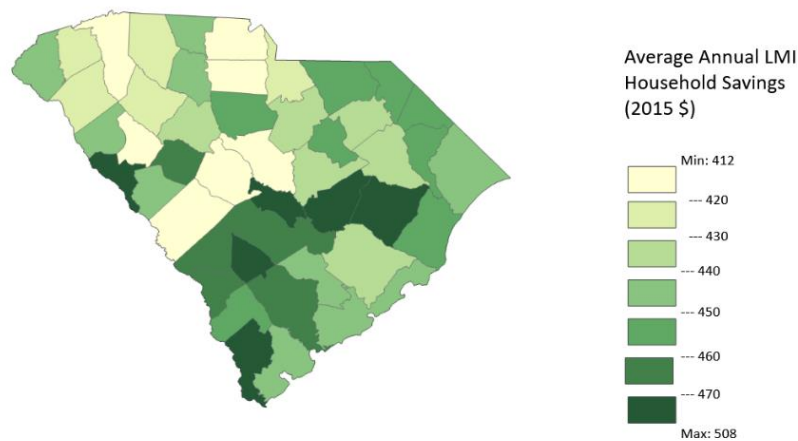


Figure 3: Estimated LMI energy efficiency savings.

- The EPA should consider that financial programs can address multiple sectors with the same product (whether it is a revolving loan fund or another model). However, the EPA should also evaluate the degree to which applications are responding to gaps or financial barriers within states and balance total emissions reductions with other equity considerations that applicants might seek to address. For example, our market research suggests that LMI households are possibly more likely to utilize a revolving loan fund for energy efficiency improvements as compared to rooftop solar (which in most cases would have lower project costs and lower emissions reductions).
- When evaluating “zero-emission technologies” and/or “other greenhouse gas reduction activities”, there are complex considerations. For example, in South Carolina the state weatherization program deferred more homes in 2020 than were weatherized due to issues including health & safety.¹¹ Should a health and safety investment that unlocks weatherization program funding incorporate the resulting emissions reductions? Other considerations could include experimental sectors (like hydrogen or certain carbon removal technologies) or scientifically debated emissions reductions sectors (like land-use or soil carbon). I advise the EPA to adopt a definition broader than residential rooftop solar, but that each further sector should be carefully evaluated by the EPA, acting on advice from published scientific findings and a variety of internal federal agencies and external organizations. The EPA should not treat all further sectors equally but should consider both emissions reductions benefits and co-benefits that address equity and energy burden considerations, and should adopt a definition that does not inadvertently fund expensive industrial technologies or other decisions that would rapidly dilute funds in Section 134(a)(1) among a limited pool of applicants.
- When evaluating applications submitted for funding under this section, the EPA should consider that programs designed to address the financial barriers faced by

¹¹ South Carolina Office of Economic Opportunity (2022). South Carolina WAP Database. [Data set].

low-income and disadvantaged communities could take time and/or partnerships to deploy after a funding application is granted. Green banks or other potential applicants deploying the funds will need to coordinate with a variety of actors including state agencies (e.g., disbursement of some IRA rebates flows through state energy offices), utilities (who offer independent programs and could partner for innovative models like on-bill financing), and contractors (who would accept the financial assistance to conduct project work).

Considerations separate from a South Carolina Green Bank

The EPA should consider that in South Carolina, many municipalities may not have a single planner on permanent staff. The EPA should be aware that 54% of rural communities in South Carolina are beneath the national median in their governmental capacity.¹² During our market assessment, we found several communities did not apply to highly attractive federal grant programs for a variety of reasons including complexity and length of application, the logistical capacity to administer funds or meet imposed federal requirements, the financial barrier imposed by a cost-match requirement (even an extremely small one), and not even being aware of the funds at all.

- The EPA should separate applications for funding into streams designed individually for the different institution types indicated in Section 134(a)(1). The EPA should recognize that state agencies or larger municipalities are more likely to have the capacity for complex or lengthy funding applications.
- Considering the factors above, the EPA should make it possible for smaller municipalities to complete any application designed for them within the span of 3 hours or less by a single person. That person should have access to intensive support through the team administering the grant program and/or EPA regional offices. Further, the EPA should go beyond holding general events like webinars and instead reach out to smaller municipalities on an individual basis through multiple communications such as email, phone, letter, and in-person outreach.
- Requirements imposed on small municipalities as a condition of grant funding should be designed to be as easy as possible, as each requirement will likely result in some communities in South Carolina deciding not to apply.
- The EPA should be aware that a cost-match requirement, regardless of size, will pose a significant barrier to some municipalities in South Carolina and would likely result in some communities in South Carolina deciding not to apply.
- The EPA should be aware that the South Carolina Commission for Minority Affairs recognizes Native American Indian Entities that the federal government does not¹³, and that distinct communities such as the Gullah-Geechee live in South Carolina. If legally possible, the EPA should enable such groups and communities to apply for funds as Tribal governments and communicate such eligibility to them directly.

¹² Headwaters Economics. 2022. A Rural Capacity Map.

¹³ South Carolina's Recognized Native American Indian Entities (2022). South Carolina Commission for Minority Affairs. <https://cma.sc.gov/minority-population-initiatives/native-american-affairs/south-carolinas-recognized-native-american-indian-entities>

Low-Income and Disadvantaged Communities

EPA should recognize that low-income and disadvantaged communities do not look the same across the entire country. The EPA should appropriately balance considerations of national, geospatial, and/or quantitative approaches with the unique insights and knowledge that different organizations can bring to understanding what environmental and energy justice looks like in their state, locality, or other geographic area.

- A South Carolina green bank and other local financial institutions may be working on considerations for communities that are financially underserved that do not neatly align with income or other socio-economic data. For example, in South Carolina renters have often been excluded from policy incentives or programs compared to homeowners.
- Our market assessment discovered that in South Carolina, income requirements with precise thresholds often create a so-called “benefits cliff” where people just above the threshold need financial assistance but do not qualify for it (or programs are not available because institutions are not incentivized by funders to offer one). The EPA should try to avoid replicating this issue with this new fund.
- Disadvantaged communities in South Carolina can be on very small spatial scales. For example, if spatially averaged energy burden is 3% statewide or a maximum of 7% for the most affected county, but can be as high as 27% for the lowest income households.¹⁴ Some of these households will be in areas with a low average energy burden.

Energy Burden

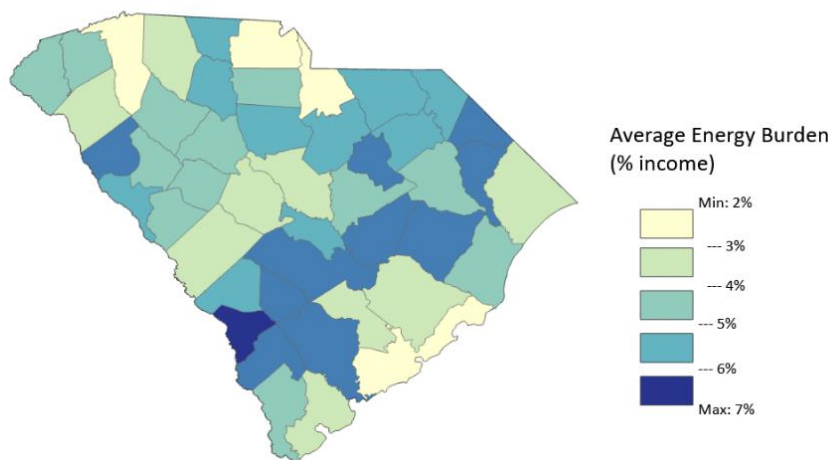


Figure 4: Energy Burden in South Carolina, most recent data, county average.

- Justice 40 Initiative geographic delineations do not agree with one another in South Carolina, with different federal agencies adopting different definitions that could exclude large communities based on decisions made at a national level by entities not in South Carolina.¹⁵ These areas also do not always align with geographies that

¹⁴ U.S. Department of Energy (2022). Low-Income Energy Affordability Data.

¹⁵ Council on Environmental Quality (2022). Interagency Climate and Economic Justice Screening Tool. [Data set].

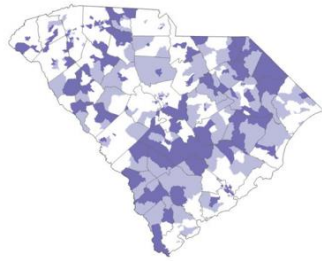
<https://screeningtool.geoplatform.gov/en/methodology>

Department of Energy Office of Economic Impact and Diversity (2022). Justive40 Initiative. [Data set].

<https://www.energy.gov/diversity/justice40-initiative>

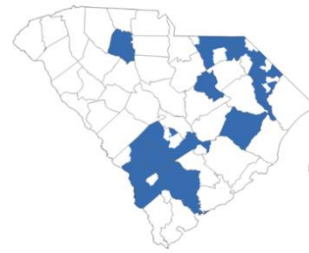
financial institutions are incentivized to invest in under the Community Reinvestment Act.¹⁶

Justice 40 Initiative: Disadvantaged Communities



Disadvantaged Communities Defined By:
Department of Energy
Council on Environmental Quality

Financially Underserved Areas
Community Reinvestment Act Designation



Distressed or Underserved Geographies
Defined by the FFIEC

Figure 5: Disadvantaged communities according to different federal agency priorities (left) and federal financial regulator priorities (right). None of these determinations are made in South Carolina.

- Some institutions in South Carolina and local environmental justice leaders might have locally informed views on disadvantaged communities and can be well-equipped to guide the flow of funds. These institutions and leaders might use data or frameworks that Justice 40 does not currently encompass, such as race or persistent childhood poverty.

Oversight and Reporting

The EPA should consider that the level of expertise and knowledge of greenhouse gases may vary among applicants. As a climate scientist, I am aware that quantifying the greenhouse gas emissions avoided by an energy efficiency or clean energy project over its lifetime is a challenging task. That number will vary based on the project and vary over time at different locations as the utility provider concurrently makes independent changes to the grid. The EPA should appropriately balance the need for a rigorous, externally evaluated and scientifically based approach to quantifying the combined impact of the Greenhouse Gas Reduction Fund with frameworks and financial support that support applicants as much as possible with tracking and verification of greenhouse gases.

The EPA should consider that many programs implemented in South Carolina would need to involve contractors conducting a variety of products. Requirements that a green bank, financial institution, or municipality would need to pass along to contractors have the potential to decrease the impact of the greenhouse gas reduction fund. The EPA should keep in mind that those installing solar panels, upgrading appliances, or weatherizing homes are likely going to be small businesses that might elect not to take on projects if program requirements are numerous, complex, or logistically taxing.

Jory Fleming
Founding Organizer
South Carolina Clean Energy & Resilience Accelerator

¹⁶ Federal Financial Institutions Examination Council (2022). List of Distressed or Underserved Nonmetropolitan Middle-Income Geographies.



December 12, 2022

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

Submitted electronically via - EPA Environmental Financial Advisory Board, efab@epa.gov

Re: Greenhouse Gas Reduction Fund

Dear EFAB Members:

Self-Help welcomes the opportunity to comment on program design and implementation to support the EPA's development of the Greenhouse Gas Reduction Fund. We applaud the focus on ensuring that low-income families and disadvantaged communities are not left behind in this historic opportunity, but rather are supported in the pursuit of healthier environments and a cleaner economy.

General Comments. Our comments are drawn from experience as practitioners with a distinct mission to help individuals and families with low wealth buy homes, start and grow businesses and strengthen community resources. Self-Help is a leading national community development financial institution (CDFI) headquartered in Durham, NC. Since 1980, Self-Help has provided more than \$10.5 billion in financing to over 150,000 families, individuals and businesses. Community lenders represent a powerful deployment force for EPA to enable low-income and disadvantaged communities to deploy or benefit from zero emissions technologies and carry out greenhouse gas emissions reduction activities.

With \$4.5 billion in assets and \$409 million in green loans originated, we have built relationships and a track record in the communities we serve and have the ability to scale and leverage investments. Self-Help's Secondary Markets program has grown from an initial \$50 million philanthropic investment. To date we have invested \$5.5 billion in 56,000 home loans, 85% of which were made to borrowers whose incomes were below 80% area median income (AMI), while also providing liquidity to mortgage originators of loans to low-wealth borrowers. As an experienced Small Business Administration lender, Self-Help began making Paycheck Protection Program loans within days of the start of the program. Self-Help made 2,799 PPP loans – about 9 times our typical commercial lending volume – totaling \$253 million with a median loan size of \$20,800. Over 50 percent of the dollars we loaned went to borrowers in low-to-moderate income areas, and 65 percent of our PPP loans went to businesses and

nonprofits led by people of color. We are energized by the possibility of community lenders being able to catalyze and scale EPA's investments.

Community development financial institutions (CDFIs) and low-income designated credit unions (LICUs) are uniquely positioned to deliver the clean energy benefits of the Greenhouse Gas Reduction Fund to low-income and disadvantaged communities, as mandated by the Inflation Reduction Act. CDFIs and LICUs have the delivery channels, partnerships, and expertise needed to help ensure that no community is left behind in the transition to a clean economy. CDFIs and LICUs have already created the systems and metrics to report on the demographics needed to track impact related to the Biden Administration's Justice 40 mandate.

- Approximately 40% of all credit unions in the United States are now LICUs, consisting of over 2200 organizations. Over the course of the past two years, 300 lenders from 150 CDFIs and LICUs have already completed the solar lending training course created by Inclusiv, a leading association of LICUs.
- Since 1994, the CDFI Fund, in partnership with CDFI lenders, has provided more than \$66 billion in tax credits through the New Markets Tax Credit Program, guaranteed more than \$1.8 billion in bonds through the CDFI Bond Guarantee Program, and deployed more than \$5.1 billion through other monetary award programs. Importantly, participating CDFIs have built the systems for compliant and transparent deployment of public funds.

We urge EPA to tap into the creativity and effectiveness of the sector by making available multiple awards so that large community lenders can bring their best ideas forward by geography or lending sector. Five principles for which we encourage consideration in program design and guidance:

- Speed of deployment: A near-zero percent interest rate would help drive volume and fast deployment to loans to reach families of modest means. Subsidy will be needed to fund the interest rate.
- Affordability: For families with low incomes, even a near-zero interest rate may not be affordable. Up to 20% of the GHG Reduction Fund capital should be delivered to borrowers as direct subsidy (grant capital) to make purchases affordable.
- Capacity-building: Institutional support would enable lenders serving low- and moderate-income families to deliver. An example might be to look at the Paycheck Protection Program model, which offered a 5% fee to lenders who originated loans to the smallest businesses.
- Leverage: EPA seeks to maximize GHG Reduction Fund impact by prioritizing the ability to leverage funds with private sector capital. The Treasury Department has found that

CDFIs leverage significant grant investment .¹ CDFIs and LICUs will be able to leverage capital from the GHG Reduction Fund with other funding, deepening its impact.

- **Collaboration:** Partnerships and collaborative efforts with other lenders, community organizations, and boots-on-the-ground-installers will be key to reaching families and communities that have borne the brunt of environmental injustice.

Responses to Specific Questions Posed in EPA’s Charge to EFAB

I. Objectives: a) Low-Income and Disadvantaged Communities, Question 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?*

In defining “low income” and “disadvantaged” communities for purposes of this program, we recommend tapping existing, robust definitions from the Treasury Department. In particular, the “CDFI Investment Areas” and “NMTC Non-Metro areas” have much to recommend them. They are both census tracts that have >20% poverty OR <80% MFI OR >1.5x National Unemployment Rate. But, CDFI investment areas also capture Empowerment Zones and High Population Loss tracts, and so are more encompassing in ways consistent with the GHG Reduction Fund aspirations.

I. Objectives: b) Program Efficiency, Question 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?*

We support EPA's appropriate care for additionality, ensuring that GHG Reduction Fund funds reach projects and places that are now underserved. By definition, CDFIs and LICUs invest in just those projects. Investments eligible for credit under Community Reinvestment Act tests would be a strong indicator of additionality. Utility-scale projects with binding community benefits agreements might also meet EPA's additionality goals.

I. Objectives: b) Program Efficiency, Question 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?*

¹ Remarks by Secretary of the Treasury Janet L. Yellen on \$1.25 Billion Award to CDFIs to Support Economic Relief in Underserved Communities Affected by COVID-19, June 15, 2021. <https://home.treasury.gov/news/press-releases/jy0229>

- We recommend that EPA look to the CDFI Fund Financial Assistance Program, which is an important funding source for CDFI innovation. The GHG Reduction Fund definitions can be aligned with the CDFI Fund Financial Assistance definitions related to allowable use of funds, geographic definitions, and income limits for borrowers to define low-income and disadvantaged, thereby allowing lenders to maximize the impact of pairing the two sources of capital.

II. Program Structure: a) Eligible Recipients, Question 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?*

Lessons learned from the implementation and design of the Paycheck Protection Program (PPP) should guide implementation and design of GHG Reduction Fund grants.

- *Complete guidance should be issued at the outset.* Because small businesses needed PPP funds immediately to survive on-going shutdowns during a global pandemic, initial PPP guidelines were incomplete and unclear. During the course of the program, SBA and Treasury published over 30 Interim Final Rules, nearly 100 FAQs spread over two separate documents, and over 25 lender notices and borrower guidance documents.² It is critical that relatively complete guidelines for the Greenhouse Gas Reduction Fund be issued at the outset to ensure grant recipients and subrecipients (including borrowers) understand the requirements for compliance, for usage of the funds, and for the receipt of tax credits, rebates and other intended benefits. While necessary updates to initial Greenhouse Gas Reduction Fund guidelines will be inevitable, the more certainty and clarity that EPA can provide up front, the more likely these funds will be accessed and used as intended.
- *To reach disadvantaged and low-income communities, EPA should design the Greenhouse Gas Reduction Fund to actively include CDFIs at the outset.* Despite explicit language in the CARES Act urging the prioritization of underserved markets and socially and economically disadvantaged borrowers,³ disadvantaged and low-income communities were significantly underrepresented in the initial phase of PPP.⁴ In response to concerns raised by policy makers and small business advocates, Congress, Treasury and SBA made a series of changes that allowed increased participation by CDFIs in later phases of the program. These changes included adjusting minimum portfolio requirements; establishing set-asides for businesses that applied through CDFIs and other community lenders; creating a dedicated period for processing loans made by CDFIs and other community lenders; and expanding access to the Federal Reserve’s PPP

² See SBA’s compilation of PPP guidance at [Paycheck Protection Program \(sba.gov\)](https://www.sba.gov/paycheck-protection-program).

³ CARES Act, Section 1102(a)(2)(36)(P)(iv).

⁴ Government Accountability Office, *Paycheck Protection Program: Program Changes Increased Lending to the Smallest Businesses and in Underserved Locations*, GAO-21-601 (September 2021) (noting that in Phase 1 of PPP, banks made more than 93 percent of all loans, and during that period, businesses with 10 or more employees received 42 percent of PPP loans despite accounting for only 4 percent of all U.S. small businesses; and businesses in high-minority metro counties were underrepresented relative to their share of all small businesses).

Liquidity Facility to include non-depository CDFIs.⁵ In large part due to these changes, by the time PPP closed in June of 2021, lending to underserved markets and socially and economically disadvantaged businesses had increased significantly, with CDFIs outperforming banks by double digits in low-to-moderate income areas.⁶ Actively including CDFIs at the outset and implementing these types of tools to ensure CDFIs are able to participate in deploying GHG Reduction Fund dollars will ensure that disadvantaged and low-income communities are not left out of the benefits of this historic legislation.

- *Implement a fee structure that incentivizes lenders to work with low-wealth borrowers.* The initial PPP fee structure put the smallest businesses at a disadvantage. At the onset of the program, lenders earned an origination fee equal to 5% of the loan balance for loans under \$350,000, 3% for loans between \$350,000 and \$2,000,000, and 1% for loans above \$2,000,000. For a loan of \$10 million, a lender made \$100,000 in fees, but a loan of \$10,000 only generated \$500 in fees, an amount insufficient to cover lender origination costs. Following outcry from small business advocates, Congress added a minimum fee for loans of \$50,000 or less, equal to the lesser of \$2,500 or 50 percent of the loan amount, better covering lender costs for originating small loans.⁷
- *EPA should require good faith efforts to collect demographic data for subrecipients (including borrowers).* As noted by SBA's Office of Inspector General, because SBA did not require demographic data to identify PPP borrowers in underserved markets on PPP loan applications, "it is unlikely that SBA will be able to determine the loan volume to the intended prioritized markets."⁸ It is imperative that EPA require collection of demographic and impact data to fully assess the success of the GHG Reduction Fund and to ensure that disadvantaged and low-income communities benefit from the program as intended by Congress.

⁵ Government Accountability Office, *Paycheck Protection Program: Program Changes Increased Lending to the Smallest Businesses and in Underserved Locations*, GAO-21-601 (September 2021), Table 3: Selected Paycheck Protection Program Changes; see also Testimony of Ashley Harrington, Center for Responsible Lending, Before the U.S. House Committee on Small Business Regarding "Paycheck Protection Program: Loan Forgiveness and Other Challenges" (June 17, 2020), <https://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl-testimony-harrington-house-smallbusiness-17jun2020.pdf>.

⁶ See, e.g., Government Accountability Office, *Paycheck Protection Program: Program Changes Increased Lending to the Smallest Businesses and in Underserved Locations*, GAO-21-601 (September 2021). See also National Bureau of Economic Research, Robert W. Fairlie and Frank Fossen, *The 2021 Paycheck Protection Program Reboot: Loan Disbursement to Employer and Nonemployer Businesses in Minority Communities*, Working Paper 29732, February 2022; U.S. Small Business Administration, *Report on SBA's COVID Relief Programs including PPP and EIDL*, May 24, 2021 ([SBA COVID Relief Program Report](#)); and Hope Policy Institute, Diane Standaert, Sara Miller, and Calandra Davis, *CDFIs' Indispensable Role in Connecting Small Businesses with PPP Loans in the Deep South*, December 15, 2020 (noting that in Mississippi and Louisiana, CDFIs made 7 times more PPP loans under \$150,000 than the five largest banks in the country combined).

⁷ *Paycheck Protection Program as Amended by Economic Aid Act*, 86 Fed. Reg. 3692, January 14, 2021 (to be codified at 13 CFR Parts 113, 120, and 121).

⁸ SBA Inspector General, *Flash Report: Small Business Administration's Implementation of the Paycheck Protection Program Requirements*, Report No. 20-14 (May 8, 2020).

II. Program Structure: b) Eligible Projects, Question i. *What types of projects/sectors/market segments could EPA prioritize for funding through the eligible recipients?*

- To maximize additionality, allow awardees adequate calendar time to deploy funding directly or in partnership with sub-recipients who will originate loans to the ultimate energy users.
- Enable partnerships with community organizers such as the Industrial Areas Foundation (IAF) in order to build on trusted relationships on a large scale and maximize benefits to low- and moderate-income communities through broad-based organizing projects.
- Allow for significant subsidy to facilitate capital deployment for loans that reach low-wealth communities.
- EPA should drive the GHG Reduction Fund funds to community-scale investments, for example, businesses renovating storefronts in East Oakland and daycare centers in Eastern NC. Invested in this way, GHG Reduction Fund funds can generate meaningful co-benefits in public health and climate resilience. Recent research by the San Francisco Federal Reserve Bank documents that historic social inequities will cost the United States more as climate change worsens, thus investments in underserved areas provide enhanced marginal benefits vs investments in more wealthy geographies, regardless of the absolute GHG emissions reductions achieved.⁹
- The GHG Reduction Fund design should value more highly those GHG reductions that are paired with reductions in other pollutants or reductions in energy cost burden to LMI or underserved communities. As an example, consider a portfolio of weatherization and solar improvements for affordable housing. Benefits will include greenhouse gas reductions, but also indoor air quality, reduced occupant energy burden, and enhanced property values for LMI families. The benefits in such a portfolio advance Justice 40 goals much more comprehensively than a large solar array on a warehouse roof that might reduce greenhouse gas emissions and some power plant emissions but provides none of the other neighborhood level co-benefits.

III. Execution, Reporting, & Accountability: Question 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?*

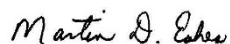
- The Target Market Accountability requirements that certified CDFIs meet should be allowable by EPA to meet community accountability requirements. In our experience, it is best not to mandate accountability on a project-by-project basis, as that delays worthy projects and limits funding deployment.

⁹ Dr. Jason Vargo, *Climate and Community Research at The San Francisco Federal Reserve. Presented 9/13/2022 to the CDFI Climate Crisis Working Group.*

- We urge the EPA to align its demographic data requirements with those already collected by the CDFI Fund. This will enhance the ability to analyze GHG Reduction Fund data in context with other federal investments with low-income and disadvantaged communities. Metrics related to location, race, ethnicity, and income should be defined using CDFI Fund definitions. Likewise, definitions for jobs created and maintained.
- For metrics of greenhouse gas reductions achieved, we urge the agency to allow lenders to use existing tools. The EPA’s own Simplified Greenhouse Gas Emissions Calculator provides a validated and easy-to-use option.¹⁰ Self-Help uses it in our own operational greenhouse gas disclosures.¹¹ We recommend the EPA tool rather than the more cumbersome and hard-to-use methodology under Partnership for Carbon Accounting Financials.¹²
- In our experience, the most effective metric for funds recycling or leveraging is to specify a total dollar value for required lending as a measure of funds recycling/leveraging. In addition, the EPA granted funds should be committed to Greenhouse Gas Reduction Fund purposes in perpetuity. Hence, funds that are deployed as loans to low-income families would upon repayment be re-deployed for emissions reduction purposes. There should not, in our opinion, be a requirement to micro-account for “program income.” Federal programs that require a detailed inflow and outflow of operating expenses have generally provided little additional benefit, but often act as a trip-wire to put smaller lenders and borrowers into technical though insignificant non-compliance.

Thank you for the opportunity to provide comments to help inform program design and implementation to ensure the full economic and environmental benefits of this historic investment are realized by all people, particularly those who have been most burdened by environmental, social, and economic injustice.

Sincerely,



Martin Eakes

CEO

Self-Help

¹⁰ <https://www.epa.gov/climateleadership/simplified-ghg-emissions-calculator>

¹¹ Self-Help 2021 Operational GHG Report. <https://www.self-help.org/docs/default-source/PDFs/ghg-report-cy-2021-final-2022-11-8.pdf?sfvrsn=2>

¹² Process Documentation: Portfolio GHG Accounting for CDFIs. 2021. https://www.ceimaine.org/wp-content/uploads/2022/04/PCAF-Working-Guide-for-CDFIs_20220418.pdf



A Nonprofit Housing and Community Development Organization

December 5, 2022

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

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

Dear Administrator Regan,

Self-Help Enterprises (SHE) appreciates the opportunity to provide comments on the Greenhouse Gas Reduction Fund (GGRF) program design and implementation. Self-Help Enterprises is a nationally recognized community development organization whose mission is to work together with low-income families to build and sustain healthy homes and communities. The pioneer and leading provider of mutual self-help housing in the United States, SHE's efforts today encompass a range of efforts to build better homes and communities for farmworkers and other hard-working families. Since 1965, SHE has helped more than 6,400 families to build their own homes, rehabilitated over 6,800 unsafe homes, developed over 2,100 units of affordable rental housing, and has provided technical assistance for reliable access to safe drinking water and sanitary sewer infrastructure to more than 327 small communities. We care deeply about air quality, climate change, and the disproportionate impact on low-income and disadvantaged communities.

SHE welcomes the GGRF as an historic opportunity to further accelerate clean energy investments across the United States, and particularly welcomes the emphasis on low-income and disadvantaged communities. This directly aligns with SHE's commitment to supporting these communities. With respect to the design and implementation of the GGRF, we encourage the Environmental Protection Agency (EPA) to consider the following priorities:

1. Eligible Recipients:

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

2. Eligible Projects:

We encourage the EPA to include funding that is targeted to affordable housing in the set of eligible activities and we encourage priority for non-profit organizations. Non-profit organizations who own and operate affordable housing should be given priority for funding, as these organizations struggle to attract rehabilitation capital and the fixed income of affordable rents makes it impossible to recapitalize assets. Further, investments in affordable housing owned and operated by non-profit organizations benefit the low-income residents and the surrounding community. Investments in affordable housing help ensure these funds are achieving the stated climate mitigation goals, while also ensuring housing remains affordable to low-income community members as the operating costs associated with rising heat and an increased cost of energy. We encourage energy efficiency, conversion to all-electric, and renewable energy to all be eligible investments.

3. Structure of Funding:

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

4. Include Technical Assistance:

We strongly encourage technical assistance be an integral part of the program design. In California's Low Income Weatherization Program (LIWP), technical assistance was a main focus. The program administrator visited the affordable housing community, inspected the systems and crawled in the attic and under buildings. This allowed them to design the most impactful program of investments based on the specifics of the community. We encourage a technical assistance component or at a minimum that technical assistance and engineering be eligible expenses in the program.

Thank you for the opportunity to provide comments and highlight our priorities in executing the GGRF. We look forward to working with you to ensure the Greenhouse Gas Reduction Fund is a success. If you have any questions, please contact me at tomc@selfhelpenterprises.org or (559) 802-1620.

Sincerely,



Thomas J. Collishaw
President and Chief Executive Officer

December 5, 2022

The Honorable Michael S. Regan
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Re: Comments related to EPA's Greenhouse Gas Reduction Fund
CC: Environmental Financial Advisory Board

Dear Administrator Regan:

On behalf of the Southeast Sustainability Directors Network (SSDN) and the Urban Sustainability Directors Network (USDN), we are pleased to submit these comments focused on the design and implementation of EPA's newly created Greenhouse Gas Reduction Fund. More than ever, the pressure is on local governments to drive progress on sustainability and climate action. Collectively, USDN and SSDN serve our members to help them advance sustainability and equity within their work

Since 2008 USDN has brought local government sustainability practitioners together to learn, collaborate, and accelerate the work of local sustainability. By equipping them with the knowledge, resources, and partnerships they need to succeed, USDN helps advance change locally in member communities as well as across the field of practice. The aggregate impact and influence of our collective work makes an equitable, resilient, and sustainable society more attainable. USDN represents over 250 communities representing over 100 million residents, sharing best practices and accelerating transformative change across the United States and Canada.

SSDN is a network of local government sustainability professionals representing over 110 city, county, and tribal governments in 10 states across the Southeast. Through peer-to-peer learning and collaboration, SSDN and its members work together to accelerate, scale, and implement programs to build more sustainable and resilient communities. As part of this work, SSDN regularly engages in direct conversations with utilities and key stakeholders to help ensure that clean energy programs are developed and implemented as effectively as possible.

We understand that EPA is beginning to design the Greenhouse Gas Reduction Fund, therefore we have focused our comments on the following key considerations.

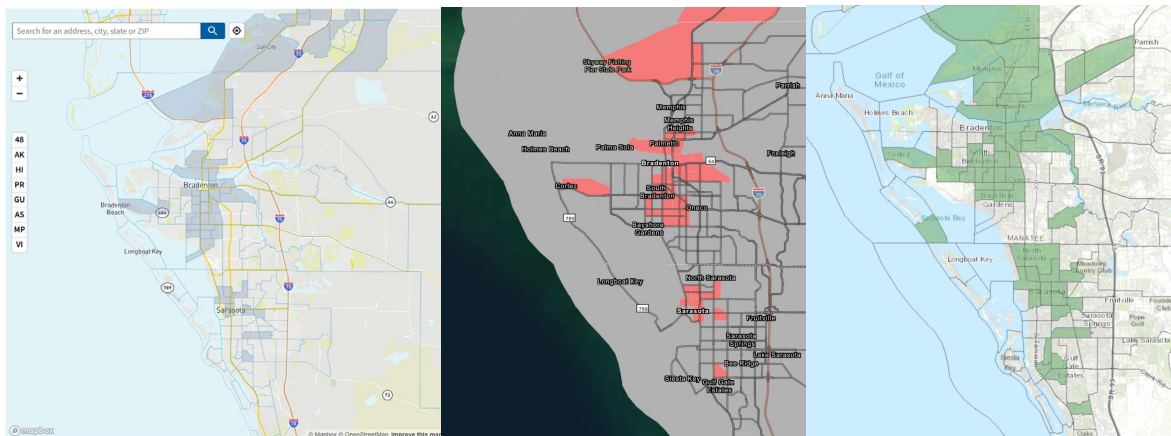
Section 1: Definitions of low-income and disadvantaged communities

What should EPA consider when defining "low income" and "disadvantaged" communities for purposes of this program? What elements from existing definitions, criteria, screening tools, etc., - in federal

programs or otherwise - should EPA consider when prioritizing low-income and disadvantaged communities for greenhouse gas and other air pollution reducing projects?

- Several comments have suggested using existing Treasury Investment Areas and certified Community Development Financial Institutions or minority depository institutions to determine “disadvantaged communities.” Although these are vital elements to define “disadvantaged community,” USDN and SSDN believe that it is too limiting and represents a fraction of underserved areas, leading to a limited representation in many states. EPA should not create new definitions and methodologies, nor should it rely on data that is not universally accessible. Instead, EPA should align GHGRF definitions with existing criteria, datasets and tools. We recommend an expansive definition of disadvantaged that is comparable to the Justice40 definition. Such a definition would allow communities to utilize the data that is most appropriate and reliable for their community rather than to rely on a single map or dataset. This is consistent with recent grant solicitations advertised by EPA which require a threshold of one disadvantaged category from the Climate and Economic Justice Screening Tool ([Accessible Here](#)) while allowing for use of data from other sources (e.g., studies, census, and third-party reports) to be included to give a more complete picture of the benefit to disadvantaged communities and populations.
- We also recommend including other key climate, energy, and economic factors in the definition of disadvantaged community. Specifically, when applicable, other key variables could be: energy insecurity, energy cost burden, present and anticipated climate impacts, lack of access to credit or capital, and presence and growth of high-quality jobs supported by GHGRF resources. In addition, it will be important for EPA to consider how low income and disadvantaged communities definitions map to other existing and potentially complementary federal programs, such as New Markets Tax Credit eligible tracts, HUD Multifamily and Public Housing locations, and Low-Income Housing Tax Credit locations. Programs that have track records of insufficiently or ineffectively targeting disadvantaged communities (e.g., Opportunity Zones) should be excluded or cross referenced with other criteria to ensure the integrity of this program.

The Graphic below highlights the discrepancy between the potential data sources that could be utilized by EPA for the determination of “disadvantaged status” for a selected region of Southwest Florida (From Left to Right: Climate & Economic Justice Screening Tool 1.0; Draft Climate & Economic Justice Screening Tool; and Treasury Investment Area). While Treasury Investment Areas may have a broader reach this may be counteracted due to the lack of a certified CDFI in the given region (according to the most recent data published on [CFDIFund.gov](#)). Furthermore, there has not been sufficient time to explore the implications of the recent revisions of the CEJST 1.0 as it was published on November 22, 2022



Section 2: Program Design

Are there best practices in program design that EPA should consider to reduce burdens on applicants, grantees, and/or subrecipients (including borrowers)?

- Given the diversity of existing and readily implementable infrastructure throughout the nation (and within individual states), the EPA should interpret “eligible recipient” with the flexibility indicated in statute. For example, not all areas have green banks or CDFIs that are positioned to serve communities—flexibility within guardrails is critical to reaching as many communities and borrowers as possible.
- Recommend that technical assistance is provided by, or alongside the eligible lending entity, to ensure recipients receive flexibility and support in managing funding. EPA could consider utilizing existing technical assistance centers to provide such support, including but not limited to Environmental Finance Centers, Thriving Communities Technical Assistance Centers, Brownfields Technical Assistance Centers, and other similar entities.
- Recommend a balanced approach that provides multiple options for lending, including digital and traditional in person lending, ensuring no one is left behind.
 - It is likely that some individuals may not be able to access a physical location and others may not have digital capacity. Providing multiple pathways to access lending is critical.
 - Some individuals may desire to remain "unbanked" as they don't trust institutions with their money or personal data; it will be important to find a different way to reach these individuals.
 - Creating a broad ecosystem of prospective partners that can help leverage capital is critical to reaching as many communities and borrowers as possible. For example, philanthropic partners should be considered as prospective applicants/grantees/subrecipients and partners.
 - Ensuring capital reaches small, nimble organizations that are close to the ground will expedite efficacy, reduce overhead and streamline bureaucracy.
 - The EPA should immediately deploy capacity building funds to eligible entities, so that they may build capacity in order to meet these needs.

- Please provide clear and ample timelines regarding the Notice of Funding Opportunity (at least 60 days to respond to all stages), when the funding will be available, and clear language about the minimum and maximum award amounts.

What federal, state and/or local programs, including other programs included in the Inflation Reduction Act and the Infrastructure Investment and Jobs Act or “Bipartisan Infrastructure Law,” could EPA consider when designing the Greenhouse Gas Reduction Fund? How could such programs complement the funding available through the Greenhouse Gas Reduction Fund?

- Other Inflation Reduction Act programs, such as the Climate and Environmental Justice Block Grant and DOE’s Energy Futures program, have encouraging elements intended to spur collaboration between local governments and community-based organizations. Many local governments have expressed an interest to be engaged in the planning and coordination as this program is implemented, regardless of who receives funding. EPA should attempt to promote similar collaboration within and between funding streams as local governments should be a stakeholder in implementation efforts in their communities. Promotion of collaboration should include allowing funding to be used to convene the collaborative entities and find new, suitable partners.

What, if any, common federal grant program design features should EPA consider or avoid in order to maximize the ability of eligible recipients and/or indirect recipients to leverage and recycle Greenhouse Gas Reduction Fund grants?

- In the rollout of the Greenhouse Gas Reduction Fund Program, we recommend a delayed or phased approach that conforms with statutory requirements while also allowing state and local governments enough time to plan how they will use the funding.
- Section 134(a)(1) makes \$7 billion available to EPA to make competitive grants to States, municipalities, Tribal governments, and eligible recipients, as defined in the statute, to provide subgrants, loans, or other forms of financial assistance as well as technical assistance to enable low-income and disadvantaged communities to deploy or benefit from zero-emission technologies, including distributed technologies on residential rooftops, and to carry out other greenhouse gas emission reduction activities.
 - The pathway for funding for this stream should be through local and Tribal governments whenever possible because local and Tribal governments can be more efficient in ensuring that funding will be implemented at the neighborhood or community level in ways that match local conditions and needs.
 - Recommend that local governments and Tribes are prioritized to receive this funding or that a specific portion of the total funding is designated within the \$7 billion for local governments and Tribes so that all of this funding is not leveraged entirely by state governments and other entities. This set aside may be time-limited and become available to other eligible entities after a period of time if not awarded to local governments.

- Provide local governments with clear guidance and best practices for leveraging this funding.

Section 3: Eligible Projects

What types of projects should EPA prioritize under sections 134(a)(1)-(3), consistent with the statutory definition of “qualified projects” and “zero emissions technology” as well as the statute’s direct and indirect investment provisions?

Investments that benefit low-income and disadvantaged communities include energy efficiency, electrification, and resiliency investments in buildings and facilities like: (1) affordable housing – both ownership and rental, (2) small and BIPOC-owned businesses, (3) nonprofits, (4) local government and community facilities, and (5) small, religious, and educational institutions. These investments can not only reduce GHG emissions, but also dramatically improve indoor air quality and health outcomes. Where applicable, EPA should also encourage ownership and community control given the long history of capital extraction many low-income and disadvantaged communities have endured.

- Projects should be additive (i.e., not required under federal, state, or local laws, regulations, or court orders). This should be true whether under the \$7 billion or the \$20 billion allocations and regardless of whether the funding is obtained through a state level green bank or another mechanism/pathway permitted in this program.
- Prioritize community-led initiatives that fund electrification, weatherization, and energy efficiency projects, green infrastructure and nature-based solutions, alongside renewable energy, including wind, green hydrogen, and rooftop solar (as appropriate for local conditions and as commercially available).
- Prioritize projects on existing buildings that can be retrofit and/or support onsite renewables and storage.
- Prioritize projects that provide co-benefits (i.e., address multiple equity and/or adaptation, mitigation, urban redevelopment, brownfields, or other sustainability priorities).
- Recommend that EPA prioritize projects that maximize greenhouse gas emissions reductions as well as utilize proven, commercially available technology.
- Ensure ongoing geographic balance of recycled funds through regulatory and reporting frameworks.

Please describe what forms of financial assistance (e.g., subgrants, loans, or other forms of financial assistance) are necessary to fill financing gaps, enable investment, and accelerate deployment of such projects.

- Recommend that the \$7 billion funding stream to provide competitive grants to States, municipalities, Tribal governments, and eligible recipients, as defined in the statute, should be implemented, should align to the local needs being funded. A mix of locally appropriate financial assistance in the form of grants, loans, and incentives would be appropriate to fulfill this vision.

Section 4: Eligible Recipients

Who could be eligible entities and/or indirect recipients under the Greenhouse Gas Reduction Fund consistent with statutory requirements specified in section 134 of the Clean Air Act? Please provide a description of these types of entities and references regarding the total capital deployed by such entities into greenhouse gas and air pollution reducing projects.

- The legislation includes references to “municipalities.” While under 42 U.S. Code § 7602 the Clean Air Act defines municipalities to include “city, town, borough, county, parish, district, or other public body created by or pursuant to State law;” the CAA also separately identifies “air pollution control agency.” Recommend that the rule have an expansive view of local governments to include a politically recognized jurisdiction, including cities, towns, and counties as well as regional entities such as Metropolitan Planning Organizations, Councils of Governments, and Environmental Protection Commissions.
- Recommend that the \$20 billion funding is prioritized for entities that can demonstrate knowledge of, experience working with, and connection to, the communities where lending is occurring. In order to reach the most individuals and entities in need of funding, this may include in person services, digital services, and language translation services.
- Request that local governments, including those in rural areas in locations not identified as serviced by a CDFI and those that fulfill other requirements as determined by EPA are made eligible to receive funding through the \$20 billion currently defined as competitive grants for “eligible recipients.”

What types of entities (as eligible recipients and/or indirect recipients) could enable Greenhouse Gas Reduction Fund grants to support investment and deployment of greenhouse gas and air pollution reducing projects in low-income and disadvantaged communities?

- By prioritizing low-income, climate impacted, and disadvantaged sectors, EPA can help accelerate GHG-reducing investments in communities that the private market does not broadly serve. These communities and households have an acute need for assistance due to systemic public and private disinvestment and environmental injustices, and there currently exist limited strategies to protect these households from harm resulting from GHG pollution. Funding should be prioritized for projects in the following communities:
 - Communities of color, which include any geographically distinct area the population of color of which is higher than the average population of color in the State;
 - Communities that are already or are likely to be the first communities to feel the direct negative effects of climate change. Refer to the following: [FEMA National Risk Index](#) and [CEQ Climate Mapping for Resilience and Adaptation Tool](#);
 - Distressed neighborhoods, demonstrated by indicators of need, including poverty, childhood obesity rates, academic failure, and rates of juvenile delinquency, adjudication, or incarceration;
 - Low-income communities, defined as any census block group in which 30 percent or more of the population are individuals with low income;
 - Rental properties (especially multi-family units and Low-to-Moderate Income (LMI));
 - Immigrant communities; and

- Rural areas.

How could EPA ensure the responsible implementation of the Greenhouse Gas Reduction Fund grants by new entities without a track record?

- Recommend the development of strong equity criteria. This criteria would require that any entity directly receiving funding through the two streams that comprise the \$20 billion would need to have extensive experience working with and lending to BIPOC, disadvantaged, and low-income communities.
- EPA should require applicants to (1) demonstrate how funds will accelerate deployment of key GHG-reducing projects and technologies in underserved markets; (2) show how blending public and private capital will drive new market creation and/or market transformation; and (3) articulate clear, measurable equity-based outcomes in addition to pollution-related ones. Given the enormous amount of capital required to reduce GHG emissions and decarbonize our economy, public dollars should be used strategically to rally and redirect private investment into low-carbon, climate-resilient projects that produce tangible outcomes, especially for low-income and disadvantaged households.

What kinds of technical and/or financial assistance could Greenhouse Gas Reduction Fund grants facilitate to maximize investment in and deployment of greenhouse gas and air pollution reducing projects by existing and/or new eligible recipients and/or indirect recipients?

- Technical assistance should be provided at multiple levels of GHGRF implementation to support GHGRF direct recipients and financial partners (CDFIs, green banks, community solar aggregators, etc.), build capacity among community-based organizations (CBOs), and provide support services to building owners. Providing direct technical assistance in the form of capacity building, project development, and community engagement support, coaching, training, templates, and peer learning around best practices will ensure that they are successful in lending, develop a pipeline of sustainable projects, support local workforce development, and build the local economy.
- Technical assistance is needed at the community level to educate both households and potential borrowing organizations about decarbonization benefits and strategies, and to connect interested parties to vendors and other project development resources including financing alternatives. In addition, many lenders would benefit from a technical assistance platform to provide lender education, product information, uniform standards, as well as metrics for decarbonization, professional certification standards for third parties, and capacity building.

Section 5: Oversight and Reporting

What types of governance structures, reporting requirements and audit requirements (consistent with applicable federal regulations) should EPA consider requiring direct and indirect recipients of Greenhouse Gas Reduction Fund grants to ensure the responsible implementation and oversight of grantee/subrecipient operations and financial assistance activities?

- Recommend strong consumer protection provisions.

- Recommend the development of guardrails for new and existing lending entities to ensure that there is accountability. These guardrails may include (LPDD Model Law: Green Bank State and Local Legislation):
 - Development and consistent application of transparent underwriting standards, standard contractual terms, and measurement and verification protocols for qualified projects;
 - Creation of performance data that enables effective underwriting, risk management, and pro forma modeling of financial performance of qualified projects;
 - Prepare an annual or quarterly report for the community being served on the lending and other financing activities, specifying the investments made in disadvantaged and Climate-Impacted Communities;
 - Audited annually with generally accepted auditing standards by independent certified public accountants;
 - Complies with requirements of the Consumer Credit Protection Act (15 U.S.C. 1601 et seq.);
 - Requires that laborers employed by contractors and subcontractors in construction work financed directly by the green bank, will be paid wages not less than those prevailing on similar construction in the locality, as determined by the Secretary of Labor under sections 3141 through 3144, 3146, and 3147 of title 40, United States Code;
 - Collects and makes available to the public in a centralized database on an internet website, information regarding rates, terms and conditions of all financing support transactions.

What metrics and indicators should EPA use to track relevant program outcomes including, but not limited to, (a) reductions in greenhouse gas emissions or air pollution, (b) allocation of benefits to low-income and disadvantaged communities, (c) private sector leverage and project additionality, (d) number of greenhouse gas and air pollution reduction projects funded and (f) distribution of projects at the national, regional, state and local levels?

- EPA should define clear impact standards and metrics for awardees to drive significant GHG and air pollution reductions, as well as meaningful energy and environmental justice impacts for low-income and disadvantaged communities. Awardees should prioritize meaningful improvements to the lived experience of marginalized and disadvantaged communities through investments in GHG reducing projects (e.g., percent reduction in energy burden and utility shut offs, employment outcomes, projects with clear ties to community ownership, etc.). Ultimately, for the GHGRF to successfully meet Justice40 goals, impacts will need to be focused on people-centered benefits.
- We recommend that EPA consider a short list of clear, overarching, quantifiable program outputs and outcomes that all projects should measure and evaluate (e.g., GHG reductions, leverage, underserved market location, etc.), and a more tailored set of metrics specific to each project (e.g., building electrification, electric vehicles, etc.).

- EPA should identify when national, standardized approaches to measuring outcomes could best be applied, when a regional approach makes sense, or when a more local recipient-level reporting is needed. Currently, many green lending entities communicate impact differently. The GHGRF presents an opportunity for EPA to establish clear standards on impact reporting and measurement for all recipients to follow.

Section 6: General Comments

Do you have any other comments on the implementation of the Greenhouse Gas Reduction Fund?

- Not all states currently have green banks and not all states will have the ability to establish a green bank. Similarly, not all localities may have a CDFI situated to serve them under this program. As a result, a flexible framework will ensure that the greatest number of projects, people, and places are served.
- The funds need to be obligated by EPA by September 30, 2024. Allow for project periods of up to 5 years for awardee expenditure of obligated funds without fear of funding being revoked.
- The law states that the \$27 billion is a minimal funding level, not a cap. The EPA should develop and implement the regulations accordingly.
- Recommend sub-state, regional, statewide, or multi-state coordination to receive funding through the \$7 billion funding stream.
- Recommend that EPA provide recurring webinar series, including Question & Answer, Listening Sessions, and Training, in the lead up to, and upon deployment of, this opportunity and throughout the period of eligibility.

We thank the Environmental Financial Advisory Board and EPA for their consideration of our comments. If we can be of any further assistance, please do not hesitate to contact us.

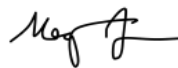
Sincerely,

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Washington, DC 20006

December 5, 2022

RE: The Inflation Reduction Act of 2022 – Section 60103, Greenhouse Gas Reduction Fund: Joint State Recommendations

Dear Administrator Regan and Senior Advisor Podesta:

Thank you for the opportunity to provide comments on the program design and implementation of the Greenhouse Gas Reduction Fund (GHGRF) established in Section 60103 of the Inflation Reduction Act (IRA).

As the heads of energy and/or environmental agencies in Connecticut, Colorado, Illinois, Louisiana, Maine, Michigan, Nevada, New Jersey, New Mexico, Pennsylvania, and Vermont we recognize how critical the \$27 billion GHGRF allocation is to expanding and accelerating state climate change mitigation, advancing clean energy markets and reducing costs for our residents and businesses. These funds have the potential to catalyze large numbers of local jobs, substantially lower energy burdens for low-income and disadvantaged communities, and improve environmental and energy justice in our states.

Congress intended states to be key partners in the administration of this program. We stand ready to work collaboratively with you on fund deployment and administration. This letter is specifically focused on the subset of GHGRF monies directly available to states – \$7 billion allocated to zero-emission technologies (ZET funds). However, we are also interested in partnering with you on the equitable allocation of the remaining approximately \$20 billion, as these funds are critical to our state goals and local economies. For this reason, we encourage EPA to establish a strong, transparent, and accessible governance structure through which states and disadvantaged communities can have direct and ongoing input into funding prioritization of the \$20 billion. This governance structure is especially critical if a large portion of funds will flow through a small number of entities.

In parallel, we encourage EPA to treat the \$7 billion in ZET funds separately from other GHGRF monies. By doing so, we believe that EPA can maximize GHGRF impact, efficiency, and equity. Below, we provide recommendations that are intended to help EPA in meeting its short ZET funding allocation timeline while enabling robust disadvantaged community engagement. The recommendations also ensure coordination across proposed projects and investments to avoid unnecessary duplication, leverage existing programs and funding streams to the fullest extent possible, support established state and federal equity goals as well as existing climate strategies, and are competitively selected. Lastly, our ZET funding recommendations emphasize flexibility, to enable the \$7 billion to adapt to market differences among states, regions, and communities, and to further unlock financing and private capital for project types and communities experiencing barriers not addressable by financing alone.

ZET Funding Recommendations:

Signatories to this letter recommend the following processes and program implementation strategies for ZET funds.

- A. **Use a formula-based allocation to states:** We recommend that ZET funding first be offered via formula-based grants to states, with a minimum allocation per state. As a first step in this process, states would need to indicate interest and identify the specific state agency or other state-specific entity that would receive and administer the funds.¹

Upfront grants received by states would seed the program and provide for administrative functionality.² Upon receiving a formula-based grant and prior to awarding funds to eligible projects, states would be required to submit a competitive project selection process to EPA for review and approval. At minimum, EPA-approved project selection processes should create a call for projects (open to all entities within a state that are eligible to receive ZET funds under Section 60103), a competitive ranking process of those projects, and a publication process for a final Intended Use Plan within a specified period of time. Final Intended Use Plans would detail the pipeline of competitively-selected, eligible projects that would receive funds within a state.

Using this allocation method, the EPA could quickly allocate large portions of funding while enabling competitive and equitable project selection, and ensuring coordination among the various entities within a state that are eligible to receive these funds. Requirements issued by the EPA to guide the development of Intended Use Plans should require robust stakeholder engagement, especially with disadvantaged communities, to help determine localized priorities to be reflected in project scoring and ranking processes. Other EPA requirements could establish minimum criteria that must be considered when scoring and ranking project proposals or could be used as minimum requirements for a portfolio of competitively selected projects.

Should a state opt not to receive formula funds, unallocated funds could be reallocated by EPA into a nationally competitive pool. This pool should be used by EPA to fund eligible multi-state, regional, and national projects and coalitions, as well as supplemental individual state applications.^{3,4} Applicants for regional and national funds should be required to collaborate with impacted states. In addition, should a state that initially opted to receive formula funds fail to submit an approvable final Intended Use Plan within the specified period of time or not fully allocate all formula-based funds via their final Intended Use Plan, those unallocated funds could also be reallocated to the nationally competitive pool.

Altogether, this proposed allocation method would achieve rapid funding allocation from EPA, robust stakeholder engagement, realistic application development timelines, project alignment with existing

¹ State climate offices, energy offices, green banks, or non-government entities may have the appropriate resources and expertise to administer these funds. Flexibility for states to choose the most appropriate administrator will maximize deployment efficiency and success.

² EPA's current State Revolving Funds (SRF) program, could serve as a model from which to build this type of allocation process

³ For example, states with greater qualified project demand than available initial grant funding could apply for additional funds from the nationally competitive pool.

⁴ EPA's Water Infrastructure Finance and Innovation Act ("WIFIA") program, offers a potential model for such a direct and competitive application process with EPA.

local, state and federal climate and equity strategies, synergies with and leveraging of existing programs (including the ability to address gaps or barriers to deployment of other federal funds under the IRA and the Bipartisan Infrastructure Law), applicant coordination to minimize proposal duplication, and flexible project scoring approaches that can support locally-identified priorities – all of which are critical to advancing equity in funding deployment.

- B. Ensure fund use flexibility:** Significant gaps in climate and clean energy markets are not addressable with financing alone. Financing deployment may be hindered by market failures or inefficiencies such as workforce limitations, inequitable education and career pathways, unequal information and data sharing, or regulatory delays. Each state, market, and disadvantaged community is likely to have its own gaps or market barriers that, if remedied, could unlock significant private investment. By allowing ZET funding to act as flexible, gap-filling monies to complement increased and more accessible financing, EPA can help to unlock private capital for projects and communities that currently experience systemic financial inequities.

Specifically, EPA should permit the \$7 billion of ZET funds to be awarded to projects as grants, rebates, loans, or other financial offerings and products that will best serve a community. EPA guidance should permit the funds to be used for staff, technical assistance such as application assistance, community engagement, project financial management support, long-term project management, operation, monitoring, and evaluation work, and workforce development that enables increased zero-emission technology deployment. Cost-share should not be required since identifying matching funds can be a substantial barrier to many disadvantaged communities.

As states that administer a variety of energy and environmental programs, the signatories of this letter recognize that funding gaps and barriers vary greatly by market, state, and community. For this reason, we encourage EPA to retain the substantial flexibility provided in the ZET statutory language and while ensuring that development of Intended Use Plans engage local, income eligible and disadvantaged communities to determine their specific preferences and fund use priorities.

- C. Permit the use of state-specific definitions:** To further support equitable funding deployment and to enable leveraging of existing programs and funding streams, we recommend EPA provide guidance on how states can utilize any state-specific definitions for “low-income”, “disadvantaged communities” and other related terms such as “environmental justice zones” alongside national tools like the EPA’s EJScreen and CEQ’s Climate & Economic Justice Screening Tool. States have local knowledge of community needs that may be more refined than a national tool, making it especially important that state definitions be permissible for use in GHGRF funding allocation decisions.

Thank you for the opportunity to submit comments on this important program. We look forward to continuing to collaborate with EPA throughout the GHGRF development and implementation phases.

Sincerely,



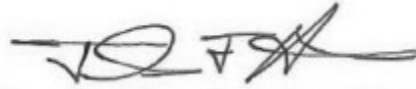
Katie S. Dykes, Commissioner
Connecticut Department of Energy &
Environmental Protection



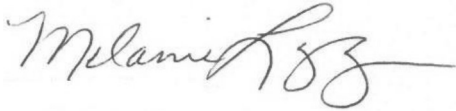
Will Toor, Executive Director
Colorado Energy Office



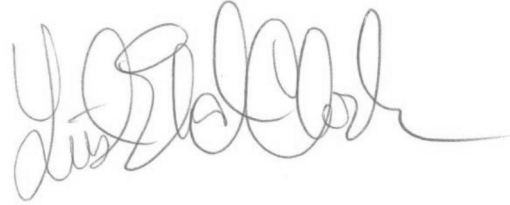
Will Hobert, Chair
Illinois Finance Authority/Climate Bank



Thomas F. Harris, Secretary
Department of Natural Resources
State of Louisiana



Melanie Loyzim, Commissioner
Maine Department of Environmental Protection



Liesl Eichler Clark, Director
Michigan Department of Environment, Great
Lakes, and Energy



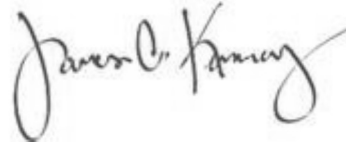
David Bobzien, Director
Nevada Governor's Office of Energy



Shawn LaTourette, Commissioner
New Jersey Department of Environmental
Protection



Sarah Cottrell Propst, Cabinet Secretary
New Mexico Energy, Minerals and
Natural Resources Department



James Kenney, Cabinet Secretary
New Mexico Environment Department



Ramez Ziadeh, P.E., Acting Secretary
Pennsylvania Department of Environmental Protection



Julie Moore, Secretary
Vermont Agency of Natural Resources

Stakeholder Comment Team: This comment team, hereby referred to as the “Team,” is made up of the Triple Bottom Line Foundation, ResourceSmart LLC, and ICAST (International Center for Appropriate and Sustainable Technology). The “Slide Deck” referred to within these comments is the “EPA Environmental Financial Advisory Board GHGRF Charges.”

About TBL Fund

Triple Bottom Line Foundation (TBL Fund) is a nationally recognized, Dept. of Treasury-certified, community development financial institution (CDFI). It provides energy financing for clean energy projects that benefit low- and moderate-income (LMI) communities, primarily families living in multifamily affordable housing (MFAH) and Indigenous Tribal communities. TBL Fund staff combine expertise in affordable housing, project finance, and clean energy deployment. Since its inception in late 2014, TBL Fund has grown its services and expanded nationally, while steadily improving its financial health and maintaining a 0% default rate on all of its clean energy investments. TBL Fund has facilitated green retrofits for over 30,000 LMI households—achieving over \$25M in lifetime utility cost savings and abating 643,883 tons of carbon emissions.



About ResourceSmart

ResourceSmart is a limited liability corp. (LLC) that provides tax equity financing for clean energy projects, primarily solar PV and energy storage projects that benefit LMI communities: families living in MFAH and Indigenous Tribes. ResourceSmart has built a \$100M pipeline of projects to monetize the investment tax credits and accelerated depreciation. Since the passage of the Inflation Reduction Act (IRA) it is quickly creating a pipeline of energy efficiency (EE) and decarbonization projects to monetize the 179D and 45L tax credits for MFAH projects nationally.



About ICAST

ICAST (International Center for Appropriate and Sustainable Technology) is a 501c3 nonprofit with a mission to provide economic, environmental, and social benefits to communities. It has a 20-year history of designing and managing utility, state, and federal programs to deliver clean energy solutions to the multifamily (MF) housing market, primarily MFAH. To help property owners undertake the retrofits, ICAST pioneered an award-winning one-stop-shop (OSS) approach that includes design, engineering, construction management, financing, reporting, and other services, depending on the needs of each customer. In 2023, ICAST will facilitate clean energy and health and safety upgrades in ~50,000 apartments. It has extensive expertise driving the adoption of green solutions in the MF and Tribal market, having managed many programs designed to scale high-efficiency heat pumps, solar, and other solutions for this market segment. ICAST has managed over \$10M in federal grant funding from the Environmental Protection Agency, Department of Energy, Department of Treasury, Department of Housing and Urban Development, Small Business Administration, Department of Agriculture and Economic Development Administration.



Section 1: Program Structure

1. Eligible Recipients

- a. The Team is unclear as to details of the “strategic allocation of capital along value-chain activities,” and what that means in relation to carbon savings. How will grants manage pieces of the value chain of activities that do not provide direct carbon savings goals? If the program funding can be utilized for the myriad of activities in the value chain, how can grantees ensure that savings are generated and that funding doesn’t disproportionately go to elements that provide no direct savings?
- b. The Team is curious as to how much of the money do you think will go to the actual financing/funding of projects versus the support activities such as training/workforce development and measurement and verification? Is there a simple guideline on the % of funding which can be utilized in each category or at least direct project financing vs support activities?

2. Technology Adoption

- a. On page 10, the Team is curious as to what “Technology Adoption” infers on a more detailed level. There is already funding for the items listed in its box, within the other sections (i.e., transportation, buildings, housing, agriculture, municipalities). Is there another reason for having it in a separate column? The Team is also interested as to the linkage between Technology Adoption, which looks as if it might be designated for technology accelerators/research and development and the Justice40 initiative. It seems risky for generating greenhouse gas (GHG) savings, with no direct tie to GHG. A great [example](#) of this was the solar energy giant, Solyndra, who filed for bankruptcy after receiving about half a billion dollars in taxpayer-backed loan guarantees.

3. Eligible Projects – Types of Projects

- a. The Team recognizes that verbiage can play an important role in defining eligibility. For example, within the “Buildings – Commercial” section, nursing homes are included as examples but not office buildings. Then you add in Justice40 Principles, and questions arise as to the correlation of fulfilling the Justice40 goals and nursing homes. The Team recommends that the EPA define “Buildings – Commercial” section to ensure that resources are allocated to those with *need*.
- b. Grant funding is also needed for Technical Assistance (TA). In page 12 of the Slide Deck, the Team is wondering if grant funding will be provided to fill this gap? We do not see grant funding included anywhere on this page and was thus wondering how the lending products will fill the TA gap if there is no grant funding.

4. Eligible Projects – Barriers

- a. For uptake barriers, and many of the other barriers themselves, the Team suggests that coordinating with Utility Energy Efficiency Programs and WAP subgrantees fall into the “strategy” categories – further encouraging the involvement in *existing* programs.

- b. For prerequisite barriers, and many other barriers as well, the Team is worried to see that strategies involves coordinating directly with State Energy Offices (SEO). SEOs will already be overwhelmed, further contributing to the barrier itself. Additionally, the Team is struggling to see how SEOs will work with commercial buildings.
 - i. On page 33 of the Slide Deck, it also states: “Don’t create bureaucracy that could lead to delays. Going through them for this would do that.” We believe that overly involving the SEOs as direct *strategies* to overcoming barriers has the high potential of contributing to the barrier itself. SEO’s should be informed and coordinated with in that there is not a duplication of efforts between GHGRF grantees and SEO’s. However, relying on SEO’s for guidance or coordination of project execution is inadvisable as this will greatly complicate and slow projects.

5. Structure of Funding

- a. Potential Program Design and Design Requirements
 - i. The Team suggests prioritizing background and experience over financial capacity – that there be a focus on specific sector experience (i.e., sector experience in green financing products being a requirement).
 - ii. The Team also has a list of questions that were not answered in the Slide Deck, pertaining to pages 14 and 15:
 - 1. What does collective action mean in this section?
 - 2. Is there a direct recipient baseline, i.e., how much is the minimum for projects? (For the distribution of funds being in an efficient manner, the Team would like the EPA to decide what the minimum award will be.)
 - iii. We encourage the EPA to be open to collaboratives who will take whatever the minimum baseline of money is. Look for collaboratives of people who serve MFAH nationally, a collaborative of CDFIs who do green lending nationally, or a collaborative of partners with *cross-sector* experience.

Section 2: Objectives

1. Overarching Concepts

- a. Technical Assistance should be tied to projects and prove a direct connection to GHG emission reduction; however, there is no need to reinvent the wheel. The Team suggests that the EPA ensures that the GGRF aligns with programs who are doing this capacity building already. Structures already exist and there is not a need to waste funding on creating infrastructure that *can* create future GHG reductions. The Team strongly urges funding to go to shovel-ready projects, with a caveat. Significant capacity does not need to be created through the funding; the EPA can prioritize existing structures and organizations that can prove they have sound plans and experience implementing similar projects. Funding can easily be wasted by getting stuck in the weeds with setting up new programs/organizations, and significant capacity building efforts to re-tool programs/organizations who have no experience with greenhouse gas emission reducing projects.

- b. Additionally, in balancing “shovel ready” and “capacity building” projects (via page 21) the Team believes there should be clarification and clear guidelines established within the capacity building category. Within capacity building, there is pre-development project work (such as pipeline development) and there is “pure” capacity building work such as training, workforce development, etc. The program should ensure that the vast majority of funding have directly attributable GHG emissions reductions. Additionally, shovel ready funding should take into consideration organizations that have years of successful experience which may not have individual shovel-ready projects but have many in the pipeline, and a historical precedent to show that GHG gas emissions will be reduced.

2. Program Efficiency – Design Elements

- a. The macro-level goal of the program should be to define how much non-direct to GHG emission reducing project money is usable (ie administration, training, workforce development). The Team encourages the EPA to set a standard so programs can be built successfully.
- b. As a minimum, projects should be able to leverage private capital to monetize the tax credits and depreciation available through the IRA that are tied to clean energy projects. The issue with private capital is that most of it, especially at any scale, is expensive. So, the more a low-income (LI) project leverages private capital, the less the financial viability of the project, which in turn implies less benefits accrue to the LI community. The Team believes that EPA will need to decide what is more important: leverage or benefits to LI and DAC. Some sources of private capital, example from Foundations (program-related investments - PRI) and community reinvestment act (CRA) investments from Banks, can be lower cost, and could be leveraged while still providing benefits to the LI and DACs. The Team suggests prioritizing background and experience over financial capacity – that there be a focus on specific sector experience (i.e., sector experience in green financing products being a requirement). The Team believes that EJ communities should have lower leveraging requirements than others, down to nothing.
- c. Another LI investment leveraging opportunity that EPA needs to be wary of is the Community Solar programs that many states have instituted that require a certain percentage of their subscribers to be LI and/or from a DAC. The private capital leveraged for these projects are often at higher rates because the LI and DAC subscribers are viewed as high-risk for the Community Solar project. A 100% LI/DAC community solar project can offer more savings to its LI/DAC subscribers because it does not leverage “wall street” capital at a premium, but instead accesses PRI and CRA and other lower cost but socially responsible funds. We also implore the EPA to watch out for “impact investors” and “Environmental, Social and Governance (ESG) investment funds.” Some groups have been selling the idea that ESG and similar sustainable investments can make more returns than typical investments and are treated similarly to venture capital. However, despite this ESG branding, they do **not** offer low-cost financing and are often the most expensive capital available. Leveraging for the sake of leveraging these

expensive sources of capital can in fact, reduce the benefits that accrue to the LI and DAC.

3. EJ/Definition of LI and DACs.

- a. The EPA should use existing definitions. ICAST encourages the definitions to be that families earning less than 80% of area median income (AMI) are considered LI and families earning under 120% AMI is a standard definition of low to moderate income (LMI) that many federal agencies such as HUD and IRS use, plus all State Housing Finance Agencies that dole out the Low-Income Housing Tax Credits use currently. The Team encourages EPA to include this definition so that the definition continues to remain the same across the board. Disadvantaged communities (DACs) should be defined as census tracts that are designated at an unfortunate disadvantage. EPA should consider utilizing existing frameworks of DAC designation including the [DOE's working definition](#). Working with existing definitions of low income and DAC will allow for leveraging of existing program funding and expertise. Without such alignment, further administrative burdens will be placed on the EPA program, expending funds on compliance issues that could be avoided. Native American Tribes should also receive DAC designations so long as they meet basic income criteria.
- b. When qualifying LI communities or DACs or facilities such as MFAH properties, ICAST emphasizes that there should be a focus on qualifying an entire community (e.g. Tribe) or an entire MFAH property, rather than trying to qualify individual residents or tenants. Most if not all current programs serving the LI or DAC qualify entire communities and not place an administrative burden on the program to individually qualify residents (which also places an unpleasant experience for the LI families to have to prove their LI status again and again when they have done so previously to qualify for the various subsidy programs). So, allowing a property owner or manager to certify their residents are LI, based on the various subsidy programs they are qualified for and the fact that the owner/manager has proof of their income should suffice for EPA. (E.g., The DOE's weatherization assistance program (WAP) also qualifies entire MF properties if over 2/3 of the tenant's income qualify.)

From: [Linda Norris Waldt](#)
To: [EFAB](#)
Cc: [Frank Franciosi](#)
Subject: USCC Comment on Zero Emissions/Climate Change \$27B Fund
Date: Monday, December 5, 2022 5:18:49 PM
Attachments: [image001.png](#)

To Whom it May Concern:

The US Composting Council is pleased to comment on the deployment of the upcoming Inflation Reduction Act funding available for zero emissions and greenhouse gas reduction projects.

The US Composting Council is a trade organization with 30 years of history as the voice of the composting industry. We represent 900 organizations and 2,500 individuals, with a mission of advancing compost manufacturing, compost utilization, and organics recycling to benefit our members, society, and the environment.

We are pleased to see the \$27 billion in funding receiving such careful consideration by the Environmental Financial Advisory Board (EFAB) of the US Environmental Protection Agency.

The compost industry is a vital player in local economies, bringing more small businesses, green living wage positions, and orders to full local supply chains. We choose to call our raw materials resources, rather than wastes, because they are turned into local materials that bring numerous ecosystem benefits of drought and stormwater resilience; microbial activity; and carbon sequestration.

Using REFED estimates (2016 report) of 52.4M tons of food waste disposed, with 13.8M being inedible, we estimate a need for (averaging at 50,000 TPY-a medium size facility) 550-600 facilities to absorb this volume and divert from landfills. This would sequester approximately 4.94M tons of GHG equivalents and provide approximately 14,000 new jobs. The capex investment amount to build these facilities would be more than \$3 billion.

We urge you to:

1. Call out Composting Facilities and Compost Users as eligible applicants for these funds, due to the compelling reasons above.
2. Provide these funds to eligible Green Banks who are systemically and with intention providing loans to *business such as compost manufacturers and others who provide soil health and carbon sequestration services*. This type of loan has not been widely publicized or discussed in the green banking industry.

We look forward to hearing about a wide dispersal of these funds to attack carbon drawdown from all angles.

Sincerely,

Frank Franciosi, Executive Director

ffranciosi@compostingcouncil.org

Linda Norris-Waldt, C.A.E. (she/her/hers)

Director, Advocacy, Corporate & Chapter Relations

[US Composting Council](#)

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December 8, 2022

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

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

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

RE: Greenhouse Gas Reduction Fund

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

Introduction

This letter is authored by three instrumentalities of the state of Vermont: the Vermont Housing Finance Agency, Vermont Economic Development Authority, and Vermont Bond Bank. Together, operating as the Vermont Public Finance Climate Collaborative, we are laying the groundwork to mobilize GHGRF dollars in Vermont in the most effective, efficient, and inclusive ways possible.

Our common aim is to have the greatest possible impact on greenhouse gas (GHG) emissions reduction in the shortest amount of time for the most people, with a particular focus on low-income households and disadvantaged communities that have been traditionally underserved by private capital. With our combined 150 years of experience working with partners around the state to facilitate equitable lending in service of the public good, we are ready to receive and deploy funds.

We believe that a collaborative approach will be necessary nationwide to effectively deploy Greenhouse Gas Reduction Fund (GHGRF) dollars under the existing time constraints. In Vermont, this vision involves our state instrumentalities bringing our financial expertise and leveraging capacity in partnership with the State of Vermont, the state's utilities, and a wide array of nonprofits and community action groups who will bring the technical expertise to quickly commit funding to projects that meet GHG-reduction goals.

Through this extensive statewide network, we have communicated our vision and gathered input from many interested stakeholders across Vermont, and we intend to continue to include as many voices and as many partners as possible moving forward. The suggestions below represent our shared perspective on ways the GHGRF could be managed to best enable state collaboratives like ours to meet this moment and transform our energy systems by innovating through cooperation to deliver critical financing to those who most need it and those who will make best use of it.

Suggestion One: Allow states to define disadvantaged communities

Each state has unique and specific challenges related to historically disadvantaged groups and environmental impacts of climate change. In Vermont, as in rural communities nationwide, income alone does not always tell the story of what defines a disadvantaged community. Costs related to heating and transportation, combined with high housing costs, stress many rural populations that would not otherwise be defined as disadvantaged. Permitting states to create a specific definition of a disadvantaged community would allow project funders to most effectively, inclusively, and justly 1) target the appropriate people and communities, 2) bring down otherwise insurmountable barriers to participation, and 3) reduce GHG emissions while improving household and community well-being.

Suggestion Two: Reward collaboration that substantively reduces GHGs

Collaborative approaches across sectors (including residential, commercial, and governmental) will be necessary to effectively reach as many disadvantaged households and communities as possible. This can be accomplished by allowing for joint applications that provide a roadmap for reducing GHGs, aiding disadvantaged communities, and reporting, while also allowing for separate awards to match the unique needs of applicants and communities. EPA should encourage coalitions of organizations with technical expertise in GHG-reduction projects, organizations experienced in financing and leveraging private capital, and organizations with experience in serving disadvantaged groups, as these key capacities may not currently be present in a single entity in all communities nationwide.

This approach would allow the EPA to not be overly dependent on any one recipient type while instead focusing on program objectives and the underlying strategic plan. Furthermore, it would allow the EPA to leverage the diverse capabilities of a variety of effective, established organizations starting on day one in a way that would be particularly efficient for both the EPA and downstream indirect recipients.

Suggestion Three: Recognize the existing capacity of public lending instrumentalities

EPA has highlighted the importance of efficient use of funds and leveraging of capital in deploying the GHGRF. To achieve these goals, EPA should prioritize public lending instrumentalities, for which finance and compliance are core competencies. Public lending instrumentalities were originally created in recognition that some public needs required an entity that could bridge the gap between the activities of government and the private sector, a role that continues to be relevant today. Nationwide, public lending instrumentalities have decades of experience in leveraging private capital through multiple channels in both the private and public debt markets.

These instrumentalities are often called upon to implement policy-oriented programs in collaboration with states and routinely manage their financing and their compliance with complex state and federal programs. In Vermont, as in many other states, instrumentalities play a key role in the implementation of EPA programs in particular – such as the Clean Water and Drinking Water State Revolving Funds, which look a lot like the GHGRF could look.

Instrumentalities uniquely have an ability to act as a “lender intermediary plus,” by which they can both interface with states, regions, and sectors while also bringing the technical capacity to leverage GHGRF dollars. Moreover, instrumentalities can uniquely participate in all aspects of the GHGRF funding sources for maximum efficiency and leverage potential.

Suggestion Four: Provide flexibility through “block grant” awards and floors for award amounts

Flexibility will be critical in allowing each state, region, and/or locality to shape programs that fit their needs and their capacity for deploying funds. Block grant-type awards will provide the greatest flexibility to leverage outside funds or develop unique products. However, each of the above applications will have start-up costs that are fixed and largely divorced from the size of the community. As a result, a floor on competitive awards should be incorporated.

Suggestion Five: Support disaggregated grants for technical assistance

Technical assistance support, in the form of grants, should be disaggregated from lending dollars, to allow a broad system of providers to assist low-income and disadvantaged communities. EPA should allow lending institutions to engage in cooperative agreements with technical providers to leverage their experience in recommending appropriate energy efficiency measures in projects and their capacity to measure impacts. Related assistance dollars should be prioritized for experienced providers.

Conclusion

As state instrumentalities created by state statute and driven by a mission to serve all stakeholders statewide, advance public wellbeing, and leverage various forms of investment capital to meet market gaps, we are excited about the opportunities created by the Greenhouse Gas Reduction Fund, and we are grateful for the opportunity to share our perspective with EFAB.

We recognize that we are at an inflection point. A lot has to happen, and it has to happen quickly. Effective, efficient coordination and execution are paramount. In a nutshell, we believe that the sort of intrastate collaborative we are developing in Vermont has the capability and capacity to play a major role in ushering in the greener, more inclusive future imagined by the GHGRF. Prioritizing collaboratives like ours would enable comprehensive and efficient operations within states. At the same time, they would also streamline operations at the national level by providing the EPA with appropriate state-level partners able to both efficiently deploy capital and efficiently report impact.

In addition to the above suggestions, comments from the Vermont Public Finance Climate Collaborative related to specific elements of the EFAB charge (as identified by the three workgroups) are shared below as Appendix A.

Sincerely,

**Vermont Municipal Bond Bank
(d/b/a Vermont Bond Bank)**

**Vermont Economic Development
Authority**

**Vermont Housing Finance
Agency**

Appendix A

I. Objectives

a. Program Efficiency – Design Elements and Direct Recipient Type

The inherent tensions of the GHGRF identified by the working groups (between equity/access and leverage, between program efficiency and environmental justice, between rapid deployment and capacity building) and the related competing mandates will be best addressed by entities familiar with the process of balancing the interests of diverse stakeholder groups and prioritizing resources appropriately. State instrumentalities working collaboratively with both public sector and private sector partners have been doing such balancing and prioritizing on a daily basis for decades to implement programs like the SRF program. In terms of the recipient types described in the workgroup slides presented Dec. 1, instrumentalities collaborating across sectors and throughout a state (as we are doing with the Vermont Public Finance Climate Collaborative) are uniquely able to leverage the strengths of the various recipient types (intermediaries, collective actors, and states) and to work effectively with a national organization to achieve the variety of desired objectives (leverage, additionality, capital recycling, capacity building, and long-term operability).

EPA should consider maximum flexibility in the award of GHGRF funds through block grants to ensure private sector leverage and high-risk positions for emerging technology and underrepresented borrowers. Loan funds maintained by public facing or community lenders are in most need of patient capital or equity. In the case of public lenders with experience in capital markets, this allows for more opportunities to structure debt that is secured by both loans and residual equity.

For example, Moody's Investors Service's Public Sector Pool Programs and Financings Methodology allows broader flexibility on underlying credit quality of borrowers, while achieving an investment grade rating, when loan pools can withstand a default tolerance of 20 percent or more.

Additionally, capitalizing GHGRF loan funds with equity dollars will provide greater opportunity to create self-sustaining programs that respond to increasing costs over time.

b. Program Efficiency – Complementary Programs and Structures

The SRF program provides a great template for how the GHGRF could function, and the entities currently managing SRFs are ready to receive and deploy GHGRF dollars funds appropriately to meet GHGRF objectives. The nature of the program, with state finance instrumentalities collaborating with public and private entities with complementary expertise in financial management, environmental matters, engineering matters, etc., is perfectly suited for the objectives of the GHGRF. Additionally, the state departments, agencies, and instrumentalities that collaborate to manage the SRF program have existing relationships throughout the value chain (inc. the furthest upstream federal departments and the furthest downstream recipients in the smallest, most rural, most disadvantaged communities). They also have the structures in

place for effectively and efficiently prioritizing projects based on environmental value and economic value.

c. Environmental Justice – Definition and Support Considerations

We strongly encourage the EPA to allow states discretion and control in defining “disadvantaged,” so that those who best understand the historical inequalities and contemporary challenges of our communities can define the areas most underserved. Local knowledge of on the ground conditions cannot be replaced with one size fits all data approaches.

Within states we know the local data that highlight unmet needs, especially in rural areas, that can be masked by traditional U.S. Census Bureau data. There are many ways communities have been historically marginalized based on their isolated geography, race, lack of access to capital, or small scale that might continue to be overlooked if the EPA looks only at data available from the Census Bureau.

Many federally administered programs such as those provided through the Small Business Administration, US Treasury, and HUD allow for states to shape the deployment of capital based on state definitions of “disadvantaged”. The EPA’s own DWSRF guidelines, for example, have long allowed states to define “economically disadvantaged” communities. In all cases, these locally influenced definitions that balance accountability and transparency with efficient funding awards.

EPA should include rural communities in its consideration of disadvantaged communities. Rural communities often lack access to financing, service providers and economies of scale that make projects more feasible in more urban areas. Rural communities also face unique challenges, including much higher transportation-related energy burdens, and are more likely to rely on costly, high emissions producing fuel oil or propane.

While tools like the Climate and Economic Justice Screening Tool are impressive, the publicly available, nationally consistent datasets do not scale down low enough to meet the most rural communities that have been or will be hardest hit by climate change impacts and bear a disproportionate energy burden.

d. Environmental Justice – Technical and Financial Assistance

EPA should allow for technical and financial assistance to help municipalities and institutions serving low-income and disadvantaged communities to incorporate financial strategies and greenhouse gas reduction measures (in both renovations and construction of new replacement facilities) in savvy ways that provide the greatest possible long-term cost reductions to the greatest number of people in the community. This broadly includes many categories of work to originate GHG-reduction projects. In particular, funding should be available to undertake project aggregation work that can either result in overlooked projects and/or a higher cost of renewable energy implementation.

Technical assistance support, in the form of grants, should be disaggregated from lending dollars, to allow a broad system of providers to assist low-income and disadvantaged

communities. This will help bridge the gap between the financial capacity and leveraging experience of many lending institutions and the technical expertise needed to plan projects, recommend appropriate projects, and measure impacts.

EPA should consider funding technical assistance on a statewide or regional basis for efficiencies of scale and to ensure that all communities have access to technical resources.

e. Financial Assistance – Tools to increase the accessibility of capital to low-income and disadvantaged communities

An effective way to support low-income and disadvantaged communities with financial assistance in a comprehensive way would be to support organizations like state instrumentalities, which currently provide lending and financial assistance to communities statewide, by helping them build the capacity to incorporate more robust (and more heavily subsidized) GHGRF-related advisory services and capital planning services. Not only do state instrumentalities have the capability to do the work, but they also have the relationships that will allow for immediate, comprehensive outreach.

f. Indicators of Success

State instrumentalities and partners have been employing rigorous standards and practices to maintain accountability and ensure success for decades. To continue to build reporting capability for an expanded menu of grant and loan programs, capacity building grants would be helpful.

II. Program Structure (States/Municipalities/Tribes, National Green Bank/Fund, Collective Action – Regional, Collective Action – Sectoral, Lender Intermediaries, Combination of Structures)

We formed the Vermont Public Finance Climate Collaborative with the guiding idea that rather than stand up a brand-new organization to serve our state, we'd be better off innovating by collaboration – and harnessing the capabilities, relationships, and resources of existing finance instrumentalities and other partners through smart coordination and collective action. As noted above, instrumentalities collaborating across sectors and throughout a state are uniquely able to leverage the strengths of the various recipient types. We are intermediaries, collective actors, and (as quasi-state agencies) effectively states; and we are ready to work with a national organization to achieve the variety of desired outcomes (leverage, additionality, capital recycling, capacity building, and long-term operability).

Looked at another way, we see the value of a combination of structures interwoven for effective program implementation. And we envision state instrumentalities playing a lead role in developing the right combinations for their respective states. One key to realizing that vision efficiently will be an application and relationship management processes that welcomes intrastate collaborations as both individual entities in some ways (e.g. by allowing for joint applications) and as individuals in some ways (e.g. by allowing for different entities within the intrastate collaborative to receive funds independently).

This approach would allow the EPA to not be overly dependent on any one recipient type while instead focusing on program objectives and the underlying strategic plan. Furthermore, it would

allow the EPA to leverage the diverse capabilities of a variety of effective, established organizations starting on day one in a way that would be particularly efficient for both the EPA and downstream indirect recipients.

Instrumentalities uniquely have an ability to act as a “lender intermediary plus,” by which they can both interface with states, regions, and sectors while also bringing the technical capacity to leverage GHGRF dollars. Moreover, instrumentalities can uniquely participate in all aspects of the GHGRF funding sources for maximum efficiency and leverage potential.

III. Execution, Reporting, and Accountability

a. Metrics for Success – From Application to Post-Implementation

As the workgroup has noted in the slides presented Dec. 1, a wide-ranging set of metrics will be required, so intrastate collaborations among diverse organizations will be required to fully address them. For all the different buckets of funding, it'll be essential that entities responsible for deploying funds be capable of integrating sectors in their states.

b. Mechanisms to ensure accountability to low-income and disadvantaged communities

State instrumentalities that were created by state statute with a specific mandate to deliver the lowest cost of capital possible to communities (and to serve all communities statewide) are already accountable to state governments for their level of success supporting communities with appropriate financing. Furthermore, because they monitor their constituent communities around the state on an ongoing basis and are intrinsically incentivized (as existing creditors) to communities statewide, they are well positioned to be accountable to communities themselves. To the extent that new, GHGRF-specific reporting and compliance procedures will need to be implemented, state instrumentalities ought to be able to adapt and/or expand the nature of their reporting processes with relative ease as it would be more of an incremental change or adaptation to existing reporting procedures.

One size fits all solutions to addressing the needs of overlooked communities or populations have a poor track record over the course of community development history. Instead, collaborative arrangements of mission driven parties, each working to their comparative advantage, have a stronger track record of success (e.g. Vermont's Weatherization at Scale Coalition). This reality should be incorporated into the GHGRF program design by allowing collaborations of organizations working together to achieve desired outcomes. This could be driven by a formal multi-year strategic plan (in place of an intended use plan) that broadly establishes how organizations will target sectors, regions, and deserving populations while laying out responsibilities. It should not, however, use a traditional and static project prioritization approach given on-going technological change and variability in the timeline of project delivery. For oversight, an advisory committee, like the advisory board required of community development entities (CDEs) and community development finance institutions (CDFIs), could help to ensure that intrastate collaborations are meeting objectives – and addressing ground level needs.

It should be noted that a collaboration among organizations could be an especially effective way to help ensure equitable allocation of financial resources. By design, a collaborative approach

requires each participant to define their strengths in furthering the collective goals. This could include applications such as revolving loan programs through instrumentalities, permanent working capital for pre-development with community non-profit partners, and grants to clean energy development funds to identify and support emerging technologies.

c. Mechanisms to ensure greenhouse gas emission reductions

Intrastate collaborations can and should include partners with experience and expertise in greenhouse gas reduction technology implementation and related reporting.

d. Mechanisms to ensure the leveraging and recycling of the grants

EPA should consider explicit authority for recipients to relend to other eligible recipients over time to ensure a decentralized and on-going source of capitalization for green lenders as needs change. If relevant and possible, EPA should provide flexibility on investment and reinvestment terms of program funds to keep pace with inflation and generally respond appropriately to changing market dynamics.

e. How to ensure additionality of projects

The concept of additionality should be broadly conceived in the interest of ensuring significant and on-going reductions in GHG. State instrumentalities and collaborating partners working on the ground in communities throughout the state have intimate first-hand knowledge of the market dynamics in the state – and a solid understanding of the barriers preventing stakeholders from implementing more GHG reductions. Supporting state collaboratives like ours with both loan capitalization and TA grant dollars would be an effective way to ensure that communities are both made aware of opportunities they might have otherwise missed and provided with both the appropriate TA and the appropriate financial product to help them take those perhaps they wouldn't have taken otherwise.

In many cases, additionality may be achieved by lowering costs – thereby allowing borrowers to implement more GHG reduction related capital or equipment. This seemingly straightforward analysis may not always be obvious. For example, public schools typically have ready access to debt finance but may prioritize less expensive upfront costs to meet community affordability constraints. Increasing debt capacity through lower financing costs will reduce this tension and result in more beneficial outcomes – and greater additionality.

f. How to promote continued operability

The best way to promote continued operability is to support entities with 1) an established history of successfully maintaining operations over several decades (like state instrumentalities), 2) a proven ability to manage revolving loan funds (as instrumentalities do with the SRF program), and 3) a demonstrated aptitude for innovating through collaboration (which is likely to be the most effective way to respond to eventualities and evolve effectively in the year ahead).

1. **Objectives:**

a. **Environmental Justice / Definition of “Low income and disadvantaged communities”**

What should EPA consider when defining “low income” and “disadvantaged” communities for purposes of this program? What elements from existing definitions, criteria, screening tools, etc., - in federal programs or otherwise - should EPA consider when prioritizing low-income and disadvantaged communities for greenhouse gas and other air pollution reducing projects?

Where possible, EPA should strive to allow alignment of these criteria with relevant state or local definitions. EPA goals should focus on ensuring that incentives and programming can be appropriately stacked with state incentives for qualifying projects while not increasing the verification burden to support broad access and uptake.

If there is concern that directly allowing relevant state/local definitions could be too expansive, EPA could establish high level criteria but allow verification through participation in relevant state or local level programs to limit additional verification burden.

EPA should consider all federal designations that indicate distress (such as those for CDFIs (Community Development Financial Institutions), New Markets, Food Deserts), as well as areas designated as distressed by state governments. For example, in Massachusetts this could include Environmental Justice neighborhoods or ‘Gateway Cities’ (formerly industrial cities suffering from job loss). Massachusetts defines an Environmental Justice neighborhood as meeting any of the thresholds related to income, minority status, or English-speaking proficiency (see Appendix A).

In addition to considering how to establish a clear definition for applicable community, EPA might find it valuable to establish a concept for a “low income” or “disadvantaged” household. This could be an important aspect of promoting more equitable access to resources, as a significant percentage of “low income” or “disadvantaged” households reside in communities that do not qualify as “low income” or “disadvantaged.” Likewise, there is a proportion of households in “low income” or “disadvantaged” communities that themselves are not “low income” or “disadvantaged.” By taking care to be inclusive of qualifying households in non-qualifying communities, EPA could establish a more robust definition of populations that could be prioritized for access to resources.

What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to ensure that low-income and disadvantaged communities can participate in and benefit from the program?

To effectively reach these communities, EPA should look to ensure GHGRF funds are able to facilitate a range of services and financial assistance (including direct incentives, finance, and technical assistance) that can support low income or disadvantaged communities and households through the range of unique challenges or barriers to adopting emission reduction solutions, recognizing these segments are not homogenous. This may include technical assistance for design and planning, support for grant

writing, as well as capacity building, education, and outreach, paired with grants and financing assistance to ensure these communities have access to affordable capital to implement solutions.

EPA should consider a very liberal definition of which financially supported actions/solutions the GHGRF applies to. Decarbonization solutions, particularly related to buildings, would include standard actions like heat pumps, weatherization, solar PV, ventilation, etc. It may also necessitate investment in related barriers, such as needed electrical upgrades, asbestos mitigation, knob and tube wiring replacement, etc. For entities without access to additional resources, it may also be necessary to support additional overlapping measures, such as re-roofing or re-siding to support insulation measures, solar PV, etc. While this may not universally make sense, it may be important to maintain local discretion for related decisions.

EPA should consider that any 'match' requirements are reduced for organizations representing low income or disadvantaged communities.

Some examples of programming in Massachusetts that has effectively targeted these communities (See Appendix B, C, and D for further details):

- EmPower Massachusetts: EmPower Mass offers multiple stages of investment in communities and community-based organizations so that they can explore, develop, and implement program models or projects that provide access to the benefits of clean energy for previously underserved populations. This MassCEC program crowd-sources new and innovative ideas, then helps build capacity and put them into action.
- Mass Solar Loan: A residential solar financing program where MassCEC partnered with local banks and credit unions to offer financing for residential solar PV systems, supported by credit enhancement tools including an Interest Rate Buy Down, Loan Loss Reserve, and Income Based Principal Reduction. This program had a specific focus on leveraging the private capital and expertise of local lenders while expanding access to financing to underserved markets. The Program had a particular focus on enabling direct ownership of solar for income qualified participants (where many income targeted PV programs focus on third party ownership, the intent of this program was to enable ownership of PV). Mass Solar Loan supported financing for over 3,000 income qualified residents and nearly 5,800 total consumers, representing ~50 MW of solar PV and deploying \$42 Million in assistance leveraging over \$185 Million in loan value. The program engaged 17 local banks and credit unions and a network of over 100 installers with infrastructure and technical assistance in addition to credit enhancements to support the offering of solar loan products.
- Affordable Housing Deep Energy Retrofit Scoping Assistance: As an example of technical assistance, MassCEC has partnered with LISC (Local Initiatives Support Corporation) Boston to offer 50% cost share grants to support deep energy retrofit studies for multifamily affordable housing. Owners approaching major rehabs are able to choose from a selection of approved firms to carry out feasibility studies with the goal of decarbonizing, either through a deep energy retrofit or with a "zero-over-time" rehab approach. Over 45 affordable or public housing developments have received this matching grant to date. As an example, this grant funding has led to the deep retrofit and decarbonization of the 283-unit, income restricted Salem Heights redevelopment through recladding, triple glazed window replacement, and addition of individualized heat pumps and ventilation systems.

- Affordable Housing Passive House Grants: MassCEC utilized \$1.7 million to provide \$4,000 per unit grants to 8 affordable housing LIHTC (Low Income Housing Tax Credit) developments (540 apartments) to upgrade and meet the ultra-efficient and healthy Passive House standard. Passive House multifamily projects have been using less than half the energy of similar code and LEED buildings in the Northeast. Grant recipients closely tracked costs associated with changes needed to meet the Passive House standard and on average only experienced an average 2% cost premium. This initial pilot and a subsequent Mass Save incentive program with similar program structure that provides design grants and a \$3K incentive per apartment has led to market transformation in Massachusetts with over 150 projects of more than 10,000 units poised to meet the Passive House standard.
- Transformative Development Initiative: A MassDevelopment program for disadvantaged communities (Gateway Cities) designed to accelerate economic growth within focused districts. The program works with cross-sector partnerships to engage community members in actionable planning, implement local economic development initiatives, and spur further public and private investment. This approach could accelerate other climate-related goals that need a district approach, particularly when it comes to switching districts from hydrocarbon heating sources towards electrification.

What kinds of technical and/or financial assistance should the Greenhouse Gas Reduction Fund grants facilitate to support and/or prioritize businesses owned or led by members of low-income or disadvantaged communities?

EPA should consider set asides in available funding for these segments to ensure there is a specific allocation given the additional administrative and outreach costs that may be needed to reach this segment. EPA should consider that most businesses in disadvantaged communities may not be the owners of the real estate that they occupy or may not even possess strong leases. Capital injections for building envelopes and system improvements may struggle with split incentive challenges. However, assistance geared towards planning, design, and purchase of efficient equipment systems within tenant spaces, which would lower their energy consumption and electrify end uses may have a greater impact on this market segment in the absence of long-term site control.

EPA should also consider expanding the consideration for supporting business owners to include disadvantaged populations not residing in said communities. For example, a disadvantaged business enterprise (DBE) located in a community that is not disadvantaged may ultimately provide significant equity benefits. Likewise, some businesses and/or owners of businesses located in disadvantaged communities may not necessarily represent a disadvantaged population.

EPA is also encouraged to consider not only supporting projects for businesses meeting target criteria, but also how support can be provided to prepare these businesses to participate in the workforce and implementation of projects funded by the GHGRF or otherwise related to the energy transition. It is important that applications for this funding recognize the workforce needs and impact and work in partnership with organizations providing technical services or other support to businesses in these underserved segments to help them participate in this industry.

Some example programming in Massachusetts that has supported low-income or disadvantaged community business owners in participating in these markets is provided below and in Appendix E and F:

- Minority and Women Owned Business Enterprise Support: One example MassCEC has used to support and prioritize members of low-income or disadvantaged communities is by providing large-scale, multi-year funding opportunities to organizations that assist Minority and Women Owned Business Enterprises in gaining expertise and expanding into fields that are critical to meeting the Commonwealth's climate goals of reaching net zero emissions by 2050. Organizations who specialize in engaging underrepresented communities provide certification-assistance, mentoring, networking, pipelines to procurements, and access to capital, to businesses owned by minorities or women that historically have had limited success breaking into efficiency and clean energy fields. This ongoing program has funded \$2.8 million of support to date.
- Offshore Wind Workforce and Supply Chain Efforts: An example of industry focused efforts, MassCEC has launched needs assessments, development grants, information sharing and a curated network of the local supply chain to engage local businesses in the emerging offshore wind industry. These initiatives help ensure local businesses are enabled with skills, credentials and expertise needed to engage in the industry.

b. Program Efficiency

What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate high private-sector leverage (i.e., each dollar of federal funding mobilizes additional private funding)?

EPA is encouraged to work with established mission-aligned organizations (or any special purpose subsidiaries) to deliver programming who have a demonstrated experience designing programs to leverage private capital in support of relevant emissions targets. These organizations may have existing market penetration through past industry and consumer engagement. Furthermore, they may have established tools and personnel to deliver results quickly.

EPA is also encouraged to recognize the value of partnerships that leverage different expertise, such as clean energy focused institutions with financing focused institutions. In Massachusetts, for example, MassCEC (clean energy focused) and MassDevelopment (development finance focused) have been collaborating on how they can deliver climate finance solutions to the building sector.

In Massachusetts, the Massachusetts Clean Energy Center (MassCEC) has deployed over \$400M in clean energy programs and investments since 2010, attracting and leveraging over \$2.3B in private and federal capital. Since 2010, MassDevelopment, a development focused economic development agency, has deployed nearly \$37 Billion in development financing capital, leveraging billions more in private capital, which among other impacts, has created and rehabilitated 25,000 housing units and supported or created 150,000 jobs in Massachusetts.

EPA should also ensure funding approaches are flexible to allow direct and indirect recipients to ensure the 'bankable' project components can be privately funded, allowing more projects to be leveraged. Potential concepts for GHGRF funding include filling gaps that are not able to support debt (subordinated financing, grants, or forgivable loans), as well as loan guarantees or other credit enhancement that can reduce risk to facilitate private capital from banks or other lenders. EPA should recognize that using GHGRF funds to support gaps (via credit enhancement or other tools), while allowing the 'bankable' portions to be privately financed may negatively impact the potential 'return' on that federal capital.

EPA is also encouraged to consider that leverage requirements could disadvantage reach of under resourced communities, and in some cases, grants may be the more appropriate solution. EPA should consider leverage at the portfolio level, balanced against other impacts and goals, and also recognize the 'indirect leverage' value of projects that demonstrate solutions or support market development in developing sectors.

What should EPA consider in the design of the program to ensure Greenhouse Gas Reduction Fund grants facilitate additionality (i.e., federal funding invests in projects that would have otherwise lacked access to financing)?

EPA can increase additionality by working directly or indirectly with organizations guided by ambitious emissions goals. Public aligned agencies (such as climate focused or economic development agencies) in states with ambitious emissions targets that are looking to utilize GHGRF funding to develop markets, address barriers, and support a broader energy transition are a great opportunity for enhancing additionality.

Note particularly that GHGRF funding utilized in parallel with market development efforts have the potential for leverage not only at the project scale, but also indirectly, as those funds are able to grow markets, demonstrate viable solutions, address barriers, and pave the way for future projects and capital.

More traditional or existing financial organizations may bring experience and capability in underwriting and the provision of capital. However, if not carefully aligned with ambitious emissions targets, they may utilize funds to support projects that are already commercially viable with private financing. In fact, clean energy and energy efficiency projects that currently attract private financing may be the most cost-effective and sustainable product of a climate finance entity, and these projects may offer substantial greenhouse gas reductions. However, they may offer the least additionality and may not contribute significantly to increasing the trajectory of greenhouse gas reductions nationally. Examples of commercially viable projects that have access to capital or are adequately supported by existing policy may include utility-scale renewables, transmission, and light efficiency projects that extend reliance on fossil fuels.

It is important that EPA recognize that while programming targeting solutions with more difficult economics can substantially increase additionality, it may come at the expense of fund sustainability or

pace of deployment. It is important that EPA selection criteria recognize the potential tradeoff between pace, revenue generation, and market development potential. An example would be access to capital for deep building decarbonization and electrification projects. Current economics offer limited economic benefits in many areas and result in the market transformation being in its early stages. However, EPA should recognize the importance of accelerating this project type will play a critical role in accelerating the trajectory of building decarbonization in support of long-term emissions targets and the energy transition, as well as the long-term indirect additionality of projects that are market building.

EPA is encouraged to look for direct and indirect recipients that are working with private lenders to assess which projects or portions of projects have access to private capital and reasonable costs (bankability). Applications from entities or teams that have strong experience working with private sector financial institutions should be recognized for bringing this expertise.

What should EPA consider in the design of the program to ensure that revenue from financial assistance provided using Greenhouse Gas Reduction Fund grants is recycled to ensure continued operability?

Track records (including performance, accountability, and financial sustainability) of applicants and mission alignment on emissions reduction can help ensure longevity of financing offerings, as entities with long-term objectives will seek to establish a long-term financing entity. EPA could also consider limits such as recouping administrative costs ‘at cost’ to ensure funding is focused on long term operability. EPA should be sensitive to the distinction between ‘longevity’ and ‘recycling’ where some approaches may focus on longevity though recycling is limited by project or recipient focus.

As per the response to Program Design Question #2, long-term financial sustainability may, however, sometimes conflict with additionality, as the financially attractive deals may already be pursued by the private sector. However, leveraging additional resources (such as state incentive funding) into an “integrated” offering may help bridge any subsidy gaps that could hamper financial sustainability. Also, EPA could consider preserving a portion of funding to support projects that do not currently have access to capital but have perhaps less attractive returns or a longer payback period, or otherwise policy aligned projects such as those that advance Justice40 goals.

What federal, state and/or local programs, including other programs included in the Inflation Reduction Act and the Infrastructure Investment and Jobs Act or “Bipartisan Infrastructure Law,” could EPA consider when designing the Greenhouse Gas Reduction Fund? How could such programs complement the funding available through the Greenhouse Gas Reduction Fund?

EPA should consider how the GHGRF can align with or enable climate resilience and/or community resilience infrastructure projects, as priorities of both the Inflation Reduction Act and the Bipartisan Infrastructure Law.

EPA is encouraged to recognize that different states and regions have very different starting points for existing programming and support of emissions reduction programming. The GHGRF opportunity should recognize that states with strong additional programming may be able to utilize GHGRF funding to support more forward looking and leading-edge project types that could serve as examples and demonstrations of potential solutions nationally.

Massachusetts for example has been a long-standing leader in energy efficiency programming, has implemented market development programming for many building electrification solutions, and is also home to leading policy such as the City of Boston's Building Emissions Reduction and Disclosure Ordinance which sets reducing emissions requirements for large buildings.

EPA should consider how the GHGRF funds can be administered to leverage the market leading programs of a state like Massachusetts in a way that serves to demonstrate future programming nationally. EPA is particularly encouraged to look for applications that specifically reference market development and demonstration perspectives in their application.

Examples of market development programming undertaken in Massachusetts include (see Appendix G, H, and I for further details):

- Mass Solar Loan: As previously described, the program focused on access to solar financing with a particular emphasis on engaging private lenders and building up the market for residential solar finance amongst banks and credit unions.
- Heat Pump Rebate and Market Development Programs: Beginning in 2014, Massachusetts implemented a range of market development programs to develop and accelerate the market for clean heating and cooling solutions for the residential market. This includes a long-standing rebate program that provided \$28M in awards supporting over \$164M invested in 20,000 projects and resulting in a 17x growth in participating installers over the course of the program. This program helped kickstart the market and expand the installer workforce, enabled the development of educational content to streamline the process for consumers, and demonstrated solutions later integrated into the Commonwealth's long-term energy efficiency programming. In 2019 the concept evolved into a pilot focused on testing the performance of heat pumps as a standalone system in the Massachusetts climate. This pilot funded just under 170 homes, mostly retrofits, and also included the joint development of a report on the performance of heat pumps as a primary heating source. This pilot similarly demonstrated solutions that were later integrated into the Commonwealth's efficiency programming as a whole-home heat pump incentive. This continuum of programming has focused on developing the market and thoughtfully addressing barriers to support continued acceleration and growth.
- Advancing Commonwealth Energy Storage (ACES): The ACES program was a demonstration style market development program providing grants for the deployment of energy storage systems with the goal of supporting innovative and replicable energy storage use cases and business models. This demonstration support was designed to de-risk future investment by demonstrating replicable models in the field and sharing key findings that went on to support the design of subsequent energy storage incentivization programs.

II. Program Structure

a. Eligible Recipients

Who could be eligible entities and/or indirect recipients under the Greenhouse Gas Reduction Fund consistent with statutory requirements specified in section 134 of the Clean Air Act? Please provide a description of these types of entities and references regarding the total capital deployed by such entities into greenhouse gas and air pollution reducing projects.

As direct eligible entities, EPA should consider an expansive definition of ‘nonprofit’ that would enable participation by mission aligned organizations (or their subsidiaries) with demonstrated capabilities in this space such as Quasi-Public or public affiliated clean energy and/or economic development focused agencies. Such entities meet the non-profit seeking intent of the language, are missioned aligned with emissions reductions goals of the fund, and have the networks and capabilities to thoughtfully deploy funds to meet national and state emissions targets with a focus on equity for underserved communities.

As an example, the Massachusetts Clean Energy Center, a quasi-public economic development agency focused on the clean energy economy has deployed over \$400M in clean energy programs and investments since 2010, attracting over \$2.3B in private and federal capital. MassDevelopment, another Quasi-Public Agency focused on development financing, including building rehabilitation, has deployed nearly \$37 Billion in development financing capital, leveraging billions more in private capital, since 2010.

EPA should also consider prioritizing mission aligned quasi-public entities as indirect recipients and should ensure that direct recipients consider alignment and track record in their own criteria for funding disbursement. Capital deployed by applicants should be one of the criteria to examine in considering track record.

EPA is also encouraged to recognize that most emissions-reducing projects for buildings are at their core construction or development financing projects and should maintain a broad interpretation to facilitate participation by the greatest amount of development financing providers. Particularly enabling public sector development financiers to access these funds and leverage their own programs and capital streams to incorporate net-zero goals and emissions reductions.

What types of entities (as eligible recipients and/or indirect recipients) could enable Greenhouse Gas Reduction Fund grants to support investment and deployment of greenhouse gas and air pollution reducing projects in low-income and disadvantaged communities?

As described above, quasi-public agencies with aligned missions and demonstrated experience in deploying equity focused programming should be prioritized as partners in reaching these communities, particularly to help ensure these communities are targeted thoughtfully and with awareness of potential risks (including energy burden, additional debt, maintenance costs and more). For example, the Massachusetts Clean Energy Center typically integrates a focus on low-income households or

environmental justice communities into our programming. This includes workforce development programming designed to engage these communities in the clean energy workforce. MassCEC has also worked closely with local Community Development Corporations and affordable housing developers to prioritize clean energy and building decarbonization actions. The flexibility and nimble nature of MassCEC's organizational structure makes these arrangements actionable, and mission-alignment keeps the organization focused on decarbonization goals.

EPA is also encouraged to allow "receivers" as eligible beneficiaries of the funding, though not direct recipients/administrators. In Massachusetts, receivers are private entities that are assigned by the courts to be the caretaker of residential property when it is deemed that landlords are being chronically negligent of their housing units. Receivers are then tasked with making capital upgrades to the facility to bring them into code compliance and reduce blight. This often includes a series of insulation and HVAC system upgrades that will last for at least a decade. This is the ideal time to provide further incentive to take net-zero energy or decarbonization actions within disadvantaged communities. In general, prioritizing rehabilitation projects of older infrastructure in disadvantaged communities will make the highest impact as these communities often see less new construction, and rehab projects are often limited by low margins.

What types of entities (as eligible recipients and/or indirect recipients) could be created to enable Greenhouse Gas Reduction Fund grants to support investment in and deployment of greenhouse gas and air pollution reducing projects in communities where capacity to finance and deploy such projects does not currently exist?

GHGRF funding has potential to be a valuable resource in supporting the launch of new climate finance or greenhouse gas reduction focused organizations. However, EPA should ensure that new entities seeking funding are well developed, have clearly defined missions and governance, can demonstrate potential project pipelines, and have cooperative relationships or partnerships with other clean energy or emissions focused organizations in their region. Such entities should also demonstrate their programming is intended to support existing lending markets and be complimentary not competitive. Demonstrated partnership with trusted organizations in disadvantaged communities and/or public entities with a track record of equity programming should also be carefully considered.

EPA should also consider how public sector corporations focused on energy, development finance and building construction and maintenance could form creative partnerships to bridge some of the toughest barriers to adoption such as the "split incentive" between building asset ownership and energy use by tenants. EPA should look to ensure funding can be deployed flexibly to enable such partnerships that could capture value from cost savings and properly dedicate to debt service and align the incentives of energy consumers.

How could EPA ensure the responsible implementation of the Greenhouse Gas Reduction Fund grants by new entities without a track record?

For new entities, EPA should consider if those new entities are special purpose entities related to established entities. For example, an existing organization with deep market penetration may find it favorable to create a new entity with an exclusive focus on accelerating climate financing. While that entity may not directly have experience, its relation to the parent entity will ensure that it has the experience, market engagement, and resources needed, as well as the governance to be responsible fiduciaries of public funds.

b. Eligible Projects

What kinds of technical and/or financial assistance could Greenhouse Gas Reduction Fund grants facilitate to maximize investment in and deployment of greenhouse gas and air pollution reducing projects by existing and/or new eligible recipients and/or indirect recipients?

Building decarbonization is a complex challenge and requires thoughtful consideration of specific building constraints to optimize for cost, end of life of existing systems, emissions reductions, comfort, and other constraints. Building owners need sophisticated technical assistance, including design, cost estimation and project planning services. Technical Assistance that helps develop a pipeline of these retrofits can build momentum within the market, help establish design consistencies and ‘muscle memory’ within the construction/development industry needed to electrify buildings at scale.

As mentioned previously, financial assistance offered through the fund should be varied and flexible to ensure it is able to support innovative financing solutions that have the potential to shift the needle on private sector financing.

What should EPA consider in the design of the program to enable Greenhouse Gas Reduction Fund grants to facilitate broad private market capital formation for greenhouse gas and air pollution reducing projects? How could Greenhouse Gas Reduction Fund grants help prove the “bankability” of financial structures that could then be replicated by private sector financial institutions?

EPA should look specifically for recipients and applications with a focus on market development and demonstration of solutions that can scale to the private sector, and with a track record of implementing programming with these goals.

Ensuring funds are used for the ‘un-bankable’ portions of projects in partnership with private lenders (or loan guarantees that can reduce the perceived risk) can help ensure GHGRF funds are demonstrating models for future private lender products.

What types of projects should EPA prioritize under sections 134(a)(1)-(3), consistent with the

statutory definition of “qualified projects” and “zero emissions technology” as well as the statute’s direct and indirect investment provisions? Please describe how prioritizing such projects would:

- a. maximize greenhouse gas emission and air pollution reductions;**
- b. deliver benefits to low-income and disadvantaged communities;**
- c. enable investment in projects that would otherwise lack access to capital or financing;**
- d. recycle repayments and other revenue received from financial assistance provided using the grant funds to ensure continued operability; and**
- e. facilitate increased private sector investment.**

EPA should ensure the fund prioritizes supporting ambitious electrification and decarbonization projects in the buildings sector needed to reach state and national level emissions targets. This building energy transition is going to require billions of dollars in capital across millions of buildings and decision makers but is critical to meeting emission reduction targets and has an important impact on indoor air pollution/quality. There are also many clearly identified financing gaps in building decarbonization.

Building decarbonization projects typically incorporate weatherization of a building’s envelope (i.e., air-sealing and insulation), electrification of energy end uses (e.g., heat pumps for heating and domestic hot water, electrification of cooking and other appliances), and integration of on-site renewables when possible. It also likely requires electrical upgrades and may have on-site vehicle charging and/or energy storage equipment. As stated in an earlier response, it will likely be necessary to support costs indirectly associated with decarbonization, including electrical upgrades, overcoming pre-weatherization barriers (e.g., asbestos, knob and tube wiring), and associated home repairs (e.g., reroofing), especially for lower-income households.

Ensuring access to affordable capital for these projects in the early stages is critical to ensuring the pace of this transition can accelerate and the market is able to develop at the scale needed. Particularly, ensuring access in low-income or disadvantaged communities is critical to not inhibited them from participating in this transition and being left with rising costs on legacy systems.

It is important to recognize that in many markets, decarbonization or electrification projects may not deliver cost savings, have markets that are in their infancy, and are best delivered in ‘over-time’ approaches that leverage natural equipment replacement cycles. As a result, supporting these projects through the GHGRF may come at the expense of other goals such as sustainability of funding or pace of deployment relative to other solutions that are more commonly commercially bankable (e.g., Solar PV or “cost-effective” efficiency). EPA should take care to avoid funding assistance for projects with existing access to private capital or that are sufficiently supported through existing sources.

EPA should also ensure the fund can support project proposals that plan, design, prepare and begin the coordinated conversion of neighborhoods from hydrocarbon heating grids (i.e., gas and oil distribution) to decarbonized solutions such as all-electric neighborhoods, networked geothermal districts, and/or clean district energy systems. These projects, now being piloted in Massachusetts and elsewhere, are necessary to avoid placing the high fixed cost of gas and other distribution networks on the lowest income residents and businesses while higher worth individuals can make these building transitions on their own accord.

Implementation projects that focus on converting whole neighborhoods will need initial support and subsidy and this fund could be a major accelerator for electrification efforts across the nation as the electric grid continues to grow its portfolio of renewable sources. Taking a neighborhood-level strategy would allow bundling of financing, where some buildings “pen out” as bankable and others do not, but the portfolio of building improvements writ large could either be bankable through private finance (given ground-level coordination with these funds) or need dramatically less public subsidy. The acceleration of electrification through entire neighborhoods would require the engagement and investment by private owners, banking institutions, and other partners.

EPA should also consider allowing funds to pilot approaches to reduce hydrocarbon use and other fuels that emit particulate matter within industrial processes located in or proximate to environmental justice communities. For example, natural gas is often used not just for indoor environment heating but for a myriad of production processes.

EPA is encouraged to recognize the track record of many economic development agencies (Massachusetts examples: MassCEC and MassDevelopment) in successfully leveraging grants and public funds with private sector investment to deliver projects.

Please describe what forms of financial assistance (e.g., subgrants, loans, or other forms of financial assistance) are necessary to fill financing gaps, enable investment, and accelerate deployment of such projects.

EPA should ensure that assistance (to direct recipients as well as indirect recipients) is available in a range of formats and with flexibility to ensure that funding can be used by applicants to support innovative solutions, including those that may develop over time as market gaps are better understood. EPA should focus on the goals of the financial assistance but leave form and specifics flexible for the applicants.

Flexible solutions could include capital for projects with cash flows but other credit concerns, technical assistance grants, predevelopment capital, and coverage for gaps that cannot be supported by debt. A particular example is capital that can finance smaller projects through a Property Assessed Clean Energy (PACE) structure, where smaller commercial projects (under \$500,000) struggle to find private PACE capital providers in MA. An initial capital source for these projects could help demonstrate bankability over time, to encourage availability of private capital for this project type. While grant style funding could be utilized to ensure lack of savings over a 20-year term in the PACE structure could be used to cover ‘uneconomic’ portions and allow participants to make the desired (and most GHG beneficial) improvements.

EPA could consider limited allowance of using funding to “buy down” principal in order to make projects financially viable, especially for low-income households that might not be able to implement cost-effective solutions even with sufficient financing. While this resembles a selective rebate, it might be necessary if other sources of incentive support are not available to make a project “pencil out.” This gap is particularly burdensome for lower-income households.

EPA is encouraged to recognize how these different forms of financing assistance may advance the goals of the Justice40 initiative.

Beyond financial assistance for project financing what other supports – such as technical assistance -- are necessary to accelerate deployment of such projects?

Technical assistance is critical to ensuring successful outcomes, given the complex nature of optimizing building decarbonization projects, including assistance in outreach and project evaluation.

EPA is encouraged to recognize that Technical Assistance may come in many forms to entities involved in the clean energy transition. This may include technical assistance to building owners including developing project scopes, identifying funding, procuring relevant services, commissioning, monitoring and more. It may also include technical assistance for lenders (helping them understand technical solutions, building performance standards or relevant policies, or building pipelines to achieve scale and disbursed risks.

District-level coordinated projects particularly would face additional administrative costs and need for coordination staff, while enabling participation by a pool of building owners that can thoughtfully shrink legacy distribution systems.

EPA might also consider convening funding recipients to share approaches and best practices and to offer technical assistance in development of consumer or wholesale products

C. Structure of Funding

Are there best practices in program design that EPA should consider to reduce burdens on applicants, grantees, and/or subrecipients (including borrowers)?

EPA should consider that the application process (for direct recipients or indirect recipients) should include a 'expression of interest' round to allow reviewers to share feedback on draft proposals, to better enable participation by organizations with fewer resources or less experience with competitive applications.

EPA is encouraged to look to existing state programs and efforts at the state and local level to streamline customer experience.

EPA can help reduce burdens by prioritizing direct and indirect recipients that have demonstrated experience and/or strong partner relationships with existing incentive providers for clean technologies and can ensure GHGRF funding can be appropriately coordinated with other programming in an administratively thoughtful manner, and particularly in a way that reaches underserved markets.

EPA should look to limit reporting or certification that is required at the project level and keep reporting requirements to EPA streamlined at top-line details on limited and regular intervals. EPA should also seek to limit requirements on funding recipients in an effort to minimize additional administrative or project costs beyond those of the current market.

What, if any, common federal grant program design features should EPA consider or avoid in order to maximize the ability of eligible recipients and/or indirect recipients to leverage and recycle Greenhouse Gas Reduction Fund grants?

EPA could consider using similar reporting and tracking frameworks as the US Treasury Department's SSBCI program. EPA should avoid lengthy and complicated regulations on funding use such as those generally associated with US HUD's CDBG program, which could be seen as a disincentive for many private participants in this context.

If EPA is seeking to encourage recycling of GHGRF funds, it might consider reducing or eliminating tracking, reporting, and other requirements after original disbursement. Recycling of funds may take several years from the time of original disbursement and these requirements may prove unhelpful or burdensome in future years. However, it is important to maintain high level requirements that recycled funding be utilized with the same greenhouse gas reduction objectives.

What should EPA consider in the design of the program, in addition to prevailing wage requirements in section 314 of the Clean Air Act, to encourage grantees and subrecipients to fund projects that create high quality jobs and adhere to best practices for labor standards, consistent with guidance such as Executive Order 14063 on the Use of Project Labor Agreements and the Department of Labor's Good Jobs Principles?

In Massachusetts, labor costs and wages are relatively high, and unemployment is very low. This has contributed to very high costs for construction and housing costs. As Massachusetts aggressively pursues our decarbonization goals, we are focused on compressing the currently high costs of consumer decarbonization while preserving a strong and well-paying industry. Our market research has documented that clean energy jobs are well paying. And many interrelated fields, such as HVAC and electricians, pay well above median incomes and typically six figures. EPA should be aware of this, and we recommend that EPA strongly consider structuring requirements around this funding in a way to minimize increases in consumer costs by limiting requirements that could inflate labor costs.

EPA is encouraged to consider the potential consumer cost impact of higher-than-market wage requirements, particularly for smaller projects. EPA is encouraged to consider exemptions for smaller scale projects or investments focused on low-income or underserved communities where administrative burden or increased costs could risk reducing participation or offsetting the value that GHGRF funds could provide.

What should EPA consider when developing program guidance and policies, such as the appropriate collection of data, to ensure that greenhouse gas and air pollution reduction projects funded by grantees and subrecipients comply with the requirements of Title VI of the Civil Rights Act, which prohibits discrimination on the basis of race, color, and national origin in programs and activities receiving federal financial assistance?

The objectives of non-discrimination as stated are critical and demonstrating compliance with those requirements is necessary. However, EPA should consider how this could be streamlined in a way that would not be burdensome to funded entities or private recipients of those entities. For example, a statistical sampling of a small subset of projects or recipients may be sufficient to confirm non-discrimination. Also, EPA could consider utilizing any local or state requirements that are consistent with those of the federal government to demonstrate compliance. For federal funding to have substantive impact on a market transformation, it is necessary for that funding to have only the most critical administrative and reporting requirements in order to minimize administrative costs and staffing burdens for both the administrative entity and private recipients.

What should EPA consider when developing program policies and guidance to ensure that greenhouse gas and air pollution reduction projects funded by grantees and subrecipients comply with the requirements of the Build America, Buy America Act that requires domestic procurement of iron, steel, manufactured products, and construction material?

Similar to question #8 above, the objectives of the Build America, Buy America Act are important, but it is critical to ensure that the requirements and reporting do not compromise the objectives of the funding by creating administrative costs and staffing burdens on awardees. There are likely structures to simplify the process of confirming compliance.

Also, it should be noted that domestic manufacturing of critical decarbonization technologies like heat pumps and solar panels is currently extremely limited. EPA should consider how to establish these requirements on distributed funding and potentially evaluate feasibility of this requirement on certain manufactured products in the near- to mid-term.

III. Execution, Reporting & Accountability

What types of governance structures, reporting requirements and audit requirements (consistent with applicable federal regulations) should EPA consider requiring of direct and indirect recipients of Greenhouse Gas Reduction Fund grants to ensure the responsible implementation and oversight of grantee/subrecipient operations and financial assistance activities?

EPA should carefully consider the mission and alignment of the governance structure to national and state level emissions goals. EPA should take a degree of confidence in organizations that align governance and mission with relevant public sector organizations.

Reporting and audit requirements should be established with care to not overburden direct and indirect recipients and avoid limiting innovation, efficiency, or creative fund use amongst recipients.

Are there any compliance requirements in addition to those provided for in Federal statutes or regulations (e.g., requirements related to administering federal grant funds) that EPA should consider when designing the program?

We do not have any specific recommendations on this topic but would like to encourage EPA to minimize compliance requirements to the extent practical.

What metrics and indicators should EPA use to track relevant program outcomes including, but not limited to, (a) reductions in greenhouse gas emissions or air pollution, (b) allocation of benefits to low-income and disadvantaged communities, (c) private sector leverage and project additionality, (d) number of greenhouse gas and air pollution reduction projects funded and (f) distribution of projects at the national, regional, state and local levels?

When tracking reductions in greenhouse gas emissions due to electrification, EPA should carefully consider its methodology to accurately reflect the benefits of electrification over time. This may require evaluating electricity emissions using an “average” emissions factor or a “build margin” emissions factor rather than a “marginal” emissions factor. Furthermore, the emissions savings should be calculated over the expected lifetime of a project over which the electric grid will likely become cleaner instead of just during the year implemented.

What should EPA consider in the design of the program to ensure community accountability for projects funded directly or indirectly by the Greenhouse Gas Reduction Fund? What if any existing governance structures, assessment criteria (e.g., the Community Development Financial Institutions Fund’s Target Market Accountability criteria), rules, etc., should EPA consider?

Consider providing an online reference map of projects that have been financed/supported by the fund, for easy access to the public.

General Comment:

Long term sustainability of the GHGRF is optimal, but the effect of grants and forgivable or otherwise concessionary loans should be considered. The goal of sustainability should not impair the immediate goals of making the most impactful investments to reduce greenhouse gas emissions, support and develop markets such as building electrification that are needed to meet emissions targets, and impact low-income or disadvantaged communities.

EPA should consider prioritizing funding for more difficult to decarbonize segments (such as building decarbonization and underserved environmental justice/low-income populations) and to support innovative and non-traditional financing approaches.

EPA should consider guardrails to minimize displacement of residents and businesses that could be indirectly impacted by these funds. Often the lowest energy-performing buildings are older stock, have suffered disinvestment over the years, are less valuable and therefore have lower rents – correlating highly where disadvantaged populations and businesses would locate. Incentivizing wholesale improvements to buildings would likely correlate with higher values (such as co-investment with other building improvements, lower utility costs, better environment, etc.). Without guardrails that might consider the displacement of tenants due to construction or rising rent costs, the targeting of disadvantaged geographies could lead to a gentrification effect, ultimately impacting the most vulnerable.